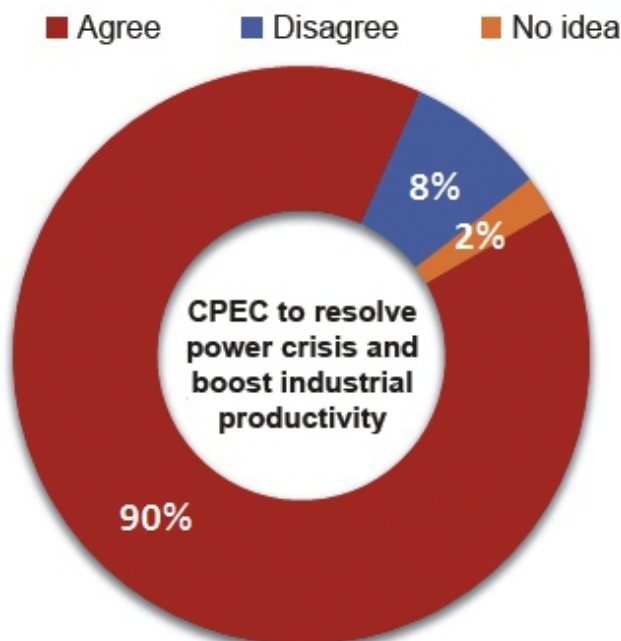


Implications of CPEC on Economy

“90% predicts that energy projects to be set-up under CPEC would eventually resolve persistent power crisis in the country and trigger industrial productivity”

By Research and Publications Directorate, ICMA Pakistan

“Government must treat the local industry at par with the projects being set-up under CPEC”



Preamble

In relevance to the theme of ‘China-Pakistan Economic Corridor (CPEC)’ selected for March-April 2017 issue of Management Accountant Journal, the Research and Publications Directorate of ICMA Pakistan thought it prudent to conduct a feedback survey with regard to the implications of CPEC on the national economy and industry. This survey also aimed to ascertain how our members can contribute towards success of CPEC.

The results of the survey are quite encouraging and majority of the respondents have termed ‘CPEC’ as a ‘Game Changer’ and a means to trigger economic growth in the country. Some 96% of members have posed high level of trust on CPEC and indicated that notwithstanding few threats, CPEC would open up vistas of opportunities not only for our businesses and industry in the region but also for the professional community, including the management accountants.

Majority of respondents have admitted that as a result of CPEC, businesses will flourish; local industry will get a big boost; new job opportunities would be created; exports may go up; energy problem to be resolved and economic growth would be stimulated. The areas identified where CMAs can play a role in CPEC include employment, consultancy and cost audit.

Methodology

The feedback survey questionnaire was uploaded on Institute’s website on March 15, 2017 and placed on Google Drive to provide an opportunity to members and other professionals to submit their responses online. The responses were also invited via email from members. The survey questionnaire comprised of eighteen specific questions related to CPEC. These questions covered the trust level of members on CPEC; CPEC’s impact on local industry; job market; exports; cost of doing business; market competition; energy crisis and on overall economy. It was also asked in survey in which areas CMAs can play their role for the success of CPEC. The members were given the deadline of 28th March 2017 to submit responses.

Survey Statistics

In total, 136 responses were received from members, out of which three responses were found invalid and not considered for the survey. Out of 133 valid responses, 92 were from members of ICMA Pakistan, constituting 69% of total responses, whereas 43 responses (31%) were from nonmembers, mostly high and middle level executives of business enterprises.

As far as designation level of respondents is concerned, majority of responses have come from Manager/Executive level i.e. 70% whereas 20% responses are from Director/CFO/GM level. Around 6% respondents holding positions of CEO/MD also participated in the survey, comprising both members and non-members. If we look at survey results demographics, we find that majority of responses i.e. 77% is from the members residing in three major cities i.e. Karachi (36.8%); Lahore (22.6%) and Islamabad (17.3%). Around 14.3% responses have also been received from overseas Pakistanis, mostly from UAE and Saudi Arabia.

