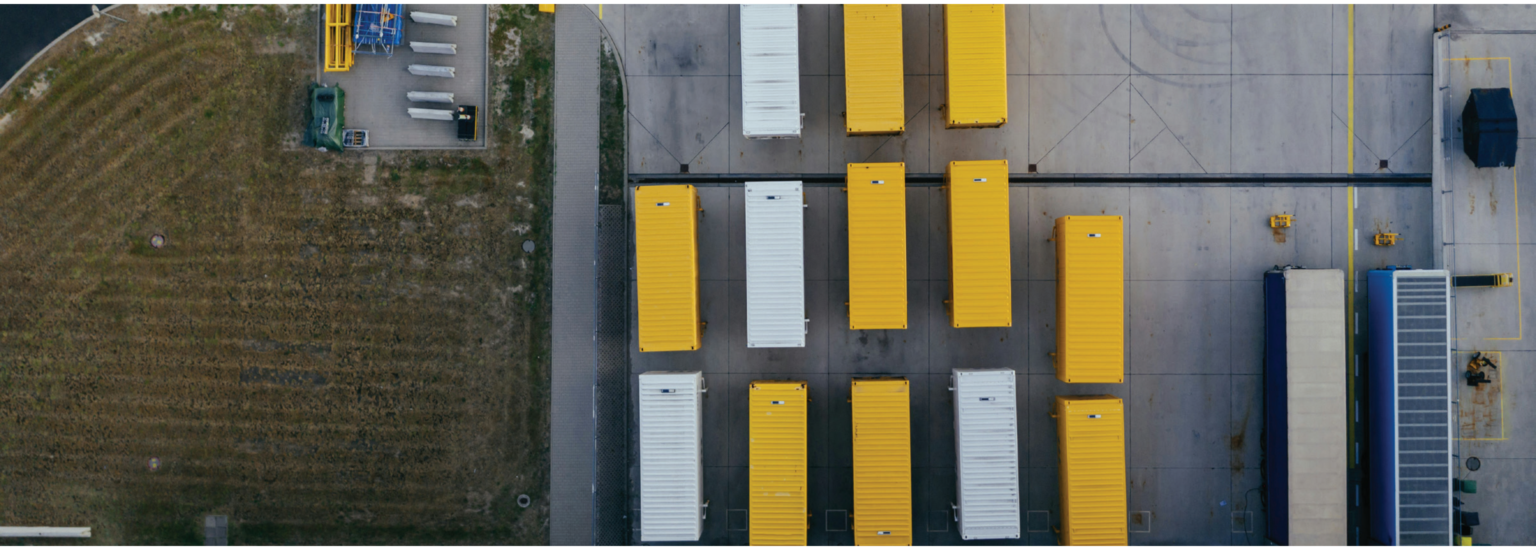
# Enabling Business-to-Business (B2B) Prospects in CPEC 2.0



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## 1. INTRODUCTION:

Pakistan stands on the brink of an economic renaissance with the inception of a new era in the China-Pakistan Economic Corridor (CPEC). The first phase of CPEC transformed an infrastructure and energy deficit nation into an infrastructure and energy surplus nation. The second phase of CPEC offers prospects envisioning a business-to-business (B2B) framework in strate-gic sectors like agriculture, green energy, mining, and information technology that could boost Pakistan's exports and rejuvenate its stagnating economy. The onus lies in Pakistan's creation of an environment that is enabled by removing bureaucratic sludge, insecurity, and political uncertainty. Steps like these are linchpin as it will pave the way for economic dynamism rooted in innovation and sustainable growth for both nations. However, the path ahead is rocky. A massive government over-regulatory footprint impedes the prospect of a B2B framework. Similarly, rising insecurity, economic stagnation, incapacity, and unproductivity are severe challenges to the B2B environment. However, the solution lies in strategic collaborative plan-ning and the implementation of a home-grown reform agenda. In essence, CPEC 2.0 represent a pivotal opportunity to galvanize Pakistan's modernization and industrialization base, trending the nation toward a prosperous future.

