



L o n g T e r m P l a n
f o r
China-Pakistan Economic Corridor
(2017-2030)

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Introduction

Since the formal establishment of diplomatic relations, the People's Republic of China and the Islamic Republic of Pakistan have seen their relations ever consolidating and progressing. Throughout different historical periods and despite changes with times, Chinese and Pakistani governments and people have been working hard to enrich the friendship, and have set a model for friendly bilateral ties between different cultures, social systems and ideologies.

In recent years, as their economic and social development enters into a new phase, Chinese and Pakistani governments and people have deeply realized the importance of mutual economic ties and to develop "multiple wheels" to drive their bilateral relations forward for building a common destiny of the two nations. The China-Pakistan Economic Corridor, starting from Kashgar in Xinjiang, China, and reaching Karachi and Gwadar, southern coastal cities in Pakistan via the Khunjerab Pass and several other nodal areas, constitutes a key platform and a central task for cementing China-Pakistan economic relations.

The China-Pakistan Economic Corridor (hereinafter referred to as the "CPEC"), located at the intersection between the Silk Road Economic Belt and the 21st Century Maritime Silk Road, is major part of the Belt and Road Initiative. The Chinese part covers key economic areas in southern Xinjiang, calls for heavy task of economic development, and lasting social and political stability; the Pakistani part goes through major economic and populous areas. The building of the CPEC will definitely contribute to the economic development, livelihood improvement and social stability in both countries. It is necessary for both Chinese and Pakistani governments to work together and mobilize resources in a holistic way to advance it.

25 In May 2013, Premier Li Keqiang visited Pakistan and reached key consensus on
26 the establishment of the CPEC with the Pakistani side, including the decision to jointly
27 formulate the long term plan for it. During President Xi Jinping's visit to Pakistan in
28 April 2015, the central status of the CPEC was further confirmed in China-Pakistan
29 economic cooperation and a batch of priority projects were launched. Relevant
30 ministries and departments of the both countries have set up a cooperation mechanism
31 to coordinate the implementation of consensus reached by the leaders of the two
32 countries.

33 This plan is a national plan approved by both Chinese and Pakistani governments.
34 It will effectively match relevant national plans and local plans of China as well as
35 Pakistan's Vision 2025.

36 This plan is effective up to 2030, the short-term projects included will be
37 considered up to 2020; medium-term projects in the next decade up to 2025; and
38 long-term projects up to 2030 or later.

39

40 Chapter-I: The Definition of the CPEC and 41 Building Conditions

42 I. The Definition of the CPEC

- 43 • **Definition.** The China-Pakistan Economic Corridor is a growth axis and a
44 development belt featuring complementary advantages, collaboration, mutual
45 benefits and common prosperity. With the comprehensive transportation
46 corridor and industrial cooperation between China and Pakistan as the main axis,
47 it is based on major collaborative projects for infrastructure construction,
48 industrial development and livelihood improvement, aimed at socio economic
49 development, prosperity and security in regions along it.
- 50 • **CPEC coverage.** The China-Pakistan Economic Corridor covers China's
51 Xinjiang Uygur Autonomous Region and the whole territory of Pakistan. In
52 order to reflect the level, scope and layout of the construction and development
53 of the Corridor, its coverage is divided into the core zone and the radiation
54 zone.
- 55 • **Key nodes.** The node cities that the corridor passes through include Kashgar,
56 Atushi, Tumshuq, Shule, Shufu, Akto, Tashkurgan Tajik, Gilgit, Peshawar,
57 Dera Ismail Khan, Islamabad, Lahore, Multan, Quetta, Sukkur, Hyderabad,
58 Karachi and Gwadar.
- 59 • **Spatial layout.** The CPEC's core zone and the radiation zone, presents the
60 spatial layout of "one belt, three axes and several passages". By "one belt" we
61 mean the belt area composed of the core zone of the CPEC, including Kashgar,

62 Tumshuq city, and Atushi city and Akto county in Kizilsu Kirghiz autonomous
63 prefecture of Xinjiang, China, as well as Islamabad, parts of Punjab, Sindh,
64 Khyber Pakhtunkhwa, Balochistan, AJK and Gilgit-Baltistan. The “three axes”
65 refer to three horizontal axes connecting Lahore and Peshawar, Sukkur and
66 Quetta, and Karachi and Gwadar. The “several passages” refer to several
67 railways and highway trunk lines from Islamabad to Karachi and Gwadar.

68 • **Key functional zones.** The CPEC is divided into the following five functional
69 zones from north to south: Xinjiang foreign economic zone, northern border
70 trade logistics and business corridor & ecological reserve, central plain
71 economic zone, western logistics corridor business and trade zone, and southern
72 coastal logistics business and trade zone. Most of the node cities, transportation
73 corridors and industrial clusters are concentrated in them.

