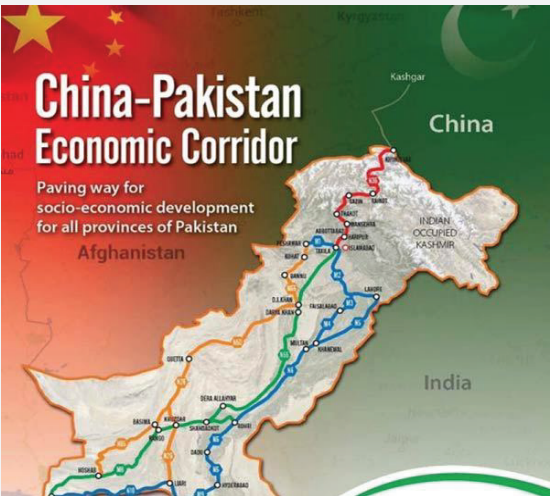


# CPEC - Opportunities For Karachi

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## Monograph

CPEC - just four simple letters, letters on which an entire nation's hopes and aspirations are pinned. This huge injection of Chinese investment is vital for jump-starting the Pakistani economy. Such a generous shot in the arm can also unfortunately have the opposite effect, that of dooming the country to perpetual servitude. A high level of preparedness, ability and capacity to exploit the opportunities on offer is a prerequisite for avoiding this setback. And as the term 'Economic Corridor' signifies, opportunities herein are indeed aplenty.

CPEC incorporates road and rail connectivity, IT networks, Special Economic Zones and power generation to meet both industrial and domestic needs. A vast bulk of the Chinese investment is being pumped into power generation, something that can be expected to furnish instant and guaranteed returns for the investors. After overcoming the country's current shortfall, surplus power would be going to the Special Economic Zones being planned. Although nine such zones have been initially identified, China is intent on focusing on just three for the present. These three, the ones at Thatta, Faisalabad and Hattar, have been selected by China on the basis of an economic viability assessment, covering in particular their current state of readiness for absorbing the expected investment.

The one entity we in Pakistan most associate with CPEC is the emerging port of Gwadar, which can be said to be the starting point or the endpoint of the corridor, depending on how one looks at it. It also forms the point of confluence of the land-based economic corridor and the maritime silk route. Ever since construction work on the port of Gwadar first commenced, and possibly much earlier, so much hype has been generated about its prospects that it has become difficult to sift fact from fiction. A vital statistic, largely ignored amidst the frenzy, is that ever since the completion of the first phase of Gwadar Port nearly 13 years ago, it has still not undertaken any commercially profitable operation so far nor has it ever been used for transit trade to Afghanistan.

It cannot be denied that Gwadar, on paper at least, is indeed the jewel in the CPEC crown. Apart from its strategic position astride one of the busiest international shipping lanes, as well as its proximity to both Iran and Afghanistan, the three routes of the economic corridor all converge at Gwadar, which thus becomes a natural trading hub.

It's potential is however not matched by its state of preparedness; in fact it is nowhere near the level required for being an investor-attractive destination.

It continues to suffer from a perpetual shortage of water, the most vital ingredient for life and industry to thrive, this year's summer being the worst ever for its inhabitants. Imported electricity from Iran is barely sufficient for domestic needs. Port and industrial requirements had been planned to be met through a gas-fired 1320 MW power plant; deferral of the LNG terminal project at Gwadar necessitated the decision to convert the plant to coal. The unfortunate aspect is that construction of the plant has still not commenced. Without basic utilities, the 923 hectares Free Zone at Gwadar is a non-starter. The planned expressway and rail line linking the port with the Free Zone has also still not materialised. Gwadar Port's linkages with other parts of the country are also tenuous at best, constituting another hindrance to its transit trade and transshipment hub aspirations.

Karachi by contrast is extremely well connected, is highly industrialised, with all skill sets available and hosts two thriving ports. Karachi is moreover expanding at such a hectic pace, particularly along the National Highway and the Super Highway, that the planned port of Keti Bandar, the planned city of Zulfiqarabad and the planned economic zone at Dhabeji will soon come under its jurisdiction; and even if they don't, their economic benefits are likely to trickle down here anyway.

