



Government of Pakistan  
Ministry of Planning,  
Development and Reform



People's Republic of China  
National Development  
& Reform Commission

# CPEC

CHINA-PAKISTAN ECONOMIC CORRIDOR

## Long Term Plan for China-Pakistan Economic Corridor (2017-2030)







Prime Minister of Pakistan  
**Mr. Shahid Khaqan Abbasi**

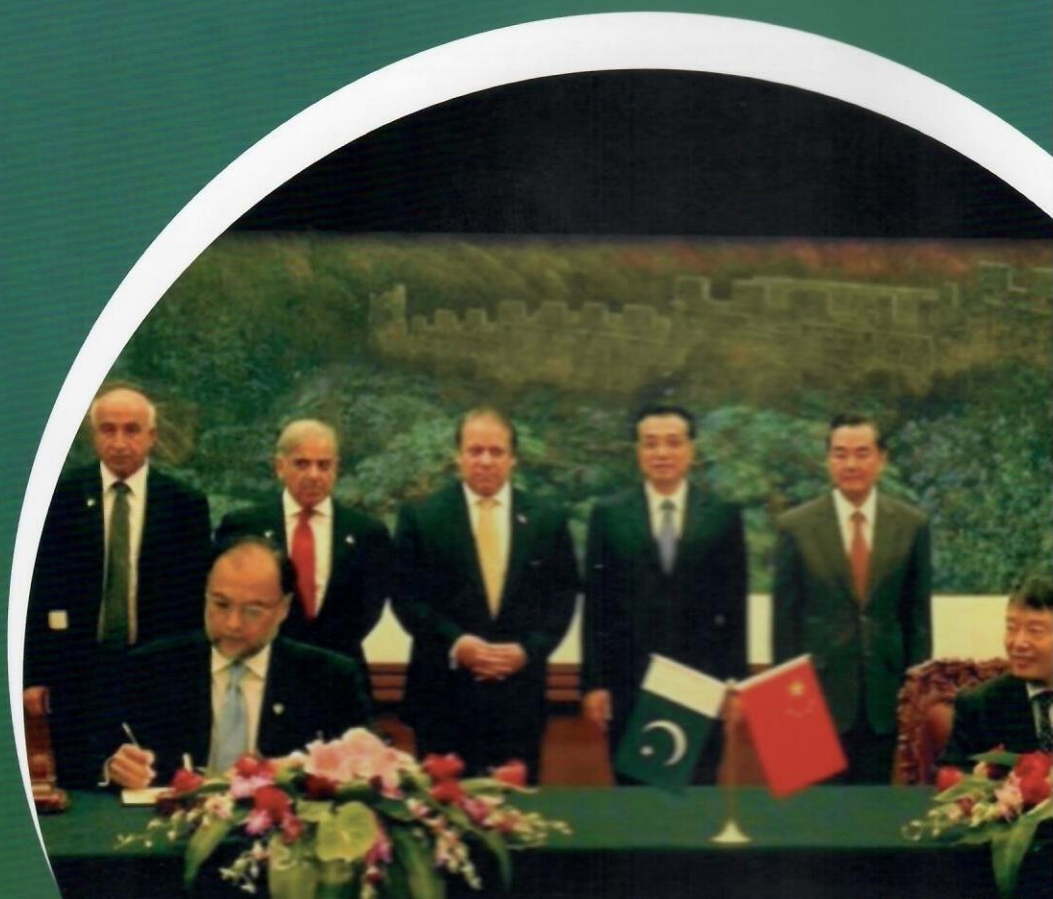


President of China  
**Mr. Xi Jinping**

“Pak-China bilateral ties are time tested; our relationship has attained new heights after the China-Pakistan Economic Corridor that is a game changer for the region and beyond.”

“To build a China-Pakistan community of shared destiny is a strategic decision made by our two governments and peoples. Let us work together to create and even brighter future for China and Pakistan.”

# INTRODUCTION





## 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 the 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. Chinese and Pakistani governments and people have deeply realized the importance of developing 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, for cementing China-Pakistan economic relations, promoting friendly cooperation and establishing the shared destiny of the two countries. CPEC is an economic and development project for the benefit of the people of the region.

During President Xi Jinping's visit to Pakistan in April 2015, the all-weather strategic cooperation partnership between the two countries was enriched with new connotations. The two sides have set up the "1+4" cooperation mode, namely, the two sides take CPEC as the core while prioritizing in Gwadar, Energy, Transport Infrastructure and Industrial Cooperation, which has opened a new chapter for the CPEC construction.