74 II. Basic Conditions

75 ▪ **China-Pakistan cooperation on economic and social development has made**
76 **remarkable progress.** In the past five years, China-Pakistan trade has
77 continued to grow rapidly, with the annual growth rate of 18.8% on average;
78 bilateral investment has also been soaring, and China has become one of the
79 biggest sources of foreign capital for Pakistan. International economic and
80 technological cooperation has shown strong momentum, expanding into more
81 areas and reaching a higher level; social and people-to-people exchange has
82 been increasing. By leveraging their respective comparative advantage and
83 strengthening all-round cooperation based on the physical Corridor, China and
84 Pakistan are expected to bring their economic cooperation to an unprecedented
85 height.

86

- 87 ▪ **There is a huge potential for China and Pakistan to strengthen cooperation**
88 **based on complementary resources.** China and Pakistan are blessed with
89 different natural endowments, and at different stages of economic development,
90 industrialization and urbanization. China has advantages in infrastructure
91 construction, high-quality production capacity in equipment manufacturing, iron
92 & steel and cement industries as well as financing for investment. While
93 Pakistan owns rich human and natural resources, huge potential for economic
94 growth and broad market prospects besides a geo-strategic location. The orderly
95 and timely flow of economic factors in both countries along the CPEC will
96 significantly improve the resource allocation efficiency and bring into full play
97 the comparative advantage of each country.
- 98 ▪ **West China has entered into a new historic phase of economic and social**
99 **development.** Since the implementation of the western development strategy,
100 West China, in particular Xinjiang, has made huge economic and social
101 progress. The economic strength has significantly increased with improved
102 infrastructure resulting in betterment of people's livelihood. Kashgar, a major
103 city for Xinjiang to open up to the outside world, has embarked on the fast lane
104 of economic and social development, and become more and more open. The
105 infrastructure has been improving along the way from Kashgar to Khunjerab
106 Pass, providing basic support for China-Pakistan economic and trade exchange
107 on land.
- 108 ▪ **Pakistan has the potential to grow into a “tiger of Asia”.** Pakistan is blessed
109 with abundant natural resources and a vast domestic market. Extensive
110 consensus on the Vision 2025 has been reached. It's being realized by
111 improving public governance, reinforcing infrastructure construction and
112 harnessing the demographic dividend to accumulate human and social capital,

113 elevate the industrialization level and develop competitive knowledge-based
114 economy are imperatives to move forward. The CPEC will greatly speed up the
115 industrialization and urbanization process in Pakistan and help it grow into a
116 highly inclusive, globally competitive and prosperous country capable of
117 providing high-quality life to its citizens.

118 **III. Opportunities**

119 ▪ **The world economy is recovering and the external environment is**
120 **favorable.** After years of recession and adjustment following the last
121 international financial crisis, the world economy is expected to enter a new
122 round of growth. The investment and financing environment for major
123 collaborations between China and Pakistan is flexible and promising for the
124 international community particularly neighboring countries to participate in the
125 CPEC to share its fruits.

126 ▪ **The CPEC is closely associated with the implementation of the Belt and**
127 **Road Initiative.** As a pilot project of the Belt and Road Initiative, the
128 experience accumulated from the CPEC will be promoted to other countries
129 along the Belt and Road. The fusion of national development strategies will
130 facilitate policy communication between China and Pakistan; their geographical
131 proximity is good for infrastructure connection; their closely coordinated
132 economic and trade strategies will help realize free trade flow; the two countries
133 are highly complementary to each other in investment and financing, making
134 financing much easier; their long-lasting friendship is deeply rooted among
135 people, thus helpful for people-to-people exchanges.

136 ▪ **The macro economy in Pakistan has been much improved.** Pakistan has
137 reached wide consensus on social stability, economic development and

138 livelihood improvement. A series of economic reform has started to take effect,
139 and its advantage in the young workforce and demographic dividend are given a
140 bigger role. The macro economy has turned for better in Pakistan in recent years.
141 The economic growth has been picking up, boosting the market demand for
142 related transportation and energy; The inflation level has been low, driving up
143 the expected actual returns of major projects for the CPEC building; the
144 international balance of payments has been moving towards equilibrium,
145 foreign exchange reserves have been growing and the expectation of the
146 exchange rate has been stable, reducing the investment and financing risks for
147 major CPEC projects. The macroeconomic environment has never been so
148 better before for the building of the CPEC.

