



PRIME CPEC Monitor

China Pakistan Economic Corridor (CPEC) Monitor



Operationalizing CPEC

With the arrival of the first shipment of 300 Chinese trucks at the Sost Dry Port in Gilgit-Baltistan on Monday 30 October 2016, the China Pakistan Economic Corridor became operational. Two weeks later on 13 November, this consignment was loaded on ships from Gwadar and seen off by the Prime Minister and other VIPs who had gathered for this unique occasion. The event received wide publicity in the local as well as international press and electronic media with many terming it the begin-

ning of a new chapter in Pakistan's history and the herald of "a new dawn". But there were some who moaned the lack of any local content except providing security. They felt that at least the trucks used to carry the goods could have been locally assembled to give boost to the local assembly of trucks and buses.

The Sixth meeting of the Joint Cooperation Committee (JCC)

Another important event was the 6th meeting of the Joint Cooperation Committee (JCC) on

China-Pakistan Economic Corridor (CPEC) in Beijing on 29 December 2016. It was for the first time that the Chief Ministers and other senior officials of all the provinces participated. The meeting reviewed the progress on long-term plan for CPEC, energy cooperation, transport infrastructure, Gwadar and Industrial cooperation. While both sides expressed satisfaction over the work done so far but emphasized the need to speed up the work on projects concerning Gwadar and Industrial Cooperation. They also discussed the way forward for the effective and timely implantation of various projects under CPEC.

With the inclusion of these projects, the CPEC outlay has now risen to over 50 billion US dollars. Some of the more significant new projects include modernizing and building new railway lines, mass transit schemes, establishing new industrial estates and inclusion of new hydroelectric projects.

Major milestones

Roads

- Approval of three new road projects namely, a) 136 km of remaining Karakoram Thakot-Raikot (N-35) highway costing \$80 million, b) 110 km of Khuzdar-Basima (N-30) Road costing \$160 million and c) 225 km up-gradation of Dera Ismail Khan-Zhob (N-50) costing \$900 million.

- On 14 December 2016, the Prime Minister Muhammad Nawaz Sharif inaugurated the up-gradation, widening and strengthening of 448 kilometer-long Sorab-Hoshab Road (N-85), an important part of the Western Corridor of China Pakistan Economic Corridor (CPEC). The road will link Gwadar Port with National Highway network (N-25) near Sorab/Quetta.

- Earlier on 6 May 2016, the Prime Minister inaugurated the Multan-Sukkur Motorway. Starting from Multan the six lane motorway

would pass through Jalalpur, Peerwala, Ahmed Pur East, Rahimyar Khan, Ubaro, Pano Aqil and end at Sukkur. It is due to be completed in December 2017. China will finance up to 90% of the cost, while the remaining 10% is to be financed by the Public Sector Development Programme of the Pakistani government.

Railways

- Another major decision taken at the 6th JCC is to make mass transit projects of four provinces part of the CPEC framework. These projects are Orange Line Metro project Lahore, Karachi Circular Railway, Peshawar Greater Circular Railway and Quetta Circular Railway.

- A new railway tracks will be laid from Gwadar to Quetta and Jacobabad via Besima.



- Pakistan and China have also established working groups for the up-gradation of the key rail lines throughout the country. A feasibility study of the Main Railway Line (ML-I) Karachi-Peshawar has already been completed, while work on the feasibility of its second phase is scheduled to be completed in May 2017. After the completion of up gradation work of track (ML-I), the trains are expected to run at a speed of 160 kilometers per hour instead of current 65-120 kilometer per hour. It is also planned to increase the number of trains from current 32 trains per day to 171. First component of railway under CPEC will be completed in next five years.

- Regarding up gradation of Main Railways Line 2 or ML-2 from Attock to Kotri, a feasibility study

has been launched. The consultancy work has been awarded to an Austrian firm through an international competitive bidding process.

- The work for doubling/improvement of existing track from Port Qasim to Bin Qasim Station has been awarded to National Logistic Cell (NLC) and is under progress.
- 55 locomotives are being procured from China, out of which seven would arrive soon, while the remaining would reach in a period of three months.
- Work has started on making Kohat-Rawalpindi railway services functional during 2017.