In line with the consensus reached between Premier Li Keqiang and then Pakistan Prime Minister Nawaz Sharif, relevant ministries and departments of both countries have set up a cooperation mechanism to coordinate the development of CPEC and jointly formulated the Long Term Plan for China-Pakistan Economic Corridor (2017-2030).

This plan is a national plan approved by both Chinese and Pakistani governments. It will effectively match relevant national plans and local plans of China as well as Pakistan's Vision 2025. This plan is effective until 2030, the short-term projects included will be considered up to 2020; medium-term projects up to 2025; and long-term projects up to 2030.



# Chapter I

## The Definition of the CPEC and Building Conditions





## THE DEFINITION OF THE CPEC AND BUILDING CONDITIONS

### I. The Definition of the CPEC

- **Definition.** The CPEC is a growth axis and a development belt featuring complementary advantages, collaboration, mutual benefits and common prosperity. With the comprehensive transportation corridor and industrial cooperation between China and Pakistan as the main axis, and with concrete economic and trade cooperation, and people-to-people exchange and cultural communications as the engine, CPEC is based on major collaborative projects for infrastructure construction, industrial development and livelihood improvement, aimed at socio economic development, prosperity and security in regions along it.

- **CPEC coverage.** The CPEC covers China's Xinjiang Uygur Autonomous Region and the whole territory of Pakistan. In order to reflect the level, scope and layout of the construction and development of the Corridor, its coverage is divided into the core zone and the radiation zone.

- **Key nodes.** The node cities that the corridor passes through include Kashgar, Atushi, Tumshuq, Shule, Shufu, Akto, Tashkurgan Tajik, Gilgit, Peshawar, Dera Ismail Khan, Islamabad, Lahore, Multan, Quetta, Sukkur, Hyderabad, Karachi and Gwadar.

- **Spatial layout.** The CPEC's core zone and the radiation zone, presents the spatial layout of "one belt, three axes and several passages". By "one belt" we mean the belt area composed of the core zone of the CPEC, including Kashgar, Tumshuq city, and Atushi city and Akto county in Kizilsu Kirghiz autonomous prefecture of Xinjiang, China, as well as Islamabad, parts of Punjab, Sindh, Khyber-Pakhtunkhwa, Balochistan, AJK and Gilgit-Baltistan. The "three axes" refer to three horizontal axes connecting Lahore and Peshawar, Sukkur and Quetta, and Karachi and Gwadar. The "several passages" refer to several railways and highway trunk lines from Islamabad to Karachi and Gwadar.

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



## THE DEFINITION OF THE CPEC AND BUILDING CONDITIONS

### II. Basic Conditions

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

- **There is a huge potential for China and Pakistan to strengthen cooperation based on complementary resources.** China and Pakistan are blessed with different natural endowments, and at different stages of economic development, industrialization and urbanization. China has advantages in infrastructure construction, high-quality production capacity in equipment manufacturing, iron & steel and cement industries as well as financing for investment. While Pakistan owns rich human and natural resources, huge potential for economic growth and broad market prospects besides a geo-strategic location. The orderly and timely flow of economic factors in both countries along the CPEC will significantly improve the resource allocation efficiency and bring into full play the comparative advantage of each country.

- **West China has entered into a new historic phase of economic and social development.** Since the implementation of the western development strategy, West China, in particular Xinjiang, has made huge economic and social progress. The economic strength has significantly increased with improved infrastructure resulting in betterment of people's livelihood. Kashgar, a major city for Xinjiang to open up to the outside world, has embarked on the fast lane of economic and social development, and become more and more open. The infrastructure has been improving along the way from Kashgar to Khunjerab Pass, providing basic support for China-Pakistan economic and trade exchange on land.

- **Pakistan has the potential to grow into a “tiger of Asia”.** Pakistan blessed with abundant natural resources and a vast domestic market. Extensive consensus on the Vision



## THE DEFINITION OF THE CPEC AND BUILDING CONDITIONS

2025 has been reached, which seeks to harness location advantage of Pakistan at intersection of South Asia, China and Central Asia for greater geo-economic cooperation and development by stronger regional connectivity. It's being realized by improving public governance, reinforcing infrastructure construction and harnessing the demographic dividend to accumulate human and social capital, elevate the industrialization level and develop competitive knowledge-based economy. The CPEC will greatly speed up the industrialization and urbanization process in Pakistan and help it grow into a highly inclusive, globally competitive and prosperous country capable of providing high-quality life to its citizen.