Survey Results

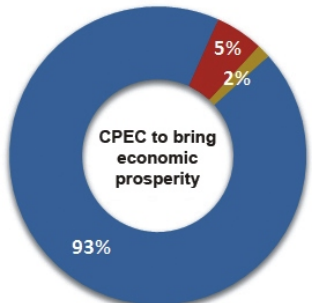
■ Trust ■ No Trust ■ No idea



96% shows trust level on CPEC projects

A dominant segment of survey respondents i.e. 96.24% have shown high and partial trust levels on energy and other infrastructure projects being setup by China under CPEC. Out of this 96.24%, around 49.62% have evinced full trust, whereas 46.61% have indicated partial trust.

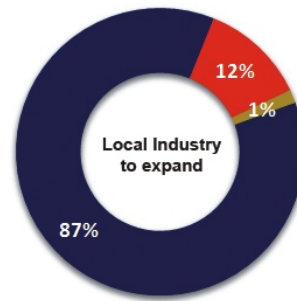
■ Agree ■ Disagree ■ No idea



93% predicts economic prosperity from CPEC

More than ninety percent (93%) of survey respondents have predicted that successful implementation of CPEC projects would bring overall economic growth and prosperity in Pakistan.

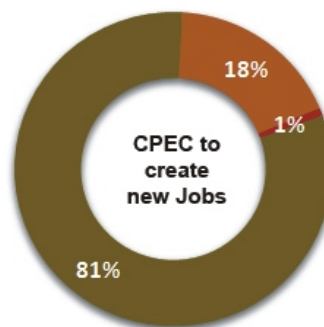
■ Yes ■ No



87% expects expansion in local industry

Around 87% of survey respondents expect expansion in the local industry to meet the input requirements of infrastructure and energy projects to be setup under CPEC.

■ Yes



81% expects CPEC to create new job opportunities

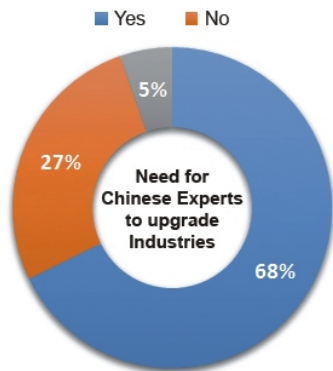
Almost 81% of respondents have indicated that with setting up of CPEC projects, new job opportunities would be created for skilled and semi-skilled labor force in Pakistan, either directly in CPEC projects or in the local industries that would go for expansion to support such projects. Around 18% have not agreed with this and believe that CPEC would not generate much employment opportunities for Pakistanis.

■ Yes ■ No ■ No idea



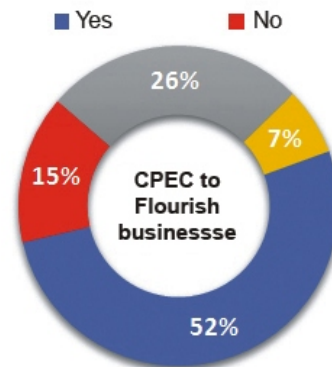
67% expects local investment by Chinese firms

Around 67% of respondents are of the view that there is good scope for Chinese investments in local industry as CPEC projects will become operational in next few years. This would boost the industrial production. Around 26% of respondents did not agree.



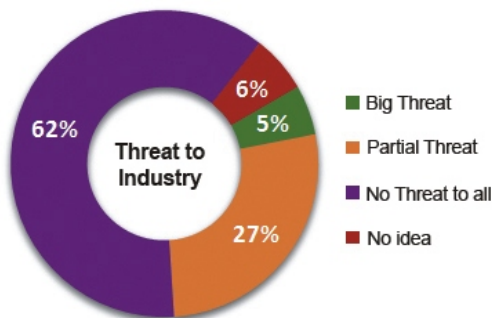
68% favors Industry upgrading with Chinese help

Almost 68% respondents have evinced desire that China should help Pakistan in upgrading and capacity building of industries for enhancing their production and improving technical efficiency. However, 27% respondents believe that Pakistan is fully capable to perform this task without the help of China.



