

# Deciphering the Numbers: Employment in the China-Pakistan Economic Corridor

Written by Jabin T. Jacob

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JABIN T. JACOB, AUG 22 2017

Like many developing countries in its neighbourhood and elsewhere, Pakistan's fragile institutions of governance, weak economy and lack of a social security net have led to disaffection in society. Coupled with religious radicalism, this has also led to instability and terrorism in the country, also affecting the neighbourhood. Against this background, it is important to look closely at what both the Pakistani and Chinese governments say is the huge promise of their massive joint project, the China-Pakistan Economic Corridor (CPEC). As a poor developing country with a huge population, finding decent jobs and a sustainable livelihood are naturally major concerns for ordinary Pakistanis and just as naturally part of the expectations from the CPEC.

Pakistan's GDP for 2016 was about US\$280 billion growing at 4.71% over the previous year and 5.2% growth in GDP expected in 2016-17. But the Pakistani economy is in some difficulty. It had an external debt of US\$75.747 billion in the first quarter of 2017, which was expected to grow to US\$110 billion in the next four years according to Pakistani economist, Ashfaq Hasan Khan. While Pakistan's Finance Minister Ishaq Dar has dismissed the projection, other figures from July 2016 to March 2017 show that Pakistan's external debt servicing – including interest payments – alone consumed nearly US\$4 billion, according to the Economic Survey of Pakistan, eating up 24.2% of its export receipts, the highest figure during the past 14 years. In addition, Pakistan also faces a severe energy crisis and infrastructure deficit that further stifles economic activity.

Credit therefore, is certainly due to the Chinese for identifying and attempting to help resolve Pakistan's economic problems through the CPEC. The project is often described as a 'flagship project' of China's Belt and Road Initiative (BRI). The Pakistanis seem to expect nothing less than a complete rejuvenation of their economy, and figures projected show approximately 1.5% to 2%+ of GDP growth depending on which source one uses.

At the same time, there are other figures on the Pakistani economy that need to be kept in mind, specifically in relation to China. The current Pakistani trade deficit with China stands at US\$6.2 billion, a substantial chunk of its trade with China that is only expected to grow. This is the background against which the CPEC operates and adds further complexity to given the lack of agreement among independent Pakistani analysts as to what its costs and benefits are likely to be.

### CPEC Numbers

The central issue at hand then is of the reliability of the numbers projected for CPEC. This relates to everything from expected GDP growth in Pakistan as a result of CPEC-related activity, improvements in Pakistan's power generation capacity, the price of power itself and employment statistics.

To start with the most basic number, the original figure for CPEC investment from China has moved from US\$46 billion when it was first announced in April 2015 to US\$54.5 billion to now US\$62 billion. Another indicator, of course relates to the GDP. One Pakistani report suggests that Chinese investment could increase Pakistan's GDP growth rate to over 6% plus between 2016 and 2018. Another figure suggests that the CPEC will solve Pakistan's severe energy crisis and infrastructure deficit by adding 10,400 megawatts or more to Pakistan's energy supply between

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2018 and 2020.

However, while many details of the CPEC, including layout, alignment of routes, figures for investment are now available widely in the public domain, the data does not always match and information is seldom available at any one place and sometimes not at all. Further, even Chinese and Pakistani analysts admit in private and several Pakistanis, in public, too, that there are many aspects of the CPEC that are simply unclear to them. Indeed, the lack of transparency – given the nature of politics and governance in both China and Pakistan, even if dissimilar – suggests that questions of the progress and viability of CPEC projects will be closely tied to how China's own economic growth and conditions and domestic politics in Pakistan itself will play out.

While the Chinese have some experience working in Pakistan and dealing with Pakistani conditions, both the scale of the CPEC and of Pakistan's economic underdevelopment, political and social conditions demand an altogether different sort of commitment in order to ensure that these investments and projects fructify. While the CPEC has generated much discussion in Pakistan on issues related to regional competition and costs and fairness to Pakistan's own enterprises and businessmen, the specific issue of employment figures being declared or promised as part of the Sino-Pak joint initiative is worth paying closer attention to given its importance to ordinary Pakistanis and indeed, to the prospects of its politicians in general elections due in 2018.

## Employment

In a populous and poor country like Pakistan, the CPEC will certainly be judged in terms of the employment it can generate. Pakistan's population stands at approximately 201 million but it has a low median age of 22.7 years meaning that half the population is under this age which in turn means a large working age population over the next few decades. The question, therefore, is about the nature of employment in CPEC and the actual numbers involved. And on this score, things have been far from clear.

Pakistan media report employment figures from specific projects every now and then. For instance, it was reported that the construction of the 392km highway from Multan in Punjab to Sukkur in Sindh is expected to create some 9,800 local jobs. Similarly, the Suki-Kinari hydropower project in Khyber Pakhtunkhwa is expected to create more than 4,000 jobs. In terms of jobs actually created, it is reported that the China Machinery Engineering Corporation's Thar lignite mining and coal-fired power plant in Sindh has created over 1,000 jobs so far, while the Sahiwal power plant, southwest of Lahore in Punjab province 'hired 3,000 locals'.

A 40-strong group of Pakistani teachers were part of a 15-day Chinese language training programme in July-August 2015. The fact that these teachers are being trained to teach Chinese to Pakistanis suggests that many jobs offered will involve dealing with Chinese personnel in Pakistan. But the fact that language courses are offered also suggests that there will be sufficiently large numbers of Chinese personnel present in Pakistan under the CPEC.