Gwadar Port

- To overcome the acute water shortage at Gwadar, it has been agreed to supply 6.5 MGD water from Sawad Dam. The dam is three to four times bigger than the Ankara Dam being used currently for water supply to the Gwadar city, Sawad Dam is about 57 km from Gwadar area and work on the dam is near completion.



- The construction of East-Bay expressway of the Gwadar Port would be completed by December 2018, according to sources from Gwadar Port Authority. The expressway provides immediate and uninterrupted connectivity to Gwadar Port terminals with the Mehran Coastal Highway in the first phase and with New Gwadar International Airport in the second phase.

Energy Projects

- Suki Kinari Hydropower Project, which is estimated to produce 870 MW of electricity and will cost \$1.8 billion, has achieved financial closure. This is the first CPEC hydro independent power project (IPP). This is a run-of-the-river hydropower project on the Kunhar river in Kaghan Valley, KPK. The project is one of Pakistan's largest private-sector power development project.



(Suki Kinari Hydropower Project)

- Pakistan and China have slashed down projected power generation estimates from 10,000 MW to around 5,000 MW till 2018 under early harvest programme of CPEC because of delays in few projects including Rahimyar Khan and Muzaffargarh coal fired projects as well as some projects located in Sindh. However, non-CPEC power projects would help generate the expected shortfall.

- There are some reports that the mega hydro-power project costing about US\$ 14 billion could be made a part of CPEC framework.

- The JCC agreed that work might be started on a 300 MW coal-based power plant in Gwadar before March 31. The project was aimed at meeting the electricity demand of the port city.

- An agreement to fund 4,000 MW power transmission line from Matiari to Lahore was recently signed in Beijing. Construction will begin immediately and should take about 20 months. Two tracts of land of 175 acres each have been

provided to a Chinese company by the Pakistan government for the \$1.57 billion Matiari-Lahore 660 kV high voltage direct current transmission line power project.

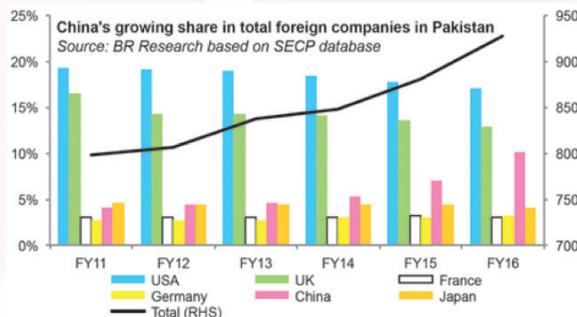


(Shahiwal Coal Power Plant with Central Control Room getting ready)

- The \$1.8 billion Sahiwal power plant, which has two units of 660 MW each and would be first power plant to be run on imported coal, is in final stage of its completion. It has already been connected to the national grid and Pakistan Railways has started transporting imported coal for test run of the project. The project is expected to be functional in July 2017.

Economic Impact of new investment

- New companies being registered at the Securities Exchange Commission of Pakistan (SECP) have been on the rise of late. During the first half of the 2016-17 Financial Year, 3411 new incorporations were registered as against 2747 new incorporations in the same period last year. The share of the Chinese firms in total foreign companies incorporated in Pakistan has risen to 10 percent by during 2016 from a share of 4 percent in 2011.



A Chinese-led consortium has successfully bid to buy a 40 percent strategic stake in Pakistan Stock Exchange (PSX). The consortium is expected to invest \$85 million to broaden economic and financial collaboration between China and Pakistan. The investment will bring experience, technological assistance and introduction of new products like options trading and futures trading.

Security

- A Special Security Division (SSD) consisting of nine army battalions and six civilian wings with 13,700 personnel has been set-up for providing security for the CPEC. To help bolster marine security, China recently handed over two maritime patrol vessels to the Pakistan Navy, which has assembled a special task force TF-88 for this purpose.



New partnerships

- Although it is generally perceived that India is not favorably inclined towards CPEC, nevertheless, to reduce hostilities, the Commander of Southern Command General of Pakistan Army has invited India to join the China-Pakistan Economic Corridor.