

## **Exploring the Awareness of China Pakistan Economic Corridor: A Stakeholder's Perspective**

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### **ABSTRACT**

The purpose of this paper is to examine the prospects of China Pakistan Economic Corridor (CPEC) from a stakeholder's perspective. The identification and communication of stakeholders can play a vital role in identifying the perceptions of all who are directly or indirectly involved in a project. Moreover, this study focuses on the general nature of stakeholders and their awareness about the mega project. An exploratory study was conducted through a structured survey instrument to tap the awareness and opinions of the stakeholders connected to the likely benefits of CPEC. The results revealed interesting findings relating to their opinions about CPEC. The study further suggests some important implications and future directions to introduce an inclusive approach to mitigate the misconceptions about CPEC.

**Key Words:** CPEC, Pakistan, Stakeholder's Perspective Implications, Misconceptions

### **Introduction**

China- Pakistan Economic Corridor (CPEC) is considered to be the most significant Foreign Direct Investment in Pakistan with an original estimated investment of \$46 billion while currently standing at \$62 billion (Ministry of Planning, 2013). The unique features of the project include modernized infrastructure that includes contemporary transportation networks, various power projects and Special Economic Zones (SEZs).

Out of the total stake money of this project, an amount estimated to \$11 billion is likely to be used in modernizing the transportation networks while linking Gawadar and Karachi to the northern areas and most likely the link would reach out to China and Central Asia (Ministry of Planning, 2013).

Moreover, to alleviate the chronic energy crisis of Pakistan, an estimated amount of \$33 billion is likely to be spent on energy infrastructure (Ministry of Planning, 2013). The energy projects under CPEC will be constructed by private independent power producers instead of the governments of either China or Pakistan. An independent power producer (IPP) is an organization that owns facilities to generate electric power for end users (Ministry of Planning, 2013). Furthermore, the Exim Bank of China will finance such private investments at 5 to

6% interest rates, while the Government of Pakistan (GOP) will be contractually obliged to purchase electricity from these IPP's at pre-negotiated rates (Ministry of Planning, 2013). Moreover, various power projects are expected to generate electricity through fossil fuel such as coal (Ministry of Planning, 2013).

At a macro level on one side, Pakistan is overwhelmed with such a significant amount of FDI inflow while on the other side many express concerns over the controversial role of the government to handle the affairs of CPEC. The foremost responsibility of the government before negotiating the terms of CPEC projects should have been taken in the country's best interests and taking the stakeholders on board (Ahmed, Arshad, Mahmood, & Akhtar, 2017). Moreover, there is a hue and cry amongst the intellectual community regarding a lack of feasibility study on the whole project (Rana, 2016). The most prominent concern that can arise relates to the fears of the local small and medium businesses. Moreover, concerns surround the ignorance of the business community and the public in general. Most importantly, the most prominent concern from this project relates to the balance of payment issue that directly connects the CPEC related loan inflow and the debt repayment and profit remittance related outflows. Additionally, the government has no plan to provide space to the public by adopting an inclusive approach and bring the public as an essential stakeholder on board.

In light of the above discussion, this paper explores the awareness of stakeholders and their opinions relating to the concerns mentioned above.

## **Methodology**

A stakeholder perspective survey was conducted to focus on the general factors relating to CPEC: awareness, the source of information relating to CPEC, opinions relating to the benefits of CPEC about the increase in Gross Domestic Product (GDP), more power generation, increase in personal income, enhanced investment opportunities and burden of debt. (Freeman, 2010) suggested a framework that possesses three levels of stakeholder analysis: drawing likely stakeholders (the rational level), scanning the relationship (the process level) and exchanges with the stakeholders (the transactional level). Such a stakeholder analysis present two objectives. The first relates to find and classify stakeholders in the undergoing process of CPEC in Pakistan (the identification level). Secondly to interact with the stakeholders so that to understand their opinions relating to CPEC (communication level).