### III. Opportunities

- **The world economy is recovering and the external environment is favorable.** After years of recession and adjustment following the last international financial crisis, the world economy is expected to enter a new round of growth. The investment and financing environment for major collaborative projects between China and Pakistan is less rigid; the market environment for their industrial cooperation is improved; and it looks more promising for the international community to participate in the CPEC building and for neighboring countries to share its fruits.
- **The CPEC is closely associated with the implementation of the Belt and Road Initiative.** As a pilot project of the Belt and Road Initiative, the experience accumulated from the CPEC will be promoted to other countries along the Belt and Road. The fusion of national development strategies will facilitate policy coordination between China and Pakistan; their geographical proximity is good for infrastructure connectivity; their closely coordinated economic and trade strategies will help realize unimpeded trade; the two countries are highly complementary to each other in investment and financing, making financial integration much easier; their all-weather strategic friendship is deeply rooted among people, thus helpful for people-to-people bond.
- **The macro economy in Pakistan has been much improved.** Pakistan has reached wide consensus on social stability, economic development and livelihood improvement, a series of economic reform has started to take effect, and its advantage in the young workforce and demographic dividend are playing a bigger role. The macro economy has turned for better in Pakistan in recent years. The economic growth has been picking up, boosting the market demand for transportation and energy; the inflation level has been



## THE DEFINITION OF THE CPEC AND BUILDING CONDITIONS

low, driving up the expected actual returns of major projects for the CPEC building; the international balance of payments has been moving towards equilibrium, foreign exchange reserves have been growing and the expectation of the exchange rate has been stable, reducing the investment and financing risks for major CPEC projects. The macroeconomic environment has never been so better before for the building of the CPEC.

### IV. Possible Challenges

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

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

- **Restraints to economic growth prospects.** Pakistan needs to address major bottlenecks to economic and social development to sustain economic growth momentum. The energy, infrastructure, administration and governance deficiencies, besides unbalanced regional economic and social development, and external sector vulnerabilities need to be monitored to avoid any possible challenges to CPEC.



## Chapter II

# Visions and Goals





## VISIONS AND GOALS

### I. Visions

- **The Chinese side vision:** to further advance the western development strategy, promote economic and social development in Western China, accelerate the Belt and Road construction, give play to China's advantages in capital, technology, production capacity and engineering operation, and promote the formation of a new open economic system.
- **The Pakistani side vision:** to fully harness the demographic and natural endowment of the country by enhancing its industrial capacity through creation of new industrial clusters, while balancing the regional socioeconomic development, enhancing people's wellbeing, and promoting domestic peace and stability.
- **The international and regional vision:** to form a new international logistics network and industrial layout based on major transportation infrastructure; elevate the status of South Asian and Central Asian countries in labor division of global economy; promote regional economic integration through stable trade growth, international economic and technological cooperation and personnel exchange.

### II. Goals

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

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

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



# Chapter III

## Guidelines and Basic Principles





# Long Term Plan for China-Pakistan Economic Corridor

## GUIDELINES AND BASIC PRINCIPLES

### I. Guidelines

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

### II. Principles

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

- **Spirit of partnership towards prosperity.** China is responsible for planning, financing, building and operating projects within its territory, and for those in Pakistan, China and Pakistan shall jointly prepare plans, divide financing responsibilities based on the project situation and their respective investment and financing strength, give play to their respective comparative advantage in project construction and implementation, and share fruits based on the match of their cost, risk and returns

- **Openness and inclusiveness.** The planning and building of the CPEC will learn from the latest theories about and achievements of other international corridors. China and Pakistan welcome the international community to provide intellectual support to the CPEC



## GUIDELINES AND BASIC PRINCIPLES

by various means, international organizations, other countries and the international capital to jointly work on the CPEC building.

- **Livelihood improvement and sustainable development.** The improvement of people's livelihood is on the top of the agenda of the CPEC project whose spatial layout fully reflects the regional development gap. Infrastructure connectivity construction shall focus on improving basic public services for local residents, all-round industrial cooperation show preference for local residents in employment, and the exchange and cooperation in areas concerning people's livelihood lean towards the ordinary people. The appeals and the population and resources carrying capacity of different areas along the CPEC shall be coordinated and possible effect of climate change and other factors be forward considered, to realize sustainable development.

