HOW LOGISTICS INVESTMENT ARRANGEMENT IS A KEY CONCERN TO CHINA-PAKISTAN ECONOMIC CORRIDOR (CPEC)? A LEGAL AND POLICY ANALYSIS OF CPEC LOGISTICS INVESTMENT MODEL AND FUTURE CHALLENGES FOR PAKISTAN

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ABSTRACT

China has announced One Belt one Road “OBOR” policy in 2013. CPEC is the offshoot of Chinese OBOR policy and become as one of the leading project under OBOR and the source of highest foreign investment in Pakistan ever came. Logistics certainly assumes basic job in each nation's financial advancement. Without all around created logistics industry in Pakistan, CPEC would not be appeared. Be that as it may, this area was not adequately secured by the reciprocal arrangements among China and Pakistan. In current scenario there is no structure consent to manage strategic course of action under CPEC. To determine this and related issues, a complete logistics and transport system understanding will be proposed, which is the focal point of this paper. Besides administration, legal issues, arrangement problems in the way of accomplishing sustainable economic progress are enormous worries for a developing nation like Pakistan. In authors view, some vital lawful and open strategy perspectives will be considered by Pakistan. This research paper will talk about these in detail. Firstly, logistics progress and consequences on Pakistan economy. Secondly, investigation of CPEC logistics venture duties and exceptionally lawful character of logistics speculation MOU's marked by the two nations. Thirdly, current lawful framework identified with logistics interest in association with CPEC. Fourthly, the issues emerging from current logistics investment and lastly proposed far reaching logistics venture structure understanding.

Contribution/ Originality: The paper’s primary contribution is finding that comprehensive analysis of logistics and transport agreements between China and Pakistan over CPEC investment. A socio legal research combine with examination of domestic and international agreements and treaties further contributes to ascertain the best model of logistics investments in Pakistan. This research paper anticipates future economic and legal problems which Pakistan may encounter.

1. INTRODUCTION

The China and Pakistan has solid respective connections started in 1950 when Pakistan was one of the underlying states who think about conciliatory relations with Peoples Republic of China (PRC). From that point forward the two nations have gigantic commitments in trade and business, resistance, framework, instruction,
control age, tourism and logistics segments. Ghulam (2015) contends that China is at present greatest merchant in Pakistan and chief outside interest in the region. First formal bilateral investment treaty between two nations was made in 1989 and it additionally opened the new period of cross outskirt investment which in the end concocted Preferential Trade Arrangement (PTA) 2003, Agreement on early harvest program 2005 and much expected Free Trade Agreement (FTA) 2006 (Malik, 2013). Muhammad et al. (2016) contend that China has its solid trade courses all through the Asia and noteworthy bilateral trade understandings in the region. In like manner, as a liberal and close partner of Pakistan, China assumes an imperative job in the advancement of Pakistan poor appraised economy. Be that as it may, there are some genuine reservations by the lawful and financial matters spectators who consider Chinese interest in Pakistan simply advantage for China.

From most recent two decades Pakistan is in war against fear based oppression which significantly hit and influenced the Silk Road trade route (Karakoram Highway) among China and Pakistan. This ancient trade route has a key position in two-sided trade between the two nations by road network. The products conveyed by long vehicles, trucks between Karachi dry ports in Pakistan and enter in to China through Hungrah pass. Pakistan logistics division vigorously relies on this route course as this is most formal wellspring of income age through traditions obligations, import send out obligations and transportation part. A similar course with promote extension and up degree currently turns into the centre point of territorial availability and huge position for Chinese exceptional Silk Road Economic Belt (SREB) activity (Transport and Logistics, Ministry of arranging, advancement and change, Islamabad 2013). Helga (2016) notices that “Silk Road Economic Belt (SREB) and Maritime Silk Road” are the piece of “ONE BELT ONE ROAD” (OBOR) Chinese worldwide activity to advance financial commitment and venture along these two principle courses. In addition, it has been additionally characterized that such super speculation gets cash Chinese markets as well as extensively enable China "to go worldwide" strategy.

2. RESEARCH METHODOLOGY

This article adopts the qualitative approach while explaining the data and determining the results. Furthermore, data is being collected through primary and secondary sources which include statutes, legal decisions, treaties, conventions as well as scholarly articles and e-journals. There is socio legal method of research is applied for the purpose of finding facts and conclusion.