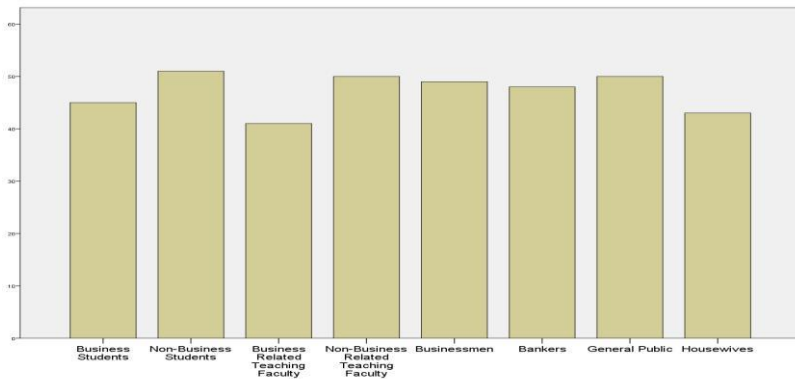
Furthermore, the main idea of the current study was to seek recommendations for CPEC in Pakistan by identifying the social challenges that are drawn by the opinions of the stakeholders.

Simple random sampling technique was applied to explore the awareness of stakeholders relating to CPEC. Since the population was unknown, so a statistical formula (for unknown population) was used to compute the sample size. The formula is:

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$$\begin{aligned}
 SS &= (Z\text{-score})^2 * p*(1-p) / (\text{margin of error})^2 \\
 SS &= (1.96)^2 * 0.5*(1-0.5) / (0.05)^2 \\
 SS &= 3.8416 * 0,25 / 0.0025 \\
 \mathbf{SS = 384.16}
 \end{aligned}$$

So the sample size was 384.16. Moreover, the sample consisted of different stakeholders as shown in Figure 1 below:



**Figure 1 Description of the Stakeholders**

*Figure 1* above clearly depicts appropriate representation from all the stakeholders. The idea behind taking the above-shown stakeholders was to seek a general viewpoint at the grass root level relating to the awareness about CPEC and its likely benefits. The overall response rate was 97%. A 17-item survey questionnaire was developed to seek information relating to the awareness amongst the stakeholders relating to CPEC. The data was collected from the city of Lahore that is the Capital Province of Punjab, Pakistan.

## **Results**

### **Descriptive Statistics**

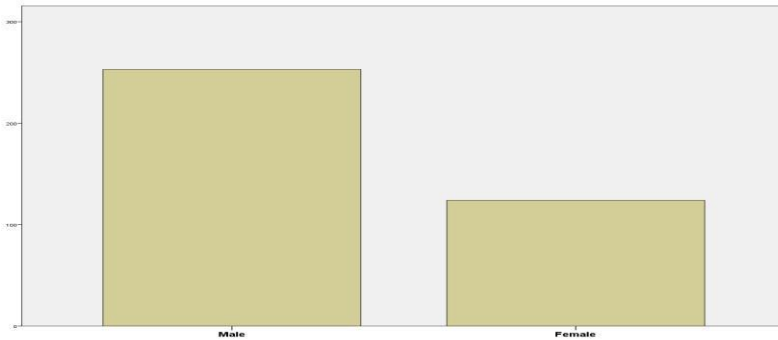
Statistical Program for Social Sciences (SPSS) Version 21 is employed to analyze the data. Initially, descriptive analysis was applied to describe the demographic information of the stakeholders. Moreover, the analysis was conducted to summarise information relating to the source of information and general awareness relating to CPEC among the stakeholders. Furthermore, inferential statistics such as Independent sample T-test and Analysis of Variance (ANOVA) were used to study the differences in the perceptions of the participants by the type of gender and stakeholders.

## **Demographic Information:**

The demographic information of the stakeholders is as under:

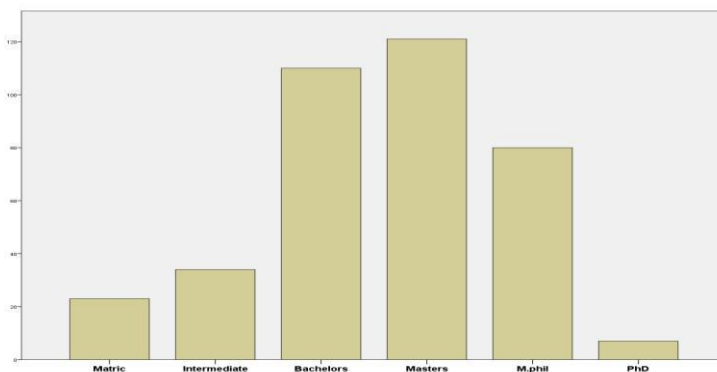
### **Figure 2: The Age Groups of the Stakeholders**

Figure 2 above shows the break down of the stakeholders according to the age groups. 40% of the respondents belong to the age group of 18-25 years. Moreover, Figure 2 above shows a significant representation from different age groups.