149 **IV. Possible Challenges**

- 150 ▪ **Geopolitical and security risks.** The geopolitical environment is inherently
151 unstable in South Asia. World powers' adjustment of their policy towards this
152 region might add to the uncertainty. The mix of international, regional, national
153 and extremist factors might cause disruptive activities, challenging the CPEC
154 building.

- 155 ▪ **The restraints of natural and geographical factors.** Southern Xinjiang of
156 China suffers from a weak industrial base and limited economic scale. Because
157 of the special natural and geographical conditions in China-Pakistan border area,
158 the construction, operation and management of major infrastructure projects is
159 costly. The Indus River valley in Pakistan is comparatively economically
160 advanced, but with high population density and limited resource carrying
161 capacity, while the western area is poorly developed and troubled with harsh
162 natural conditions.

- 163 ▪ **Restraints to economic growth prospects.** Pakistan needs to address major
164 bottlenecks to economic and social development to sustain economic growth
165 momentum. The energy, infrastructure, administration and governance
166 deficiencies, besides unbalanced regional economic and social development,
167 and external sector vulnerabilities could impose possible challenges to the
168 CPEC.

169

Chapter-II: Visions and Goals

170 I. Visions

171 ▪ **The Chinese side vision:** to further advance the western development strategy,
172 promote economic and social development in Western China, accelerate the
173 Belt and Road construction, give play to China's advantages in capital,
174 technology, production capacity and engineering operation, and promote the
175 formation of a new open economic system.

176 ▪ **The Pakistani side vision: to fully harness the demographic and natural**
177 **endowment of the country by enhancing its industrial capability through**
178 **creation of new** industrial clusters, while balancing the regional socioeconomic
179 development, enhancing people's wellbeing, and promoting domestic peace and
180 stability.

181 ▪ **The international and regional vision:** to form a new international logistic
182 network and industrial layout based on major transportation infrastructure;
183 elevate the status of South Asian and Central Asian countries in labor division
184 of global economy; promote regional economic integration through stable trade
185 growth, international economic and technological cooperation and personnel
186 exchange.

187 II. Goals

188 By 2020, the CPEC shall take the initial shape, major bottlenecks to Pakistan's
189 economic and social development shall be basically addressed, and the CPEC shall start
190 to boost the economic growth along it for both countries.

191 By 2025, the CPEC building shall be basically done, the industrial system
192 approximately complete, major economic functions brought into play in a holistic way,
193 the people's livelihood along the CPEC significantly improved, regional economic
194 development more balanced, and all the goals of Vision 2025 achieved.

195 By 2030, the CPEC building shall be entirely accomplished, the endogenous
196 mechanism for sustainable economic growth in place, the CPEC's role in stimulating
197 economic growth in South Asia and Central Asia brought into holistic play, and South
198 Asia shall grow into an international economic zone with global influence.

199

200 **Chapter-III: Guidelines and Basic Principles**

201 **I. Guidelines**

202 We shall proceed with all-weather strategic partnership of cooperation, concepts
203 of harmony, inclusiveness, mutual benefits and sustainability. Besides seizing
204 opportunities presented by China's economic development, transformation and the
205 implementation of the Belt and Road Initiative, we shall capitalize on the favorable
206 environment created by the extensive consensus on the Vision 2025, growing economic
207 and social stability and a new round of robust growth in Pakistan. It will fully leverage
208 China's industrial, capital, and institutional advantages in the light of Pakistan's market,
209 demographic dividend and geographical imperatives. Through mutual consultations,
210 China and Pakistan shall share responsibilities and fruits, form a "1+4" collaboration
211 pattern (featuring the CPEC as the center and four priorities, namely the Gwadar port,
212 energy, infrastructure construction and industrial cooperation). We shall bring China
213 and Pakistan closer to each other with the physical economic bond of the CPEC and
214 form a community of indivisible common destiny.

215 **II. Principles**

216 ▪ **Government guidance and market-oriented operation.** The Chinese and
217 Pakistani governments are the advocator, planner and guider of the CPEC
218 project. Considering the Chinese and Pakistani economic systems, commercial
219 projects related to the CPEC should be operated in a market-oriented way;
220 quasi-commercial major infrastructure projects could adopt the public private
221 partnership mode; and non-commercial projects concerning people's livelihood
222 should involve multiple participants and be implemented through fair