3. OBJECTIVES OF RESEARCH

The primary objective of this research is to examine logistics arrangements in CPEC in depth followed by best fitted logistics framework for Pakistan. The market access barriers in Pakistan and deficiencies in legal system to overcome such problems are made part of this research. Moreover, this research highlights the social and legal risks involved in logistics market in Pakistan. Finally this research concludes and proposes the domestic and regional set of rules and regulations to achieve high standards of regional trade and associated benefits from CPEC.

4. CONTRIBUTION OF STUDY

The paper's primary contribution is finding that comprehensive analysis of logistics and transport agreements between China and Pakistan over CPEC investment. A socio legal research combine with examination of domestic and international agreements and treaties further contributes to ascertain the best model of logistics investments in Pakistan. This research paper anticipates future economical and legal problems which Pakistan may encounter.

5. LITERATURE REVIEW

Pakistan – China Institute (Pakistan-China Institute, Islamabad) is an International stage to talk about or get any data relating to CPEC. It is the first of its kind non-administrative, non-divided and non-political research
organization. PCI is working independently from government to maintain the solid connection between the general population of Pakistan and China in all territories especially, transport, logistics, instruction and vitality, economy and condition.

There are quantities of talk discussions accessible for China Pakistan exchange relations. Additionally Indus Asia online Journal (IOAJ, 2014) is a quickly developing and direct online journal with the protest brings rationalists, researchers, open authorities, businesspeople for dialogs and discussions over ebb and flow financial issues particularly China and Pakistan. The evaluation and investigation technique is essential and critically required for as of late started extends on logistics venture and exchange. This circumstance occurred with CPEC for assessment and its effects thereafter. Furthermore, there are number of global monetary and business organizations working over this errand. Organization for Economic Cooperation and Development is one of these establishments which have great work for the advancement of Economic circumstance all through the world. The assignment of the Organization for Economic Development is to empower arrangements for the extension of monetary and social prosperity of the general population (Organization of Economic Cooperation and Development (OECD), 1961). The job of diagnostic scholars and free logicians cannot be denied definitely. They are giving computations and estimation which is fundamental attributes for procedure making. Similarly, China and International Commercial Dispute Resolution focus gives essential help from surely understood legitimate researchers all through Europe, the United States, Australia, South America, and China in various orders of universal business and financial law with significance to China.

World Trade Organization (WTO) alongside its different international trade concern foundations is doing extensive endeavors for trade assistance through logistics projects all through the world. As of late we can see numerous worldwide instruments which are made for the advantageous, successful and result situated trade. In same respect, WTO as of late presented Trade Facilitation Agreement (TFA) which came into force on 22nd of February 2017. This instrument has presented on single motivation point that is making the cross outskirt trade approach more advantageous and compelling through logistics re-imagined system.

CPEC and its related logistics agreements involve local network and transport projects. This exploration can’t be directed without examining and watching territorial organizations who are working for the trade freedom and unification of standards among part states. SAARC organization comprises on eight states which are from South Asia and play a basic role for the success of this regional organization. These countries include Bangladesh, India, Nepal, Pakistan, Sri Lanka, Bhutan and Maldives. SAARC was formed in 1985 with objective to create harmonization among the regional trade and business.

Ghouri (2015) discusses the real issues of CPEC between Pakistan and China through his article titled “Towards greater integration? Legal and policy directions of Chinese investment in Pakistan”. This article thoroughly presents the OBOR and its offshoot CPEC and decently talks about the lawful and strategy level difficulties Pakistan may look in future. This quality based article likewise proposes the suggestions and revisions to be acquired current Pakistan lawful framework.

Pakistan is one of those nations who have not completely created road transport laws and foundation and furthermore the framework to uphold them. While inviting colossal Chinese venture and expecting substantial stream of merchandise and travellers at outskirt side, extensive consideration is required for transport laws, reciprocal bargains among China and Pakistan, organized commerce agreements and unhindered commerce territory contracts, early harvest program, special bilateral trade understanding between these two nations. Administration of Pakistan multiyear trade and financial matters related program is nearly connected with this movement (Government of Pakistan, 2014).
6. CPEC INVESTMENT PROJECTS FRAMEWORK AND SIGNIFICANCE FOR PAKISTAN