**Figure 3: Gender of the Stakeholders**

Figure 3 above shows the gender-based break up of the stakeholders, i.e., 68% male and 32% female participants. Although the male stakeholders are higher in number, still female participants are appropriate to identify differences in the opinion between male and female stakeholders.



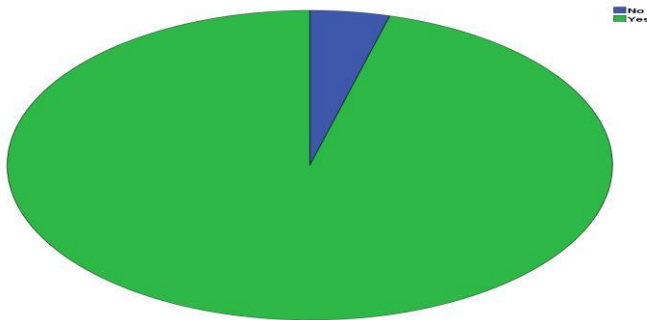
**Figure 4: The Educational Background of the Stakeholders**

Figure 4 above shows that the majority of the stakeholders hold undergraduate and postgraduate degrees. Moreover, the figure above depicts an appropriate representation at all levels of education.

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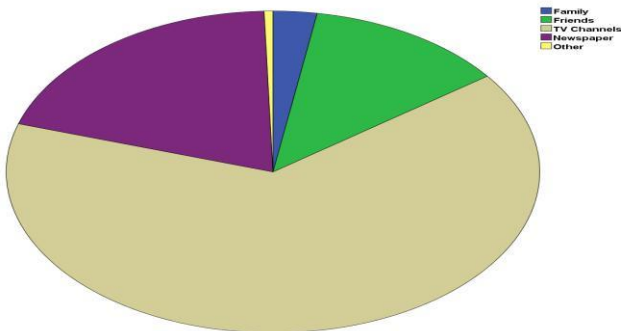
**Information Relating to the Source of Information and General Awareness about CPEC**

Descriptive statistics were applied to seek information about the source of information and awareness about CPEC. The results are as under:



*Figure 5: Have you ever heard about CPEC?*

Figure 5 above shows that 96% of the stakeholders have heard about CPEC.



*Figure 6: How did you get to know about CPEC?*

Figure 6 above shows that 65% of the stakeholders got to know about CPEC through news channels; 20% through newspapers while the rest of the stakeholders got to know about CPEC through others such as family, friends and other sources.

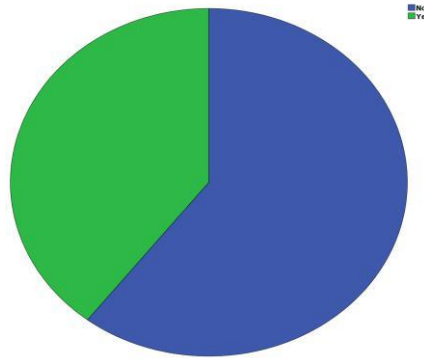


Figure 7: Do You Know What CPEC stands for?

Most interestingly, Figure 7 above reveals that 61% of the stakeholders do not have any idea about what CPEC stands for as this project is propagated through its abbreviation rather than its full description.

### Inferential Statistics

Parametric Tests were applied to examine the differences in the opinions of the stakeholders relating to the outcomes of the CPEC project relating to the type of stakeholder and gender. For this purpose, Independent Sample T-test was applied to examine the differences in the opinion based upon gender while Analysis of Variance (ANOVA) was used to identify differences in opinions among stakeholders concerning their type, age groups, and level of education.