- 223 competition.
- 224 ▪ **Joint building and fruits sharing.** China is responsible for planning, financing,
225 building and operating projects within its territory, and for those in Pakistan,
226 China and Pakistan shall jointly prepare plans, divide financing responsibilities
227 based on the project situation and their respective investment and financing
228 strengths, give play to their respective comparative advantage in project
229 construction and implementation, and share fruits based on the match of their
230 cost, risk and returns.
- 231 ▪ **Openness and inclusiveness.** The planning and building of the CPEC will learn
232 from the latest theories about and achievements of other international corridors.
233 China and Pakistan welcome the international community to provide intellectual
234 support to the CPEC by various means, international organizations, other
235 countries and the international capital market to jointly work on the CPEC
236 building.
- 237 ▪ **Livelihood improvement and sustainable development.** The improvement of
238 people's livelihood is on the top of the agenda of the CPEC project whose
239 spatial layout fully reflects the regional development gap. Connectivity
240 infrastructure construction shall focus on improving basic public services for
241 local residents, all-round industrial cooperation, show preference for local
242 residents in employment, and the exchange and cooperation in areas concerning
243 people's livelihood lean towards the ordinary people. The population and
244 resource carrying capacity of different areas along the CPEC shall be
245 coordinated, and possible effect of climate change and other factors be forward
246 considered to realize sustainable development.
- 247

- 248 ▪ **Orderly development with priorities highlighted.** The relations between
249 short-term, medium-term and long-term projects shall be properly handled, the
250 construction timetable be laid down in an orderly way based on the readiness of
251 each project, and major projects of holistic significance be carried out to address
252 key issues of possible major bottlenecks to Pakistan's economic and social
253 development in different phases.

254 **Chapter-IV: Key Cooperation Areas**

255 **I. Connectivity**

256 **i. Construction of an integrated transport system**

257 Transport infrastructure is the basic and prerequisite condition for the
258 construction of the China-Pakistan Economic Corridor. It is an important field
259 that can drive the economic and social development of regions along the CPEC,
260 besides promoting the intercommunication and all-round cooperation between
261 China and Pakistan for shared prosperity.

262 Through the joint planning and development of highways, railways, ports,
263 aviation and other infrastructure, a convenient, efficient and integrated transport
264 corridor that includes a variety of modes of transport along the main nodes of
265 CPEC can be formed to achieve the transition from lagging behind to adaptation
266 and then to moderate advancement in the transport infrastructure of the main
267 nodes along the CPEC. In order to meet the needs of trade and personnel
268 exchanges between China and Pakistan for the socio-economic development of
269 regions along the CPEC. Following initiatives have been planned to achieve the
270 aforementioned objectives:

- 271 ▪ Construction and development of Kashgar-Islamabad,
272 Peshawar-Islamabad-Karachi, Sukkur-Gwadar Port and Dera Ismail Khan
273 -Quetta-Sohrab road infrastructure, to enhance road safety and service
274 levels and expand traffic capacity.
- 275 ▪ Capacity expansion of existing railway lines and construction of new
276 projects and promoting the modernization of the railway and build an

277 integrated transport corridor.

278 ▪ Construction and development of Gwadar Port and port city, build a
279 consolidated distribution transport system, continuously improve the
280 infrastructure of the port, accelerate the construction of East Bay
281 Expressway and the new international airport and enhance the
282 competitiveness of the Free Zone to promote the social progress and
283 economic development of the region.

284 ▪ Strengthen China-Pakistan cooperation in technical training and
285 cooperation in the construction and management of transport infrastructure,
286 to continuously provide talents for the construction of the China-Pakistan
287 Economic Corridor and promote the sustainable development of the
288 transportation industry.

289 **ii. Information network infrastructure**

290 China and Pakistan should boost information connectivity and promote pragmatic
291 cooperation through construction and operation of local communication networks
292 and broadcast & TV networks; besides strengthening information and
293 communication industries in both countries and synchronous construction of
294 information, road and railway infrastructures.

295 ▪ Promote the construction of cross-border optical fiber cables between
296 China and Pakistan and the construction of the backbone optical fiber
297 networks in Pakistan; Upgrading of Pakistan's network facilities, including
298 the national data center and the second submarine cable landing station.

299 ▪ Expedite Pakistan to adopt China's Digital Terrestrial Multimedia
300 Broadcasting (DTMB) standard.

- 301 ▪ Promote the ICT-enabled development of Pakistan, including
302 e-government, border electronic monitoring and safe city construction;
303 promote the development of e-commerce in Pakistan.
- 304 ▪ Enhance the development of the information industry in Pakistan; build IT
305 industrial parks and IT industry clusters in Pakistan to improve Pakistan's
306 information technology and service outsourcing.
- 307 ▪ Increase the Pakistani exchange personnel in China, establish technical
308 training centers in Pakistan, and strengthen the construction of ICT human
309 resources in Pakistan.