China and Pakistan regarded to have an "all-climate" relationship. Their topographical closeness creates geo-financial noteworthiness to their general relationship. Kousar et al. (2018) claim that for the regular upgradation of the bilateral trade, the opposite sides in 1982 finished the notable road connectivity through Karakoram Highway. This road enters through Khunjrab pass border between China and Pakistan and further connects with Islamabad the capital of Pakistan. This road connectivity further provides the link between China and Pakistan Sea ports situated at southern parts of the country like Karachi and Gwadar ports. China through CPEC projects plans to invest $46 billion to upgrade and establish new road and transport infrastructure. Ramay (2016) argues that huge Chinese investment will further build Gwadar port area, motorways, special economic zones, industrial parks, bridges and energy production on decided routes. Aside from all these activities the principle undertaking for China is the advancement of Gwadar port and Gwadar territory (a Sea port city of Baluchistan). This will give China a solid and long haul remaining in the Indian Ocean and abutting to the Persian Gulf, intensely making it a multi sea control. The CPEC will execute as a channel for the un-point of reference Maritime Silk Route that imagines associating three billion individuals in Asia, Africa and Europe.

Khan (2015) contends that CPEC is more critical for China in a way that the greater part of the world's demonstrated oil saves are set in the Middle East, the summit area based vender of unrefined petroleum to China. At present, tankers hauling over somewhere in the range of 10,000 nautical miles to terminals with the east and southeast bank of China along these lines each outing is overpowered with one of the world's most elevated hazardous chokepoints the Strait of Malacca. Through CPEC, China will discover a simple access to the Middle East, Iran and extra to Africa and Europe, as it is driving region of the world in view of oil holds and tremendous markets. China is since long subject to the oil from these zones. In addition this course will also open courses for China's private divisions and agents into world's best regularly developing economies through Pakistan. China will have the capacity to completely use innovation points of interest and different preferences in expanding collaboration of the advancement of natural assets, mineral assets investigation and different sides to advance China's significant modern structure, and to help unhindered commerce zone mechanical competitiveness. With reference to Pakistan benefits, Malik (2013) contends that Pakistan is a well recipient of CPEC, and has enormous chance to beat deficiency of vitality and offer ascent to poor economy conditions all through nation.

7. CPEC LOGISTICS ARRANGEMENTS AND IMPACTS ON PAKISTAN

This research paper further explains CPEC logistics interests for Pakistan to consider and talk about its lawful and approach based points of view.

In figure 1, the complete details about investment plan in logistics infrastructure is given. As it can be seen, that most of the portion comprises on road infrastructure and up gradation of Gwadar port. Khan (2016) states that in compatibility of institutional course of action and advancement of the CPEC, such development projects requires close analysis and better management for the maximum utilization. A rundown of the long haul arranging has been produced on the wellspring of arranging from the perspective of China and Pakistan, future destinations, groups fundamental parts and mega activities including operational zones, working of a mechanical transport framework, Information innovation progression, joint effort in vitality division, created system for agribusiness and end of poverty.

Furthermore, Gwadar is the fundamental centre and Gwadar Port as the entryway of CPEC. Considering essential work of Gwadar port five more tasks have been estimated and affirmed amid fifth JCC meeting (Nov 2015). The assessed cost around then for all is more than US$ 2.500 billion. The offered time to accomplish these activities was proposed to 3-5 years (GoP, 2015).
Figure 1. CPEC projects and values in US$.

8. THE POSITION OF PAKISTAN TRADE IN SERVICES COMMITMENTS (GATS) IN RELATION TO CPEC

Masood et al. (2016) contend that alongside CPEC proposed lawful administration, there are some important issues which can hinder the logistics and transport projects. These issues include decision of worldwide logistics rules, designation of permit and need based organizations for freight, criteria of review of merchandise in travel, stockpiling courses of action, issuance of visas and remain of payload workers, toll charges and right of development of transport holders. Thus, these are on the whole issues pertinent with Chinese logistics development in Pakistan under CPEC, along these lines must be considered by Pakistan intently and admirably. The agreement on trade in services (GATS) was received among Pakistan and China in 2009. Both the nations have presented their duties in trade benefits through this agreement and make it as pertinent with the end goal of CPEC logistics major plans (GATS, 2009). Akhtar (2003) contends that with profound investigation of the legitimate arrangement of Pakistan and accessible assets thus, there are outstandingly a few obstacles and requirements in the method for Pakistan trade in services responsibilities before WTO, which may antagonistically influence CPEC logistics investment advance in future. Some of them are,