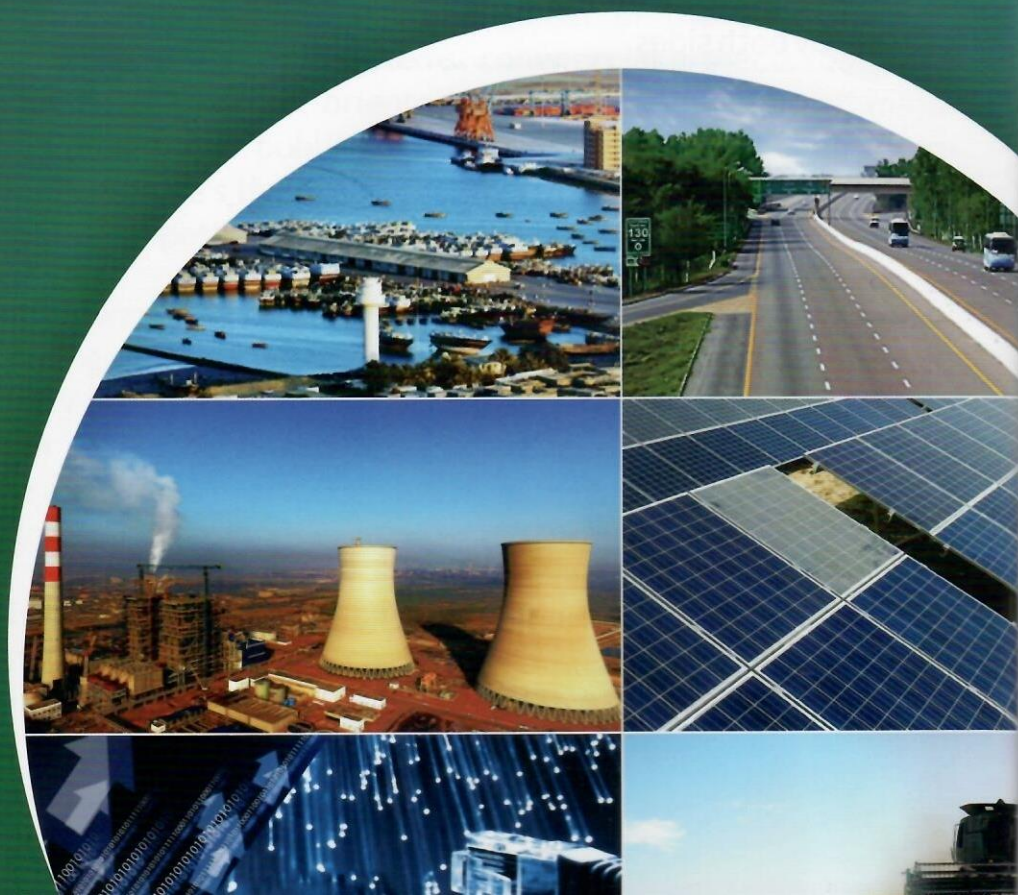
- **Orderly development with priorities highlighted.** The relations between short-term, medium-term and long-term projects shall be properly handled, the construction timetable be laid down in an orderly way based on the readiness of each project, and major projects of holistic significance be carried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

- The Long Term Plan is a live document and it is recommended to be reviewed every two years by both sides.



# Chapter IV

## Key Cooperation Areas





## KEY COOPERATION AREAS

### I. Connectivity

#### i. Construction of an integrated transport system

Transport infrastructure is the basic and prerequisite condition for the construction of the CPEC. It is an important field that can be relied on to guide and drive the economic and social development of regions along the CPEC, besides promoting the interconnectivity and all-round cooperation between China and Pakistan for shared prosperity.

Through the joint planning and development of highways, railways, ports, aviation and other infrastructure, a convenient, efficient and integrated transport corridor that includes a variety of modes of transport can be formed, mainly drawing from Monographic Study on Transport Planning, to achieve the transition from lagging behind to adaptation and then to moderate advancement in the transport infrastructure of the main nodes along the CPEC. In order to meet the needs of trade and personnel exchanges between China and Pakistan for the socio-economic development of regions along the CPEC, following initiatives have been planned to achieve the aforementioned objectives.

- Construction and development of Kashgar-Islamabad, Peshawar-Islamabad-Karachi, Sukkur-Gwadar Port and Dera Ismail Khan-Quetta-Sohrab-Gwadar road infrastructure, to enhance road safety and service levels and expand traffic capacity.

