

Identifying Suitable Regions for Locating Industrial Development with Special Emphasis on CPEC

Dr. Azam Amjad Chaudhry, Professor and Dean, Dr. Theresa Thompson Chaudhry, Professor, and Mr. Umair Ayaz, Research Associate, Faculty of Economics, Lahore School of Economics.

Introduction:

- Transportation costs are one of the major factors affecting firms' location decision
- Investment in modern transportation networks under the China Pakistan Economic Corridor (CPEC) can favorably affect regions by improving accessibility and reducing transportation costs
- Given the advanced stage of CPEC's infrastructure development phase of CPEC, we now need to focus on a CPEC-related industrial policy focused on higher value added exports.
- This provides an opportunity for the government to identify such regions and encourage the concentration of manufacturing activity within them
- This will help in achieving structural transformation and generating economic growth by shifting resources from low value-added to high value-added activities
- The purpose of this analysis is to inform the industrial policy for Punjab by identifying different industries based on their growth and export potential and suggest suitable regions for locating these industries, particularly based on their proximity to the CPEC route.
- Other factors considered included: urbanization and localization (agglomeration economies), average wage, and worker quality (education)

Methodology:

- ***Sectors were selected on the basis of the following criteria:***
- High global demand
- High import and export shares
- Promising export performance
- Level of technological sophistication
- ***This resulted in the selection of the following nine sectors:***
- Processed Food and Beverages
- Wearing Apparel
- Leather Products
- Pharmaceutical Products
- Industrial Chemicals
- Plastic Products
- Non-Electrical Machinery
- Electrical Machinery and Supplies
- Motor Vehicles and Autoparts

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Results:

SECTORS THAT CAN MOST BENEFIT FROM CPEC

Results indicate that distance from National Highways and/or Motorways has a significant impact on firms' location decision in the case of the following sectors:

- Processed Food and Beverages
- Industrial Chemicals
- Plastic Products
- Electrical Machinery and Supplies

ROUTES AND AREAS WITH IMMEDIATE BENEFITS FROM CPEC

Results show that the following of the currently under construction, planned, or proposed national highways, expressways, and motorways will immediately benefit tehsil headquarters and areas in the vicinity around them in terms of reducing travel time

- CPEC Western Alignment (Burhan – Dera Ismail Khan)
- M-3 (Lahore – Abdul Hakeem)
- M-4 (Pindi Bhattian – Faisalabad – Multan)
- E-3 (Wazirabad – Pindi Bhattian)
- E-4 (Faisalabad – Jhang – Khanewal)
- E-5 (Khanewal – Lodhran)

Policy Recommendations:

- We can link road networks, geographical locations and sectors.
- This means that the completion of these road networks can make specific districts more suitable for particular industries.
- What is needed is an active industrial policy that promotes the growth of the following industries in the mentioned areas:

Road Network	District	Manufacturing Industry
E-4	Jhang	Processed Food and Beverages, Plastic Products, Industrial Chemicals, and Electrical Machinery and Supplies
E-5	Bahawalpur	Processed Food and Beverages, Plastic Products, Industrial Chemicals, and Electrical Machinery and Supplies
E-5	Vehari	Processed Food and Beverages, and Plastic Products
E-5	Khanewal	Processed Food and Beverages, and Plastic Products
CPEC Western Alignment	Chakwal	Industrial Chemicals, and Electrical Machinery and Supplies
E-3	Mandi Bahauddin	Industrial Chemicals, and Electrical Machinery and Supplies
E-4	Khushab	Industrial Chemicals, and Electrical Machinery and Supplies