310 **II. Energy Related Fields**

311 China and Pakistan should strengthen cooperation in the fields of oil and gas,
312 electricity and power grids, and focus on promoting the construction of major projects
313 of thermal power, hydropower, coal gasification and new energy power generation, and
314 supporting power transmission networks, in order to enhance its power transmission
315 and supply reliability.

- 316 ▪ Research and promote the cooperation in the development of oil and gas
317 resources, and conduct preliminary research on China-Pakistan oil and gas
318 pipeline projects. The options of establishing oil refineries & storages at
319 Gwadar and along CPEC route will also be considered.
- 320 ▪ Optimize the layout of imported coal, and research on development and
321 utilization of Pakistan's own coal for power plant and developing
322 technologies for surface coal gasification.
- 323 ▪ Actively promote river planning and preparatory work of major projects to
324 accelerate the hydropower development process.

325 ▪ Develop wind and solar energy based on local conditions, and establish
326 diversified energy supply channels.

327 ▪ Strengthen the construction of high voltage-class power grids and power
328 transmission and distribution networks to fulfill the electricity demand and
329 ensure the reliability of electricity supply in Pakistan.

330 To develop the industry for manufacturing of power sector equipments/parts
331 required for generation, transmission and distribution including renewable energy
332 technologies.

333 **III. Industries and Industrial Parks**

334 China and Pakistan should strengthen cooperation in trade and industrial areas,
335 expand bilateral economic and trade relations, and enhance the level of bilateral trade
336 liberalization. They should cooperate in key areas, enhance the effectiveness of
337 cooperation and strive to achieve the synchronization, coordination and reciprocity of
338 economic development.

339 ▪ Promote the quality and efficiency improvement of the textile and clothing
340 industry, expand the size of the textile industry, and increase the supply of
341 high value-added products; promote the Kashgar Economic and
342 Technological Development Zone, and Caohu Industrial Park to adopt the
343 means like export processing to establish a regional cooperation and
344 development model based on complementary advantages, and mutual
345 benefits.

346 ▪ Expand the cooperation in the appliance industry, promote Pakistan's
347 industries from assembling imported parts and components to localized
348 production of parts, and encourage various forms of Chinese enterprises to

- 349 enter the Pakistani market to improve the development of energy efficient
350 appliance industry in Pakistan. Promote the industrial capacity cooperation
351 in sectors such as; chemicals, engineering, agro, iron & steel and
352 construction materials, and use efficient, energy-saving and environmental
353 friendly processes and equipment to meet the demands of Pakistan's local
354 markets and at the same time to further expand it to the international market.
- 355 ▪ Increase the exploration and development of resources, and introduce
356 bilateral enterprises to participate in the exploration and development of
357 mineral resources.
 - 358 ▪ Rely on industrial parks and the characteristics of bilateral economic and
359 trade cooperation to expand cooperation in related industries and promote
360 the development of industrial concentration.
 - 361 ▪ Rely on higher education resources in Pakistan to carry out design and R&D
362 activities, strengthen exchanges and cooperation among educational and
363 research institutions.
 - 364 ▪ Expand trade logistics and areas of business cooperation, improve the
365 investment environment, optimize the bilateral trade structure, and promote
366 balanced trade development.
 - 367 ▪ Rely on the advantages of the ports to expand logistics transportation.

368 **IV. Agricultural Development and Poverty Alleviation**

369 China and Pakistan shall give full play to their own comparative advantages to
370 strengthen agricultural infrastructure construction within the CPEC coverage and play
371 their own roles in agricultural personnel training, technical exchanges and cooperation.
372 They should cooperate in key construction areas such as biological breeding,

373 production, processing, storage and transportation, infrastructure construction, disease
374 prevention and control, water resources development and utilization, land development
375 and remediation, ICT-enabled agriculture and marketing of agricultural products to
376 promote the systematic, large-scale, standardized and intensified construction of the
377 agricultural industry. They should promote the transition from traditional agriculture to
378 modern agriculture in the regions along the CPEC to effectively boost the development
379 of local agricultural economy and help local people get rid of poverty and become
380 better off.

381 ▪ Strengthen the upgrading of agricultural infrastructure in the regions along the
382 CPEC.

383 ▪ Promote the construction of water resources and water-saving modern
384 agricultural demonstration zones, and increase the development and remediation
385 of medium- and low-yielding land to achieve efficient use of resources.

386 ▪ Strengthen technical exchange and cooperation in the fields such as crop seed
387 reproduction, livestock and poultry breeding, breeding and production
388 technology, agricultural products processing, animal & plant epidemic
389 prevention & control, mechanization demonstration and ICT-enabled
390 agriculture.