- Capacity expansion of existing railway lines (specifically ML-1 that is of strategic nature under CPEC), and construction of new projects, and promoting the modernization of the railway and build an integrated transport corridor.

- Construction and development of Gwadar city and port; build a consolidation and distribution transport system, continuously improve the infrastructure of the port, accelerate the construction of East Bay Expressway and the new international airport and enhance the competitiveness of the Free Zone to promote the social progress and economic development of the region.

- Cooperation for implementing Gwadar city Master Plan.

- Strengthen China-Pakistan cooperation in technical training and cooperation in the construction and management of transport infrastructure, to continuously provide talents



## KEY COOPERATION AREAS

for the development of the CPEC and promote the sustainable development of transportation industry.

### ii. Information network infrastructure

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

- Promote the construction of cross-border optical fiber cables between China and Pakistan and the construction of the backbone optical fiber networks in Pakistan.
- Upgrading of Pakistan's network facilities, including the national data center and the second submarine cable landing station.
- Expedite Pakistan to adopt China's Digital Terrestrial Multimedia Broadcasting (DTMB) standard.
- Promote the ICT-enabled development of Pakistan, including e-government, border electronic monitoring and safe city construction; promote the development of e-commerce in Pakistan.
- Enhance the development of the information industry in Pakistan; build IT industrial parks and IT industry clusters in Pakistan to improve Pakistan's information technology and service outsourcing.
- Increase Pakistani personnel in exchange programs in China, establish technical training centers in Pakistan, and strengthen the construction of ICT human resources in Pakistan.

## II. Energy Related Fields

China and Pakistan should strengthen cooperation in the fields of oil and gas, electricity and power grids, and focus on promoting the construction of major projects of thermal power, hydropower, coal gasification and renewable power generation, and



## KEY COOPERATION AREAS

supporting power transmission networks, in order to enhance its power transmission and supply reliability.

- Promote the cooperation in the development of oil and gas resources, research on the integrated vision and demand of China and Pakistan oil and gas cooperation so as to improve the cooperation between the two countries and diversify oil supplies. The opinions of establishing oil refineries and storages along the CPEC route will also be considered.

- Optimize the sourcing and use of coal, and research on development and utilization of Pakistan's own coal for power plant and developing technologies for surface coal gasification, expansion and augmentation of coal mining sector.

- Actively promote river planning and preparatory work of major projects to accelerate the hydropower development process.

- Develop wind and solar energy based on local conditions, and establish diversified energy supply channels.

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

To develop the industry for manufacturing of energy sector equipments required for generation, transmission and distribution including renewable energy technologies.

### III. Trade and Industrial Parks

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

- Promote the quality, value addition, competitiveness and efficiency improvement of the textile and garment industry, expand the size of the textile industry, and increase the supply of high value-added products; to adopt the means like export processing to



## KEY COOPERATION AREAS

establish a regional cooperation and development model based on complementary advantages, and mutual benefits.

- Promote Special Economic Zones (SEZs) in all provinces and regions in Pakistan along with Kashgar Economic and Technological Development Zone and Caohu Industrial Park from Chinese side.

- Expand the cooperation in industry, promote Pakistan's industries from assembling imported parts and components to localized production of parts, and encourage various forms of Chinese enterprises to enter the Pakistan market to improve the development of energy efficient industry in Pakistan.

- Promote the industrial capacity cooperation in sectors such as: chemical & pharmaceutical, engineering goods, agro, iron & steel, light manufacturing & home appliances and construction materials, and use efficient, energy-saving and environmental friendly processes and equipment to meet the demands of Pakistan's local markets and at the same time to further expand it to the international market.

- Increase the exploration and development of resources, and introduce bilateral enterprises to participate in the exploration and development of mineral resources and setting up of mineral processing zones and industries.

- Rely on industrial parks and the characteristics of bilateral economic and trade cooperation to expand cooperation in related industries and promote the development of industrial concentration.

- Expand trade logistics and areas of business cooperation, improve business-to-business (B2B) links and the investment environment, optimize the bilateral trade structure, and promote balanced trade development.

- Rely on the advantages of the ports to expand logistics transportation.

- Support the establishment of customs special supervision areas along the CPEC on the basis of China- Pakistan economic cooperation zones and industrial parks in order to provide investment platforms for companies and continue to extend transnational industrial chains. Promote the development of Gwadar Free Zone, achieve information docking of those free zones in Pakistan and the customs special supervision areas in China,



## KEY COOPERATION AREAS

conduct standardized data exchange on pilot basis so as to realize free flow of goods among customs special supervision areas along the CPEC route and enhance trade facilitation.