Independent Sample T-Test was applied to evaluate the differences in the opinions of the stakeholders based on gender relating to the outcomes of CPEC. The results are as under:

Table 1 Independent Sample T-Test Results Based On Gender

Item No.	Item Description	Mean	T-values	Level of Significance $\alpha$
1	In your opinion, will CPEC increase employment opportunities?	4.26	2.390	0.017*
2	In your opinion, will CPEC help to increase personal income?	3.78	0.926	0.355
3	In your opinion, will CPEC help to increase gross domestic product (GDP)?	4.06	3.324	0.001**
4	In your opinion, will CPEC help to increase investment opportunity?	4.14	3.929	0.000**
5	In your opinion, will CPEC help in more power generation?	3.60	0.569	0.569
6	In your opinion, will CPEC increase the burden of debt of the country?	3.11	-1.411	0.159

\* Significant at 5% level of significance

\*\* Highly Significant at 1% level of significance

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Table 1 above shows the values of the mean response of the stakeholders. Most of the stakeholders show agreement when asked about their opinion relating to, increase in employment opportunities, increase personal income, increase in gross domestic product, increase in investment opportunity and more power generation (Means >3.5). However, the stakeholders have an indecisive and agreeable opinion relating to the increase the burden of debt due to CPEC (Mean < 3.5).

Moreover, the table above reveals that there is a significant difference in the opinion relating to employment opportunities between male and female stakeholders (t-value = 2.390,  $\alpha = 0.017 < 0.05$ ). Moreover, there is a highly significant differences in the opinion of male and female stakeholders relating to increase in GDP (t-value = 3.324,  $\alpha = 0.001 = 0.001$ ) and investment opportunity (t-value = 3.929,  $\alpha = 0.000 < 0.001$ ). In contrast, the opinions relating to personal income, more power generation and increase in the burden of debt of the country the response was indifferent (all  $\alpha$  values > 0.05).

Furthermore, Analysis of Variance (ANOVA) was applied to examine the differences in the opinion among different stakeholders relating to the type of stakeholder. The opinions relate to the employment opportunities, personal income, more power generation and increase the burden of debt of the country. Firstly, based on the results of ANOVA and post hoc analysis it can be inferred that there is a difference in the opinion about the increase in employment opportunities among the business-related teaching faculty and people in the business. Moreover, the results show a significant difference in the opinion of stakeholders relating to the increase in the debt burden of the country.

### **Discussion**

The purpose of the present study was to explore the opinions of the various stakeholders who tended to be the direct or indirect beneficiaries or affectees of the China Pakistan Economic Corridor initiative. The results reveal that the stakeholders are aware of CPEC and the primary source of awareness is through the television channels. Most interestingly, when asked what does CPEC stand for, 61% of the stakeholders had no idea. This revelation raises concerns about the pure awareness that the stakeholders possess.

Moreover, differences in opinions of the stakeholders are reported based on gender relating to the increase in employment opportunities. The male stakeholders are more convinced of the idea of increased employment opportunities than females. The reason might relate to the fact that the geographical placement of the jobs might be perceived as inconvenient for females living in the province of Punjab and especially Lahore. The reason may relate to the common perception that most of the employment opportunities will be related to the areas in the Province of Balochistan. Similarly, the opinions of males relating the increase in personal income and investment opportunities are favorable

as compared to females. This result raises doubts about the lack of awareness of females relating to the benefits of CPEC.

Furthermore, differences in the opinions can be witnessed among non-business and business related students and faculty. This result highlights a necessary implication for the government to formally inform and educate the stakeholders so that they can understand the future benefits of CPEC on the same lines. Most importantly the results reveal a difference in opinions among the small and medium business community as compared to the other stakeholders. The reason for such a difference may relate to the fact that there is a lot of missing links that have not been adequately propagated by the government and most of the information is taken from a single source that is the television channels. Such television programs may not prove informative in seeking and broadcasting candid information relating to the CPEC initiative taken by the government. Based on these results several implications can be highlighted regarding the role different entities such as government, media, and academia can take built trust among the different stakeholders by sharing reliable information.