391 ▪ Improve post-harvest handling, storage and transportation of agricultural
392 products, and innovate in marketing and sales models.

393 ▪ Improve flood management, rangeland & desert development and strengthen
394 remote sensing technologies.

395 ▪ Strengthen production of agriculture inputs particularly pesticides, fertilizer,
396 machinery and support services including agriculture education and research.

397 ▪ Collaborate in horticulture, fisheries and livestock medicines and vaccines.

398 **V. Tourism**

399 China and Pakistan should further exploit the potential advantages of the tourism
400 resources in the regions along the China-Pakistan Economic Corridor, especially the
401 China-Pakistan border areas. They should actively promote comprehensive
402 development of coastal tourism within the CPEC coverage, with Gwadar and Karachi
403 as the hubs, expand cross-border tourism and improve the quality of tourism services to
404 effectively promote the socio-economic development of the two countries, help the
405 residents along the coastal tourism belt shake off poverty and promote marine
406 development.

407 ▪ Further exploit the potential advantages of the tourism resources in the regions
408 along the China-Pakistan Economic Corridor, especially the China-Pakistan
409 border areas; promote the development and construction of cross-border tourist
410 routes along the railways and highways.

411 ▪ Actively help Pakistan's coastal areas become more livable, business-friendly
412 and tourist-friendly; improve local ecological, living and employment
413 environments to enhance the happiness index of local people.

414 ▪ Construction of the “2+1+5” tourism spatial structure, which includes two
415 centers, one axis and five zones: Karachi Port and Gwadar Port as the two
416 centers, and the coastal tourism belt as the development axis, and five tourist
417 zones of Jiwani & Gwadar tourism zone, Jiedijiao, Olmara, Songminiya and
418 Ketu Bander.

419 ▪ Strengthen tourism-related infrastructure construction through market-oriented
420 principles and integrate it into Pakistan's annual tourism development plan to

- 421 provide compatible incentives for attracting local and foreign investments.
- 422 Focus on the development of core tourism attractions so as to support the
- 423 development of other supporting tourism products.
- 424 ▪ Improve the tourism public service system, with particular attention to the
- 425 construction of tourism administration, the tourism navigation system, the road
- 426 marking system, the tourism information network, etc.
- 427 ▪ Build a tour route connecting coastal cities and themed on coastal leisure &
- 428 vacationing: Keti Bander- Karachi- Songminiya- Olmara- Jiedijiao- Gwadar-
- 429 Jiwani.

430 **VI. Cooperation in Areas concerning People's Livelihood and**

431 **Non-governmental Exchanges**

- 432 China and Pakistan should expand cooperation in people's livelihood
- 433 improvement and non-governmental exchanges, and enhance the comprehensive
- 434 service capability of the cities along the CPEC. They should significantly improve
- 435 people's livelihood to provide a good social environment for the CPEC building.
- 436 ▪ Apply international and China's new urbanization concepts to the municipal
- 437 construction of the node cities along the CPEC, such as the construction of the
- 438 public transport system and water supply and drainage systems; give full play to
- 439 China's advantages in technology, equipment, and capital, and solve some
- 440 prominent livelihood issues via pilot projects.
- 441 ▪ Expand the scale of training programs in China for Pakistani government
- 442 officials and local government officials from regions along the CPEC; select
- 443 outstanding Pakistani students from regions along the CPEC and send them to

- 444 the universities in Xinjiang to receive higher education and make cultural
445 exchanges; increase basic education facilities by implementing assistance
446 projects for basic education within the CPEC coverage, and upgrade existing
447 education facilities based on actual needs; make efforts to carry out vocational
448 training in Pakistan; strengthen the construction, operation and management of
449 the transportation and power infrastructure, and the technical training for
450 Pakistani personnel by reference to Xinjiang's "Academy of Central Asia
451 Regional Economic Cooperation".
- 452 ▪ Provide medical assistance services in more places within the CPEC coverage
453 and upgrade existing medical facilities based on actual needs.

454 VII. Financial Cooperation

455 The two countries should explore the establishment of multi-level cooperation
456 mechanisms and strengthen policy coordination. They should also strengthen their own
457 financial reforms and opening up, innovate in their own financial products and financial
458 services, and control financial risks to create a good financial environment for the
459 CPEC building. Following are the areas of focus:

- 460 ▪ Strengthen cooperation in financial regulation. The two countries should continue to
461 sign currency swap agreements, expand the amount of currency swap under the
462 agreements and enrich the scope of the foreign currency from currency swap; assign
463 the foreign currency to domestic banks through credit-based bids to support the
464 financing for projects along the CPEC; establish a bilateral payment and settlement
465 system to reduce the demand for third-party currency; explore the establishment of a
466 bilateral foreign exchange reserve pool to form an effective mechanism for stabilizing
467 the exchange rate; strengthen the cooperation between the central banks and financial
468 regulatory agencies of the two countries, and promote the establishment of a

469 settlement platform for RMB cross-border trade and investment and a monitoring and
470 early warning platform for cross-border cash flow; promote the free flow of capital in
471 an orderly manner, and enhance the facilitation in cross-border transfer of legitimate
472 funds.