### IV. Agricultural Development and Poverty Alleviation

China and Pakistan should give full play to their own comparative advantages to strengthen agricultural infrastructure construction within the CPEC coverage and play their own roles in agricultural personnel training, technical exchanges and cooperation. They should cooperate in key construction areas such as biological breeding, production, processing, storage and transportation, infrastructure construction, disease prevention and control, water resources utilization, conservation and production, land development and remediation, ICT-enabled agriculture and marketing of agricultural products to promote the systematic, large-scale, standardized and intensified construction of the agricultural industry. They should promote the transition from traditional agriculture to modern agriculture in the regions along the CPEC to effectively boost the development of local agricultural economy and help local people get rid of poverty and become better off.

- Strengthen the upgrading of agricultural infrastructure in the regions along the CPEC.

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

- Strengthen drip irrigation technology for water efficiency.

- Strengthen cooperation in the fields such as crop farming, live stock breeding, forestry and food growing, and aquatic and fishery in the regions along the CPEC, with the highlight on technical exchange and cooperation in the fields of development of comprehensive agricultural production capacity, construction of farmland water conservancy facility and agricultural products circulation facility.,.

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

- Improve water resources operation and management, strengthen development of pastoral areas and desert, and promote application of remote sensing technology.



## KEY COOPERATION AREAS

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

Collaborate in forestry, horticulture, fisheries and livestock medicines and vaccines.

- Strengthen production of horticulture products.

### V. Tourism

China and Pakistan should further exploit the potential advantages of the tourism resources in the regions along the CPEC, especially the China-Pakistan border areas. They should actively research comprehensive development of coastal tourism within the CPEC coverage, with Gwadar and Karachi as the hubs, expand cross-border tourism and improve the quality of tourism services to effectively promote the socio-economic development of the two countries.

- Actively consider the potential advantages of the tourism resources in the regions along the China-Pakistan Economic Corridor, especially the China-Pakistan border areas along the railways and highways; jointly research the development and construction of cross-border tourist routes.

- Actively discuss the feasibility of constructing the “2+1+5” tourism spatial structure in Pakistan, which includes two centers, one axis and five zones: Karachi Port and Gwadar Port as the two centers, and the coastal tourism belt as the development axis, and five tourist zones of Jiwani & Gwadar tourism zone, Jhal Jhao, Ormara, Sonmini and Keti Bander.

- Improve the tourism public service system in cross border areas, with particular attention to the services of public information, convenient transportation, security protection and other services benefiting the public.

- Actively consider to building a tour route connecting coastal cities of Pakistan and themed on coastal leisure & vacationing, and the initial suggested route is: Keti Bander - Karachi - Sonmiani - Ormara - Jhal Jhao - Gwadar - Jiwani.

### VI. Cooperation in Areas concerning People's Livelihood and Non-governmental Exchanges



## KEY COOPERATION AREAS

China and Pakistan should further strengthen cooperation between local governments, strengthen the communications among non-governmental organizations, develop extensive project cooperation centered on public opinions communication, people-to-people friendship and people's livelihood improvement, and enhance the comprehensive service capability of the cities along the CPEC. They should significantly improve people's livelihood to provide a good social environment for the CPEC building.

- Apply international and China's new urbanization concepts to the municipal construction of the node cities along the CPEC, such as the construction of the public transport system and water supply and drainage systems; utilize China's strength in technology, equipment, and capital, and solve some prominent livelihood issues via pilot projects.

- Expand the scale of training programs in China for Pakistani central government officials, parties and local government officials from regions along the CPEC; select outstanding Pakistani students from regions along the CPEC and send them to Chinese universities such as university in Xinjiang to receive higher education and make cultural exchanges;

- Strengthen social and economic development cooperation within the CPEC coverage; make efforts to carry out vocational training in Pakistan; - rely on higher education resources in Pakistan to carry out design and R&D activities, strengthen exchanges and cooperation among educational and research institutions in technology transfer, strengthen the construction, operation and management of the transportation and power infrastructure, and the technical training for Pakistani personnel by reference to Xinjiang's "Academy of Central Asia Regional Economic Cooperation".

- Provide medical assistance services in more places within the CPEC coverage and upgrade existing medical facilities based on actual needs.