Meanwhile, official statements from Pakistan or China, in fact, actually seldom give out exact numbers for employment generated or likely to be generated. Even summaries of apparently detailed reviews of the CPEC actually provide no details. This was the case, for instance, in a July 2017 news item on remarks by Chargé d'affaires Chinese Embassy Islamabad Lijian Zhao and Foreign Secretary Tehmina Janjua. And nor was there any detail about jobs or employment prospects for Pakistanis in the Chinese official's speech as available on his embassy's website either. This is highly unusual given the frequent political complaints and suspicions about who is actually benefitting from the CPEC.

There is little also by way of information on the kinds of jobs that will be created – the skillsets involved or the duration for which these jobs will be available. In September 2015, a Pakistani minister noted that Pakistan needed to grow at 7-8% annually in order to create one million jobs annually. In June 2016, the Chinese ambassador to Pakistan, Sun Weidong declared that '[a]s of March [2016], ongoing CPEC projects have employed more than 6,000 Pakistanis.' In April 2017, Liu Jinsong, Deputy Chief of Mission in the Chinese Embassy across the border in New Delhi gave out a figure of 13,000 jobs having been created locally in Pakistan. However, the latest figure on CPEC employment put out by the Chinese Charge d'Affaires in Islamabad in May 2017 says, 'According to incomplete statistics, CPEC has

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created at least 60,000 direct jobs for Pakistan people.' Even if one were to take that the numbers are rising, they still are nowhere along the optimistic trend line suggested by Pakistani figures or expectations.

For instance, one Pakistani figure has projected 2.32 million jobs would be created over the next two years, indicating a reduction of Pakistan's unemployment rate from its current 5.9% to 3.3%. The latter Pakistani figure obviously indicates a marked increase if contrasted against the figures provided by the Chinese diplomats themselves and if accurate would without doubt be a significant reduction in Pakistan's unemployment. Also to be taken into account are the multiplier effects of employment in the manufacturing sector in terms of ancillary or supporting activities and industries and additional jobs created.

However, when such figures for total employment numbers – declared or projected – are available, it is not clear just what projects exactly are being counted. It is only the rare CPEC project that announces specific employment generated. Further, it is also not clear if these numbers also include jobs the Chinese are getting in Pakistan under CPEC. What is more for the US\$60 billion or so that the CPEC involves at latest reckoning these job figures still seem to be rather low relative to Pakistan's overall population.

It also needs to be remembered that Pakistani reports on the impact of the China-Pakistan FTA signed in 2007 highlight the stress that it has placed on Pakistan's domestic industries. One news report cites a figure of 20,000 jobs in the shoe-manufacturing sector alone, having moved from Pakistan to China. Thus, not only will the CPEC have to generate fresh jobs, it will also have to replace jobs lost to China since 2007. There are similar fears about the CPEC that it might lead to a loss of jobs because of the influx of cheaper Chinese goods that would drive Pakistani products out of the market.

## **Skillsets**

Allied with these employment numbers being talked about must be viewed the rising numbers of Pakistani students going to China for higher education – they certainly will be expecting to find jobs in CPEC projects. In fact, Pakistani students are now being sponsored for studies in China not just by the Chinese government but also by Chinese companies. In 2016, some 3,500 Pakistani students went to China on Chinese government scholarships bringing their total number in China to over 18,000.

As indicated above, there are also details available with respect to specific CPEC projects. For instance, in the case of the Sahiwal power plant, 190 Pakistani young engineers trained in China have been employed for plant operations while the Port Qasim power plants, southeast of Karachi in Sind province sent 104 engineers to China for a five-month training programme. This is a positive sign for Pakistan insofar as jobs in the skilled sector are concerned.

However, in the specific instance of the Gwadar port, which is one of the big-ticket investment items under CPEC, there are doubts about the employability of local labour. Dostain Khan Jamaldini, Chairman, Gwadar Port Authority answering a direct question about whether employment would be generated locally answered in the negative asking in turn whether locals had the requisite skills. What is more the fishing community in Gwadar also fears the loss of livelihood and being cut out with the creation of the new port. Indeed, instead of generating local employment Chinese security measures such as building fencing around the Gwadar project area in Balochistan province will likely limit local involvement and jobs. And yet, leader of the National Party in the Balochistan Assembly, Zamruk Khan Achakzai, has expressed the belief that the CPEC 'will create thousands of jobs for people of the province.'

Meanwhile, given that there is no break-up of the figures provided for jobs generated by CPEC, questions can be raised if whether these jobs do not also include those being created in the business of providing security to CPEC projects. In fact, the most frequently cited figures for Pakistani employment, in fact, come in the security domain. These figures range from a force of 15,000 personnel to 18,000 personnel, all raised to protect Chinese investment and citizens. This then reinforces the notion that a large number of Chinese will simultaneously be employed and also that local employment on the projects themselves – at least in certain areas like Balochistan – are likely to be limited or constrained by factors such as security and/or lack of adequate skills.

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## Conclusion

Analysts cannot afford to ignore opposition or concerns within Pakistan over the CPEC for this has implications also for Pakistan's ties with its neighbours. Take the Chinese line that China's investments in Pakistan were designed among other things to ensure that the ensuing economic development would reduce the chances of Pakistani youth taking up terrorism. The implication is that if the CPEC were to fail then there is greater likelihood of Pakistanis taking to terrorism for lack of better opportunities. Therefore, the conditions that affect the progress of the CPEC – including number and quality of jobs generated – are also matters of concern to policymakers in the neighbourhood.

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