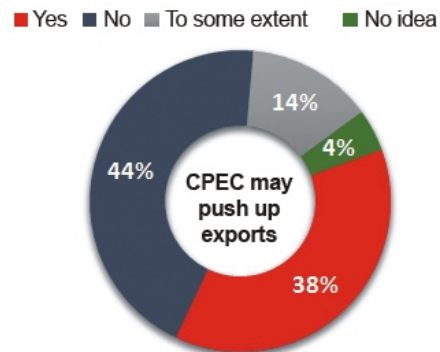
52% thinks CPEC will flourish businesses

More than 50% respondents have stated that CPEC would flourish businesses in the country, leading to reducing the cost of doing business, whereas 26.32% are of opinion that businesses will flourish to some extent. Only 15% have not agreed that CPEC would stimulate business and industry.



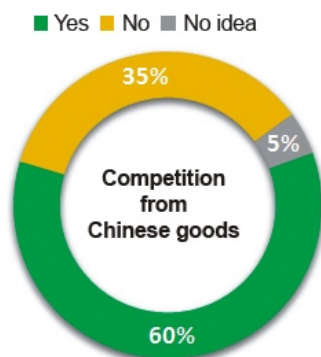
62% foresees no threat to industry from CPEC

Around 62.4% of survey respondents have indicated that they foresee no threat to the Pakistani industry from CPEC whereas 27% thinks that there would be partial threat. Only a negligible segment of respondents i.e. 5.26% predicts a big threat from CPEC to the industry and national economy.



52% says CPEC may push up exports

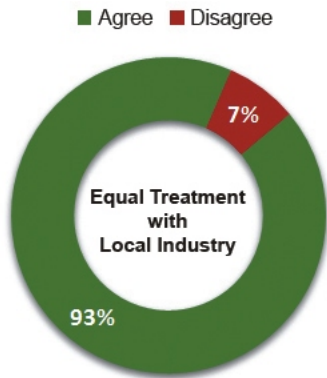
Around 42% respondents are of the view that with boost in industry productivity from CPEC, our national exports may go up which is presently on downward slide. Out of this 42% responses, 28% respondents are fully confident about export growth, whereas 14% say exports may go up to some extent. On the contrary, a good percentage of respondents i.e. 44% observe that CPEC would not have any positive impact on exports as majority of CPEC projects are in energy and infrastructure sector. Hence, the viewpoints of respondents are quite mixed on this question.



60% fears competition from Chinese goods

Almost 60% respondents have expressed fear that inflow of Chinese imported goods into Pakistan would make it quite difficult for some industries to compete in view of price factor. This is due to the fact that Pakistan is pre-dominantly a price conscious market.





93% says local industry be treated at par with CPEC

Majority of respondents (93%) have supported that local industry should be treated at par with the Chinese firms and be given similar concessions and exemptions as being offered to the Chinese investors in the special economic zones being setup under CPEC.

100% expects CMAs have a wider role in CPEC

Almost all the respondents have specified CMAs role in CPEC related projects and indicated that ICMA Pakistan may take initiatives with the concerned ministries to create opportunities for the qualified members. The following areas have been identified by the respondents where the management accountants can contribute role in CPEC projects;

- (a) Employment (32%)
- (b) Consultancy (40%)
- (c) Cost Audit (20%)
- (d) Others (8%)

To an another question about capacity building of members for CPEC, majority of the respondents have suggested that ICMA Pakistan should hold Seminars on CPEC in different cities to create awareness about the emerging opportunities and also arrange Chinese language course for the members so that they can play their role towards success of CPEC.

CMAs expected Role in CPEC

■ Employment ■ Consultancy ■ Cost Audit ■ Other