- Summarize experience and innovate models of public social welfare cooperation mechanism in Gwadar areas between China and Pakistan, improve social welfare cooperation in the CPEC coverage and enhance public support for CPEC.

- Cooperate to make top planning of water resources such as comprehensive planning of water resources and river basin, improve the capability of Pakistan to coordinate the



## KEY COOPERATION AREAS

planning of water resources development and utilization, conservation and protection, flood and drought prevention and disaster relief.

### VII. Financial Cooperation

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

- Strengthen cooperation in financial regulation. The two countries should promote monetary cooperation between the central banks, implement existing bilateral currency swap arrangements, research to expand the amount of currency swap and explore to enrich the use scope of bilateral currency swap; assign the foreign currency to domestic banks through credit-based bids to support the financing for projects along the CPEC; promote the settlement in domestic currencies (RMB and Rupees) to reduce the demand for third-party currency; strengthen the cooperation between the central banks and financial regulatory agencies of the two countries. The two sides will actively to use bilateral currencies for the settlement of bilateral trade and investment under the relevant arrangements. The two countries encourage clearing and settlement of the financial institutions from both sides through Cross-Border Inter-Bank Payment System (CIPS), promote the free flow of capital in an orderly manner, and enhance the facilitation in cross-border transfer of legitimate funds.

- Cooperation between financial institutions. China supports Pakistan to cooperate with the Asian Infrastructure Investment Bank (AIIB). Both countries shall promote the mutual opening of their financial sector and the establishment of financial institutions in each other; encourage financial institutions of the two countries to support the financing, including the loans from international consortium of banks, for the projects along the CPEC; establish and improve a cross-border credit system, and promote financial services such as export credit, project financing, syndicated loan, trade finance, investment bank, cross-border RMB business, financial market, assets management, e-bank, and financial lease; support the project financing by RMB loans, and establish the evaluation model of power bill in RMB.



## KEY COOPERATION AREAS

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

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



# Chapter V

## Investment and Financing Mechanism and Supporting Measures





## INVESTMENT AND FINANCING MECHANISM AND SUPPORTING MEASURES

### I. Investment and Financing Mechanism

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

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

- **Indirect financing of financial institutions.** Both countries shall strengthen strategic cooperation between policy banks, development finance institutions and commercial banks, and study and solve financial issues with the CPEC building; explore various ways to support the Silk Road Fund, China- Eurasia Economic Cooperation Fund in participating in the investment and financing for the CPEC.

- **Direct investment of enterprises.** Both countries shall encourage Chinese enterprises, private sectors and private sector funds of other economic entities to make various forms of direct investment, welcome Pakistan's private capital in participating in the projects along the CPEC and establish various types of private financial institutions infrastructure funds.

- **Loans from international financial institutions.** Both countries welcome the World Bank, the Asian Development Bank, the Asia Infrastructure Investment Bank (AIIB), and other international financial institutions to provide long-term concessional loans to support the investment and financing for the projects along the CPEC.



## INVESTMENT AND FINANCING MECHANISM AND SUPPORTING MEASURES

- **Other innovative investment and financing methods.** Effective ways shall be explored for Pakistan's federal and provincial governments, enterprises and financial institutions to conduct RMB financing in Mainland China, Hong Kong and other offshore RMB centers. Chinese and Pakistani market players are supported and encouraged to finance for the projects along the CPEC in the international market and Pakistan

### II. Institutional Association and Policy Support

- **Make full use of the association of existing institutions.** The role of existing institutions and cooperation documents shall be given full play: China-Pakistan Economic Corridor Joint Committee, China-Pakistan Joint Economic and Trade Committee, Bilateral Investment Protection Agreement, Free Trade Agreement, Agreement on Service Trade in Free Trade Zones, Agreement on Expanding and Deepening Bilateral Economic and Trade Cooperation, and Framework Agreement on Energy Cooperation, as well as The Five-Year Development Plan for China-Pakistan Economic and Trade Cooperation.

- **Establish a closer inter-governmental linkage mechanism.** Based on the Joint Committee of the China-Pakistan Economic Corridor, the two countries will further deepen bilateral cooperation, hold regular meetings and solve the problems through consultation; strengthen the communication and cooperation between various departments of the Committee, put forward work plans for specific cooperation projects and related matters, and formulate detailed plans and cooperation agreements that will be implemented jointly.