Insofar as official apathy and inaptitude is concerned, both Karachi and Gwadar are close competitors. The difference between the two lies in a subtle distinction: no one owns Karachi, whereas in the case of Gwadar, everyone owns it. The end result is the same: non-realisation of their potential. Though Karachi has still prospered in relative terms owing to the resilience of its people and its unique position as an established port city, Gwadar's future is up for grabs, depending on how the game is played. The one major thing going in favour of Gwadar however is that the Chinese are heavily banking on it, since their stakes in its success are high.

There is no doubt that CPEC does offer unlimited opportunities and benefits. Places which are better prepared and best poised will reap the choicest spoils. Instead of being a single entity as the word 'corridor' implies, CPEC is actually a conglomeration of three routes when passing through Pakistani territory. From its starting point at Kashgar in China, the corridor ascends to the high altitude border crossing at Khunjerab Pass before snaking its way down to the planned dry port at Havelian. From Hasan Abdal onwards, it branches out into three different routes, all making their way to Gwadar.

In a nutshell, the western route passes through least developed areas, the central route through partially developed areas and the eastern route mostly through traditional built-up areas till Sukkur. While national imperatives have forced attention on the western route, commercial considerations tend to foster shorter term reliance on the other routes, particularly the eastern one. Both China and Pakistan are understandably keen to pluck the low-hanging fruit first, the former to make good on its investments and the latter to arrest its mounting liabilities. The three high priority Special Economic Zones that China has suggested, namely Dhabeji, Faisalabad and Hattar, are all located along the eastern route. KP is pressing for prioritising Rashakai, in whose preparation it has devoted a great deal of effort, over Hattar. But though Rashakai technically lies in the western alignment, 25% of which falls in KP, the fact remains that Rashakai is also directly linked to the eastern route via the M1 Motorway.

But how does Karachi figure in all this? Simple! Special Economic Zones need avenues for import of heavy machinery and exports of finished goods. The twin ports at Karachi currently offer the most cost-effective road and rail connectivity to all the top five high-priority SEZs, inclusive of Rashakai and Sheikhpura. The few missing links of the entire motorway from Peshawar to Karachi are expected to be completed by 2018, and this would further facilitate transportation of people and goods. Upgradation of the main rail line from Karachi to Peshawar is also being seriously pursued by the Government of Pakistan, and which, when made functional within the next five years, would furnish a most cost-effective, reliable, convenient and fast means of transportation.

Rail is certainly the most cost-effective means of inland transportation and it would make life a lot easier if the rail tracks at ship berths are revived to enable goods to be transported directly from the ship till the Inland Logistics Depots and vice versa. This would vastly reduce the severe congestion one witnesses within the ports as well as on the city streets.

The Sindh High Court has been assiduously trying for a long time, albeit unsuccessfully, to get the large number of oil bowsers massed in the vicinity of Keamari to move to the new terminal at Zulfiqarabad near Bin Qasim. One can only hope that its final warning works. Apart from minimising environmental degradation in the vicinity of Shirin Jinnah colony and easing the city's traffic conges Jinnah colony and easing the city's traffic congestion, the move will enable the two refineries at Korangi to pump the finished fuel products directly to Zulfiqarabad instead of repumping it back to Keamari for distribution.

Since the sprawling port city of Karachi and its environs are themselves huge consumers of goods, the appeal of the existing industrial zone at Bin Qasim and the adjoining planned SEZ at Dhabeji for investors is immeasurable. A number of foreign automakers are seriously considering the setting up of car assembly plants in the country and where better to put it than in Karachi, which coupled with its inherent strategic advantages, also hosts a substantial downstream industry as well as a skilled workforce. Kia Motors for one has already commenced construction on its automobile plant at Karachi.