473 ▪ Cooperation between financial institutions. China shall support Pakistan to
474 effectively gain benefits from the Asian Infrastructure Investment Bank (AIIB)
475 to meet its future financial needs. Both countries shall promote the mutual
476 opening of their financial sector and the establishment of financial institutions
477 in each other; encourage financial institutions of the two countries to support
478 the financing for the projects along the CPEC; establish and improve a
479 cross-border credit system, and promote cross-border financial services such as
480 mutual guarantee for each other's loans, domestic loans under overseas
481 guarantee, and overseas loans under domestic guarantees.

482 ▪ Cooperation between financial markets. The two countries shall promote the
483 opening and development of the securities markets, support the multi-currency
484 direct financing of Pakistan's central and local governments, enterprises and
485 financial institutions in China, strengthen the cooperation between stock
486 exchanges of the two countries, and support the two countries' enterprises and
487 financial institutions in carrying out direct financing for projects along the
488 CPEC in each other's capital markets.

489 ▪ Financial cooperation between Free Trade Zones (FTZs). Pakistan shall
490 promote the construction of Gwadar Port Free Zone by drawing on the
491 experience of China (Shanghai) Pilot Free Trade Zone and other Pilot Free
492 Trade Zones in China, and explore RMB offshore financial business in Gwadar
493 Free Zone. Both countries shall strengthen financial cooperation between their
494 Free Trade Zones and explore the formation of a RMB backflow mechanism.

495 **Chapter-V: Investment and Financing**

496 **Mechanism and Supporting Measures**

497 **I. Investment and Financing Mechanism**

498 China should give full play to its advantages in investment and financing in
499 accordance with the principle of joint investment, joint construction and sharing
500 benefits. The two countries should reasonably determine the investment and financing
501 modes based on the nature of projects and the status of cash flow. They should create
502 necessary commercial conditions for the enterprises to carry out the projects according
503 to the market-oriented principle, and establish a reasonable cost and revenue sharing
504 mechanism to ensure reasonable commercial returns from the projects for all
505 stakeholders.

506 **Government funds.** The governments of the two countries bear the primary
507 responsibility for investment and financing of purely public welfare projects.
508 Relevant policies and procedures shall be honored to coordinate the use of free
509 loans, interest-free loans, concessional loans and preferential export buyer's
510 credit provided by China to support strategic priority projects along the CPEC,
511 further enhance the preferential margins and ensure the funds are used
512 exclusively in the projects along the CPEC. The Pakistani federal government
513 and provincial governments along the CPEC should try to assume some
514 investment and financing responsibilities by various means, such as earmarked
515 budget funds at all levels for the CPEC building and allowing provincial
516 governments to issue financial bonds in domestic and foreign capital markets.
517 Both governments actively take various forms to provide credit enhancement
518 support for major financing projects, effectively reduce the financing costs and

- 519 protect the rights and interests of creditors.
- 520 ▪ **Indirect financing of financial institutions.** Both countries shall strengthen
521 strategic cooperation between policy banks, development finance institutions
522 and commercial banks, and study and solve financial issues with the CPEC
523 building; explore various ways to support the Silk Road Fund in participating in
524 the investment and financing for the CPEC.
- 525 ▪ **Direct investment of enterprises.** Both countries shall encourage Chinese
526 enterprises, private sectors and private sector funds of other economic entities to
527 make various forms of direct investment, welcome Pakistan's private capital in
528 participating in the projects along the CPEC and establish various types of
529 private financial institutions or infrastructure funds.
- 530 ▪ **Loans from international financial institutions.** Both countries welcome the
531 World Bank (WB), the Asian Development Bank (ADB), the Asian
532 Infrastructure Investment Bank (AIIB), and other international financial
533 institutions to provide long-term concessional loans to support the investment
534 and financing for the projects along the CPEC.
- 535 ▪ **Other innovative investment and financing methods.** Effective ways shall be
536 explored for Pakistan's federal and provincial governments, enterprises and
537 financial institutions to conduct RMB financing in Mainland China, Hong Kong
538 and other offshore RMB centers. China uses credit enhancement, underwriting
539 and other ways to support Pakistan's RMB financing. Chinese and Pakistani
540 market players are supported and encouraged to finance for the projects along
541 the CPEC in the international market and Pakistan.