- **Provide specific institutional support in different fields.** In the field of energy, both countries shall negotiate to sign cooperation documents on oil & gas pipeline networks, grid connectivity, power utilization and electricity price in due course; in the field of transportation, they shall determine as early as possible investment and financing plans, related charging standards and repayment agreements, and the Pakistani side will formulate the charging standards for urban rail transit projects and laws and regulations related to local financial subsidies. They shall also establish a regional policy system conducive to the construction and operation of Gwadar Port & Free Zone, and the Pakistani side will introduce specific policies on the taxation, land, workforce employment, customs clearance and cross-border use of RMB.

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



## INVESTMENT AND FINANCING MECHANISM AND SUPPORTING MEASURES

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

### III. Other Support

- **Establishment of a goal assessment mechanism.** An assessment mechanism shall be established to evaluate the implementation of major projects, assess the progress of the long-term plan in every aspect every five years, and then update and adapt the plan accordingly.

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



# **The Agreement On The Long Term Plan for China-Pakistan Economic Corridor (2017-2030)**





**The Agreement on  
the Long Term Plan for Chian-Pakistan Economic Corridor (2017-2030)**

**between**

**National Development and Reform Commission of  
the Government of the People's Republic of China**

**and**

**Ministry of Planning, Development and Reform of  
the Government of the Islamic Republic of Pakistan**

In order to implement the consensus between the leaders of the two countries, the National Development and Reform Commission of P.R. China and the Planning, Development and Reform Ministry of Pakistan (hereinafter referred to be "party" respectively and "parties" together), the two parties agree to sign the MOU to carry out cooperation regarding the CPEC long-term Planning.

Now the two parties are actively implementing the construction of the CPEC.

Under the guidance of the JCC, and with the endeavor of both parties, both parties have agreed the vision, goals, guidelines and principles of CPEC, Frthermore, both parties agree to implement the cooperation in the key areas of connectivity, energy, trade and industrial park, agricultural development and poverty alleviation, tourism, livelihood and fincial sectors. The Long-Term Plan for CPEC (2017-2030) (hereafter referred to be "LTP" , as attached) has been formed and approved by the Governments of the P.R. China and the Islamic Republic of Pakistan.

The plan will provide the macro guidance for implementation of CPEC in the next phase, and the plan would be adjusted based on the real situation as well as the consensus between the two parties during its implementation in the future.

Furthermore, new routes/ nodes/ aspects may be considered for inclusion in future by mutual agreement of both parties.



# Long Term Plan for China-Pakistan Economic Corridor

Both parties agree to sign this Agreement on Nov 21, 2017 in Islamabad. This Agreement is copied in duplicate, each of which is written in Chinese and English, and both versions have the same meaning and will have the equal effect.

National Development and Reform  
Commission of the Government of the  
People's Republic of China

王岐山

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Ministry of Planning, Development and  
Reform of the Government of the  
Islamic Republic of Pakistan



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# Signed Ceremony Long Term Plan for China-Pakistan Economic Corridor

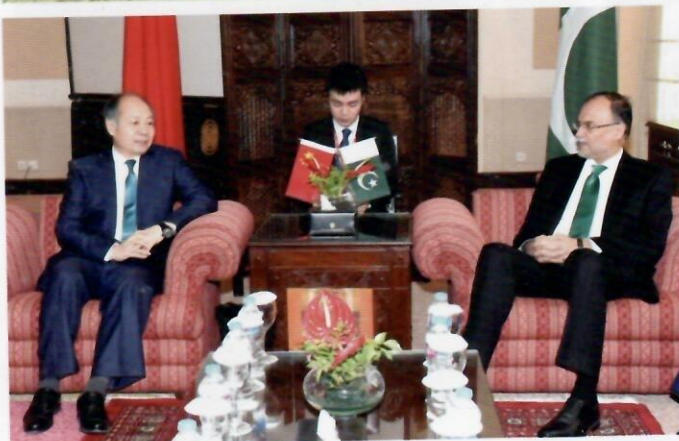


Federal Minister for Interior, Planning, Development & Reform Prof. Ahsan Iqbal and Mr. Wang Xiaotao, Vice Chairman NDRC Signing Memorandum of Understanding for Long Term Planning in Islamabad On November 21, 2017.



# Long Term Plan for China-Pakistan Economic Corridor

7<sup>th</sup> JCC Meeting on November 21, 2017







Ministry of Planning  
Development & Reform  
Government of Pakistan

# CPEC

CHINA-PAKISTAN ECONOMIC CORRIDOR

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