## OVERVIEW OF PAKISTAN'S B2B ENVIRONMENT

The deteriorating economic situation of Pakistan paints a bleak picture of the B2B environ-ment. The country has been in a continuous cycle of stagflation since 2022, where inflation and low growth are evident. As per the Economic Survey of 2023-24, the country witnessed a low growth rate of 2.38 per cent (Ministry of Finance, Government of Pakistan, 2024). Similarly, the economy is projected to slow to an average of 2% over the next five years (Siddiqui, 2024). The situation is going to deteriorate further as Pakistan is home to 240 million people, which is highly unsustainable for a country that is growing at a snail's speed of 2.38 per cent. To absorb this burgeoning overpopulation in the economy, Pakistan must achieve and sustain a 5 to 6 per cent growth for a decade. Enabling the B2B environment Under CPEC 2.0, Pakistan can reform its strategic sectors like manufacturing, textile, small and medium enterprises (SMEs), agricul-ture, and IT which can absorb this population. Hence, the B2B framework will lead to economic cooperation, technology, and knowledge transfer.

It also offers a sustainable alternative model centering around SME development, preparing the ground for industrialization, and driving significant innovation and productivity to rejuvenate growth. This approach will attract foreign investors to upscale operations, stabilizing and boosting the stagnating economy. China's opening-up strategy of the 1980s is an inspiration that transformed Shenzhen into a global innovation hub that is contributing $500 billion to the economy (Ramay, 2024). Under one roof, the "24-hour approval" model provided legislative and economic cover to foreign investors and has been the main ingredient to attract FDI. Paki-stan must adopt Shenzhen reforms to attract foreign direct investment and foster collaboration between SMEs and large enterprises under CPEC 2.0. However, institutional incapacity, bu-reaucratic inefficiencies, and the absence of cohesive planning prevent CPEC from reaching its full transformative impact. By removing the bottlenecks, as mentioned above, these SEZ can play a pivotal role in overcoming current economic challenges and can pave the way for sus-tainable growth.

## POTENTIAL SECTORS UNDER CPEC 2.0 FOR B2B GROWTH

### I. B2B framework under the agriculture sector

China offers Pakistan a diverse, vibrant, unexploited, growing agricultural market of $1,701.00 billion (Statista, n.d.). As a pioneer in agricultural innovation via advanced technology, China can help revolutionize Pakistan's agriculture sector. Agreements like China's Litong Foods and Pakistan's Guard Agricultural Research & Services in 2023 under the B2B framework offer collaboration potential investment opportunities in chili export (Baig, 2023). Thus, China can boost agricultural growth by modernizing this sector in Pakistan with advanced technology, capacity building, and knowledge transfer. Moreover, possible transactions under the Yuan bridge the trade deficit gap. Hence, under CPEC 2.0 the agriculture sector posits potential expansion investment opportunities for both nations to exploit, potentially leading to increased exports and food security.

### II. B2B framework under the information technology (IT) sector

China is advancing to become a global AI leader. Chinese tech giant Huawei is interested in establishing its international service center for the Middle East, Central Asia, and Africa in Pakistan, which shows emerging opportunities to unfold (Press Release, 2024). By streamlining the process under the B2B framework, Chinese companies can invest and strengthen partnerships with Pakistani IT firms. Pakistan's IT sector is witnessing unprecedented growth, with IT exports reaching $310 million in April 2024, a 62.3% increase from the previous year (Web Desk, 2024). By harnessing the potential of the B2B framework in the IT industry, both businesses and consumers can reap substantial rewards. Moreover, embracing tax digitalization, e-invoicing, and revenue automation could transform Pakistan's digital landscape, paving the way for innovation and efficiency like never before. President Xi Jinping's vision of upgrading CPEC to the China-Pakistan Digital Corridor (CPDC) marks a strategic shift in CPEC (IANS, 2022). Hence, both nations can become digital hubs of innovation, entrepreneurship and connectivity by uncapping Pakistan's booming IT industry.