### **Implications and Future Directions of the Study**

In light of the above discussion, this paper presents several implications keeping in view the critical role of government, media, and academia.

The main implication the present study draws is the necessity of government initiatives to build trust. Although the lack of trust prevalent among the masses should have been addressed long ago at the time while the negotiations relating to CPEC with China were underway, still it is not too late to rebuild the level of trust. The solution to this issue requires attention on behalf of the government to initiate awareness campaigns that are more focused and intend to provide first-hand candid information. Moreover, followed by such information the government can address the concerns associated with the future of small and medium enterprises. The government can bring the business community on board and share fact-based information and prospects of CPEC. Similarly, the same exercise can be followed to introduce awareness campaign for the public who belong to different walks of life so that insecurities can be removed and clarity on the prospects of CPEC can be conveyed effectively. Most importantly, the most significant clarity is necessary for the projects of power generation and their availability through IPP's that have been not so successful in the past. Moreover, the power generation through fossil fuel such as, through coal raises serious environmental concerns that need further deliberation (Huang, Fischer, & Xu, 2017). Such issues need to be addressed by the government and the stakeholders need to be brought into confidence. Furthermore, there is a dire need to revisit the role of media in propagating the facts about CPEC. The excess of information shared on media might play a negative role in heightening the concerns and misconceptions of and about CPEC. Some ethical code of conduct should be followed in close monitoring of the government to evaluate the credibility of the information shared on the media.



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Moreover, the government can consider media an essential partner in initiating awareness programs that not only broadcasts the likely benefits of CPEC that many consider a myth but also share authentic facts and figures to eliminate the misconceptions.

Additionally, the Government should realize the prevalence of other threats and challenges relating to CPEC. Such threats include terrorism, poor work ethic, the effect of political parties and the intervention of radical religious groups, the cultural sensitivity of the locals and the impact such changes will bring on them (Ahmed et al., 2017). Moreover, the role of academia and researchers is very critical. Instead of relying on the government-level information the academia should instead take the initiative to gather the missing big data. Realising the need for gathering authentic information relating to CPEC, in November 2017 an initial step was taken by the top universities of China and Pakistan by creating a Consortium of Universities on CPEC. Through this consortium, it is expected that the researchers in academia shall join hands in gathering candid information and propagating the real side of the CPEC project. For this purpose, the academia should conduct extensive research studies on the needs to adjust to the new political, social and economic environments and recognize various stakeholders while also consider them essential and accordingly improve the stakeholder communication. The stakeholders can be the customers, government (both Pakistani and Chinese federal and provincial), the political ruling party, the opposition political parties, the public (both Pakistani and Chinese), the media (both Pakistani and international), the military forces, the religious leaders (Lim, 2017), the NGO's (both Pakistani and international) and of course the public.

Additionally, academic researchers should join hands to examine the socio-cultural differences between Chinese and Pakistani community who will be directly involved in CPEC related activities. Moreover, there is a need to carefully compare the work values and managerial practices of both the countries. Furthermore, as this venture is purely economic so a roadmap should be devised to ensure acceptability and preparedness of the local community to gear up and build entrepreneurial skills that could make such cooperation practically possible. Lastly, it is the need of the hour for the technical experts in the academia to conduct field studies and gather information to examine the viability of the projects that are in the pipeline and provide a real picture.

### **Limitations of the Study**

This study provides a first step in highlighting the importance to study the CPEC project from a stakeholder perspective. Apart from some concrete arguments, this study has some limitations. The study only covers few stakeholders so the future studies should consider other stakeholders such as political parties, NGO's and religious figures (Lim, 2017). Moreover, this study was conducted in one region,

so this study can be conducted at an extensive level by seeking opinions from the whole country. Furthermore, this study was descriptive and explored general awareness about CPEC so the future studies should gather detailed information through semi-structured interviews.

## **Conclusion**

The current study explored the awareness of the general stakeholders directly or indirectly related to CPEC. The results showed differences in opinions by gender and type of stakeholders. The results highlight the importance and need to conduct awareness programs on behalf of the government and further discusses the critical role of media and academia in offering credible and candid information about CPEC.

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