- There is inadequate data and non straightforwardness in Pakistani laws and directions managing administrations.
- There are number of market get to impediments for logistics benefit providers, their tasks and workers in this segment. This incorporates getting ready estimation of exchanges or resources, the nature of efficient a branch or joint endeavor, and furthermore support of foreign capital.
- Economic Needs Test (ENT) as an essential aspect for the development of normal people under Mode 4 is considered as large obstruction and boundary in the method for CPEC logistics benefits as Pakistan has poor arrangement of issuing licenses, acknowledgment of capabilities and low specialized measures.
- Biased and thorough authorizing conditions.
- Federal and Provincial requests and strategies are unique; in this way make issues and equivocalness for outside financial specialists.
- Strict transportation conditions.
In Logistics investment, managerial courses of action have the key task to carry out. Oppressive directions of charges, costs and appropriations make in powerful the job of duties by Pakistan. The state of enlistment with or enrolment of expert associations in Pakistan is hard to accomplish by and by in winning framework. Access to the information from Ministry of transport and Ministry of planning, change and advancement in Pakistan is necessary to build up for proficient administration. This is additionally shape some portion of Economic Needs Test. Insurance arrangements for remote administrations suppliers are required which may inclination in various events. There are number of visa classifications and passage cards for impermanent remain and it makes deception of archives and debilitates outside common laborers to go into any administrations understanding in Pakistan. Procedure to secure land is confounded and extensive for outsiders. In instance of any information related debate among parties, the discretion arrangement of Pakistan is not proficient and not refreshed to satisfy current needs. Foreign financial specialist's gets advertise get to, the states of pre-work for getting visa is not great, subsequently make hindrances and deferral in remote speculation. The most important issue in the method for CPEC logistics investment is confused traditions leeway framework in Pakistan. In spite of the fact that usage of Pakistan customs computerized system (PACCS) has impressively limited the freedom time.

9. SUGGESTED POLICY AND LEGAL FRAMEWORK FOR LOGISTICS INVESTMENT IN PAKISTAN

This research paper explains and recommends local and regional insightful key suggestions for logistics interest in CPEC to be modified and turned out to be more proficient. This may conceivable if bring these recommendations previously common and government administrative congregations and consolidate into local laws and controls in association with CPEC present and future tasks in Pakistan. Along these lines these recommendations are to be considered for legitimate and arrangement system for logistics interest in CPEC to get wanted outcomes from CPEC logistics arrangements.

10. DOMESTIC REGULATIONS

There must be basic model for logistics investment controls all through Pakistan. Straightforwardness level in these controls must be improved with significant spotlight on production of every single pertinent law and directions and their simple access to open. Licensing prerequisites to work logistics business in Pakistan for foreign investors is muddled and troublesome. These prerequisites are required to be delicate and simple for outside financial investors. Online access and data of significant archives through concerned services must be guaranteed. Regulatory discontinuity between various offices in Pakistan does not exist as it makes obstacles for logistics investment specialist organizations and they are not proficient to give way to entryway office. Market access controls for logistics arrangements and particularly cargo sending business in Pakistan are required to be liberal and furthermore with conditions to secure neighborhood market and businesspeople. The administration or activities staff engaged with logistics industry in Pakistan must be affirmed as far as standards and directions and furnished with legitimate preparing under nearby or worldwide associations. Disclosure and production of cargo rate by nearby cargo organizations in Pakistan as lawful necessity under the law can improve the market competition and responsibility among neighborhood and remote venture organizations.
• Recognition of cargo handling business under the arrangements of law and stipulate its prerequisites and capacities under universal norms. For instance, Pakistan International Freight Forwarders Association (PIFFA) is inadequate in the requirement specialist by the administration owed to the nonexistence of related laws. Pakistani administrators have experienced operational issues, such as issuance of utilization of Bill of Lading (B/L). Without such laws to screen cargo forwarders, there is no endorsed approach as PIFFA does not have legitimate execution arrangements against infringement.

• Harmonization and unification in logistics investment with territorial arrangement of laws is said to be exceedingly advantageous for CPEC activity yet in the event that both China and Pakistan effectively compose fuses of CPEC terms and conditions into local laws.

• There is need to focus on public private partnership schemes. Consequently such schemes can assume huge job for advancement as well as accomplishment regarding CPEC logistics interest in Pakistan. Furthermore, Pakistan is required to give an unmistakable lawful and authoritative arrangement of standards and furthermore limit the hindrances in the method for fruitful open private organization administration.