### III. B2B framework under the mining sector

Pakistan is blessed with immense minerals like salt, coal, copper, gold, iron, gemstones, etc., making it an ideal destination for mineral exploration. China has expertise and technology, while Pakistan has immense mineral reserves under the B2B framework, so Chinese companies can accelerate the development of Pakistan's mining sector. Proposed future zones like Khewra salt mines in Punjab and Mineral Economic Processing Zones in Sindh (Thar and Lakra for coal) and KPK (Dargai for chromite; North Waziristan for chromite; Kurram for antimony; Waziristan for copper; Chitral for antimony; Besham for iron ore and lead; Nizampur for iron ore; and Mohmand for marble) and the Saindak Copper-Gold Project in Balochistan exemplifies that the sector's hold hidden remarkable potential (Awan, 2018). Thus, establishing mineral industrial parks under the B2B framework will increase investment feasibility in sub-sectors like metal refineries and processing plants. Additionally, the interest of MCC Tongsin Resources, one of the world's leading metallurgical construction companies, in investing in Pakistan's mining sector can lead to deepening cooperation and collaboration. Hence, by creating one window operations and ending the bureaucratic bottlenecks, this sector can become a viable player in the development of the mining sector in Pakistan.

### IV. B2B framework under the industrial and services sector

The B2B framework can do wonders in the services and industrial sectors. In the fiscal year 2023-24, the services and industrial sectors posted growth of 1.21 per cent, which was low compared to their contribution to GDP. The SEZ under CPEC 2.0 can expedite the relocation of the Chinese services sector to Pakistan. As China is charting its path toward high-quality, productive growth, incentives like tax breaks and sovereign guarantees and equipping 63 percent of the youth bulge with skills can uncover hidden potential that can mutually benefit the two Iron brothers. Lastly, targeted investment and access to finance in strategic sectors like manufacturing textiles and reducing the time lag can manifold productivity and growth for both nations.

## NAVIGATING THE CHALLENGES OF THE B2B LANDSCAPE IN CPEC 2.0

The resurgence of terrorism in Khyber Pakhtunkhwa and Balochistan is posing a direct threat to CPEC 2.0 viability, as it is eroding investors' confidence in the future investment climate. Chinese officials have repeatedly raised concerns that "Security threats are the main hazards to CPEC cooperation. As people often say, confidence is more precious than gold. In the case of Pakistan, the primary factor shaking the confidence of Chinese investors is the security situation" (Syed, 2024). The return of Taliban 2.0 in Kabul, whose complacent support and their reluctance of not cracking down on TTP hideouts inside Afghanistan, has heightened insecurity for Pakistan. Likewise, renewed targeted attacks on Chinese personnel showcase that traditional counter-terrorism frameworks have become inept in addressing the threat posed to CPEC. A possible solution can be establishing a joint intelligence-sharing framework and implementing holistic, comprehensive strategies that can counter the traditional and non-traditional threats to CPEC 2.0. Secondly, political instability is the most serious challenge to CPEC as it creates an environment of uncertainty. In its report, the State Bank of Pakistan cautioned that political uncertainty exacerbates the situation through inconsistency in economic policies and weak governance, hindering the investment climate (SBP, 2024). The economy seems to have recovered, but growth prospects remain elusive as structural reforms like taxation, ease of doing business, and privatization of SOE remain distant, which can potentially dent the viability of a B2B environment in CPEC 2.0.

## CONCLUSION

The future of CPEC 2.0 is fundamentally tied to Islamabad's ability to enable a thriving B2B environment. One can concur that establishing a B2B environment is not merely an option but necessary step to pull the country out of the economic morass. Moreover, a framework of policy consistency and predictability will be instrumental in transforming CPEC initiatives from bilateral to a multilateral initiative. In a nutshell, Pakistan is yet again at a critical juncture where it must walk the talk to make CPEC 2.0 successful by enabling an environment for the B2B framework. Failure to do so will make the CPEC 2.0 redundant, and don't be surprised when the chickens come home to roost in the form of low growth and economic stagnation.

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