The lesson that Karachi needs to absorb from the Gwadar experience is that the fruits of CPEC are not going to drop automatically into one's lap. Meticulous planning and execution is required to ensure that the city becomes a prime investment destination. A big plus in recent years is the stabilisation of Karachi's hitherto precarious law and order situation, barring the still rampant street crimes. Utmost care and vigilance needs to be continually exercised as even a single major terrorist incident can spark panic. It is also imperative that both of Karachi's ports, KPT and PQA, should vastly improve their efficiency levels in terms of ship turn-around times, as excessive waiting periods cause a huge drain on the public exchequer.

Karachi's story is replete with sins of omission and commission. Official lethargy is visible not only in decision making but also in implementation of approved projects. Every public sector project, big or small, be it the Karachi Deepwater Container Terminal, the northern bypass, the Malir flyover or the Karachi Mass Transit Scheme, is subject to interminable delays and in most cases suffer from shoddy workmanship. A prestigious project like the Karachi Deepwater Container Terminal for instance, in which a huge amount has been invested, will still not, despite having reportedly commenced commercial operations this year, become a profitable proposition till such time unimpeded connectivity is established between the port and its cargo village at Mauripur, something that was always known but about which nothing has been done to date.

The private sector by contrast does much better and it is because of its exertions that the city has already started reaping the benefits of CPEC. A specialised terminal (PBIT) for the environmentally safe handling of coal for the power plants at Sahiwal, Bin Qasim and elsewhere has already started functioning at Bin Qasim. The two specialised LNG terminals along with their Floating Storage and Regasification Units, again at Bin Qasim, are capable of handling up to 1200 million cu ft of gas per day. Demand for gas is so great that bids are now being invited for the setting up of two more such terminals. A small 137 MWe nuclear

reactor, known as KANUPP, which has been operating since the early 1960s, is now being supplemented by Units 2 and 3 capable of producing 1100 MW each. These are expected to come on line by 2021 and 2022 respectively, with another unit to follow. The complex will also host a nuclear engineering university to generate skilled manpower for the project.

The trust reposed by foreign investors in Karachi can also be gauged by the planned acquisition of major shares of K-Electric by M/S Shanghai Electric, a big global player in the field of electricity management. When it comes about, the huge expected investment in power generation capacity, transmission lines and smart meters (to curb line losses) will give the city an added boost. Availability of ample supplies of gas and electricity can revive the fortunes of Bin Qasim's sprawling 25000 acre industrial zone as well as give the upcoming one at Dhabeji a good head start.

For the city to really take off, however, the public sector has to step up its pace. Karachi's unhelpful label of being an unkempt, unruly and ill-managed city has to be cast aside through meaningful action. The Police for one need to be depoliticised through merit-based inductions if the rule of law has to be established. It is inconceivable that any mega city would be functioning without a waste disposal mechanism and it is a crying shame that the country's Supreme Court had to constantly breathe down the neck of the administrative hierarchy to get them to do something about it. ECNEC has now recently accorded approval for the procurement of five such waste disposal and treatment plants. Plans for arranging appropriate water supplies have to be undertaken in advance rather than as an afterthought. The least that the industrious citizens of Karachi deserve is an honest, capable and efficient administration. It is the Court again that had to repeatedly intervene to get the Provincial Government to undertake its constitutional obligation of holding local bodies elections. By the time it agreed to hold elections, the City Nazim had been stripped of much of his authority through hastily enacted legislation. Authority and responsibility has to go side by side if optimal results are desired.

The way the city is expanding, with new housing and commercial projects coming up, one of the city administrations foremost priorities should be to relieve the ever mounting traffic congestion, which is not only responsible for environmental pollution, but also compounds commuter's woes. Endeavours should hence be made for the swift completion of the entire Karachi Mass Transit Scheme as well as for the early revival of the circular railway, which would go a long way in addressing such concerns.

It is only when the city's public administration gets in sync with the efforts of the private sector and the aspirations of its citizens, will the city of Karachi be able to regain its vibrancy. The city may have overcome the dark nights of extortion, kidnapping for ransom, target killings and sectarian murders for now, but concerted efforts are needed to ensure that such nightmares do not come to haunt us again.



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