11. REGIONAL REGULATIONS AND INITIATIVES

• Both China and Pakistan have effectively indicated their individual particular trade administrations duties to WTO. It is profoundly striking that Chinese duties towards Pakistan are more limited and confined in nature. It requires to be adjusted and for the shared advantages. Chinese responsibilities do not give joint endeavor investments to Pakistan in China and provide maximum foreign participation up to 49%. There are likewise sure constraints given on doing cargo sending business which appropriates Pakistan openings in Chinese trade market to look for. Similarly, numerous conditions are said as none or unbound which make vulnerability and vagueness about future business and welcome clashes.

• For the achievement and high monetary increases through CPEC logistics investment, Pakistan additionally required to secure its neighborhood market and representatives. In as opposed to this current, Pakistan's particular duties under level table is set to be most extreme outside value investment and procurement of land by nonnatives are open and left according to choice by government in future. This is profoundly absurd. In particular responsibilities, Pakistan offered foreign investment up to 60% which is so unreasonable and high risk to neighborhood advertise in Pakistan since it gives the entire possession rights to remote ventures. Similarly, it likewise explains as unique provision that joint endeavor with Chinese dominant part value will be regarded as up to 99.9%. Confinements on National treatment are kept unbound in all duties which are most appropriate to China yet a major damage to Pakistan nearby logistics industry.

• Non Tariff Barriers (NTB'S) are fundamentally used to confine imports with protest just quality items can go into the nation. This will enhance the nature of residential made items and increment the fares division of the nation. Non Tariff Barriers (NTBS) in Pakistan are not given productively and are low and just accessible on farming and sustenance things and just seven legitimate instruments there to make NTBs. However China consistently utilizes eighteen NTBs to control its trade. Non proficient arrangement of NTBs make best condition for China in Pakistan yet Pakistan has extremely constrained access to Chinese markets as a result of its unbending and exceptionally archived and examination model of trade accessible to outside financial specialists. It certainly put unfriendly effect on logistics interest in Pakistan due to unhindered commerce administration given by Pakistan.

• Pakistan having poor circumstance of foundation and inability to refresh its innovation measures may get profited for productive logistics interest in CPEC under WTO, Trade Facilitation Agreement (TFA 2013 and come into force on 22 February 2017) courses of action. China has officially created development arrangement of correspondence and transportation with best innovation estimates accessible. Execution of the TFA can realize critical decreases in cost for CPEC merchants, and expanded income for Pakistan governments, satisfying the
guarantee of the Agreement. To accomplish these objectives, coordination between Pakistan national organizations and commonplace or provincial foundations is compulsory and also Chinese national and nearby establishments are additionally required to take certain measures to help Pakistan framework and innovation insufficiencies.

• At present situation, there are numerous effective and productive territorial financial hallways exist all through the mainlands. Harmonization and unification of regional guidelines and controls is the key component for progress among these passageways. Moreover the part nations of concerned corridor are settled upon extraordinary and indicated legitimate strategy system concurrence with primary spotlight on transportation and logistics management. To get relevant experience and good examples, GMS “Greater Mekong Sub district” and NAFTA “North American Free Trade Agreement” are better to follow for said purposes.

12. CONCLUSION

In the light of above discussion and actualities uncovered, it tends to be emphatically contended that feasible monetary advancement of Pakistan is fundamentally depends on proficient and thorough socio legal system of logistics investment both locally and region wise insightful. Besides, Pakistan’s genuinely necessary improved exports intensity additionally relies upon the efficient structure of the part. Akhtar (2018) states that to accomplish the objectives of practical monetary development and overall export challenges, Pakistan government has just started Economic Trade Corridor program (ETCP) to amend and produce a thorough transport component of ports, rail, road and oil and gas pipelines. This will help make Pakistan more focused monetarily, and prepare of productive logistics investment through China Pakistan Economic Corridor. In addition, it is comprehensively predictable that CPEC not exclusively will stay among China and Pakistan yet in addition welcome other financial players in the region on a huge level.

Pakistan as compare with China, a moderate and feeble economy does not keep its pace with the changing circumstance in the area as to Chinese desire. For the most extreme utility and to defend its enthusiasm at a more extensive level, Pakistan is a dire need to organize transport corridor wisely. In the same way, the benefits from CPEC cannot be achieved unless, there is a mutual cooperation between concerned departments is established. These departments include logistics, transportation, finance and industry. Furthermore, up gradation of regional transport infrastructure is also required to get desired results. This is possible with establishment of transport companies and organizations which can participate nationwide.

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