542 II. Institutional Association and Policy Support

- 543 ▪ **Make full use of the association of existing institutions.** The role of existing
544 institutions and cooperation documents shall be given full play: China-Pakistan
545 Economic Corridor Joint Committee, China-Pakistan Joint Economic and Trade
546 Committee, *Bilateral Investment Protection Agreement*, *Free Trade Agreement*,
547 *Agreement on Service Trade in Free Trade Zones*, *Agreement on Expanding*
548 *and Deepening Bilateral Economic and Trade Cooperation*, and *Framework*
549 *Agreement on Energy Cooperation*, as well as *The Five-Year Development Plan*
550 *for China-Pakistan Economic and Trade Cooperation*.
- 551 ▪ **Establish a closer inter-governmental linkage mechanism.** Based on the
552 Joint Working Committee of the China-Pakistan Economic Corridor, the two
553 countries will further deepen bilateral cooperation, form a working framework
554 at three levels: the Committee, the Working Group and the Expert Group. A
555 mechanism shall be developed for regular meetings and consultations;
556 strengthen the communication and cooperation between various departments of
557 the Committee, put forward work plans for specific cooperation projects and
558 related matters, and formulate detailed plans and cooperation agreements that
559 will be implemented jointly.
- 560 ▪ **Provide specific institutional support in different fields.** Both countries shall
561 provide institutional support in favor of capital outflow and inflow and
562 exchange rate risk avoidance; implement a more convenient visa system in the
563 border areas and explore to determine the visa-on-arrival system in some
564 airports of the two countries. In the field of energy, both countries shall
565 negotiate to sign cooperation documents on oil & gas pipeline networks, grid
566 connectivity, power utilization and electricity price in due course; in the field of

567 transportation, they shall determine as early as possible investment and
568 financing plans, related charging standards, repayment agreements, formulate
569 the charging standards for urban rail transit projects, laws and regulations
570 related to local financial subsidies. They shall also establish a regional policy
571 system conducive to the construction and operation of Gwadar Port & Free
572 Zone, and introduce specific policies on the taxation, land, workforce
573 employment, customs clearance and foreign exchange management related to
574 cross-border use of RMB.

575 ▪ **Targeted technical training and cooperation.** The training of Pakistani
576 technical staffs shall be strengthened for the construction and maintenance of
577 major projects in the fields of transportation, energy, industry and agriculture.
578 Pakistan shall select and send senior officers from governments at all levels,
579 universities and enterprises to participate in the construction and management
580 of related projects and learn from China's experience.

581 ▪ **Provide a higher level of security assurance.** Pakistan deploys security
582 personnel from Army and other security forces to ensure the safety of projects'
583 construction, operation and maintenance, employees and camps under the
584 CPEC. In the Gwadar region a more rigorous safety precautions is built,
585 especially in Gwadar Free Zone. Weapons are prohibited from entering the Free
586 Zone through domestic and foreign channels. The management of Khunjerab
587 Port is strengthened with 24-hour video surveillance along the section of
588 China-Pakistan Highway between the border to the port and regulatory forces
589 shall be increased if the workload of customs clearance requires so.

590 **III. Other Support**

591 ▪ **Establishment of a goal assessment mechanism.** An assessment mechanism

592 shall be established to evaluate the implementation of major projects, assess
593 the progress of the long-term plan in every aspect every five years, and then
594 update and adapt the plan accordingly.

595 ▪ **Establishment of Joint Working Group for Implementation (JWGI).** The
596 main participating agencies of both governments should establish a working
597 group for implementation, to supervise and promote the implementation of
598 major projects, provide backstage support and discuss project progress regularly
599 to solve possible challenges and put forward countermeasures.

600 ▪ **Establishment of a database.** A suitable database containing the information
601 of major projects shall be established to define relevant information indicators
602 and monitor the progress of projects in real time; continuously update the data
603 in different stages of the project cycle. The supporting geographic information
604 system and cartographic information database shall also be established. The
605 long-term plan for the China–Pakistan Economic Corridor has an ambitious
606 goal and an arduous task. As long as the governments and people of the two
607 countries treat each other with all sincerity and cooperate sincerely, they will
608 build the CPEC into an open, inclusive one with economic prosperity, social
609 stability and security, and the wellbeing of people. The planning and
610 implementation of the CPEC will further improve the economic base of the
611 all-weather strategic partnership of cooperation between China and Pakistan,
612 and deepen economic ties binding China and Pakistan.