

CPEC: Outlook for 2018

**DIRECTIONS EMERGING FROM JOINT
COORDINATION COMMITTEE OF PAKISTAN
AND CHINA**

(JCC 7- November 2017)



A. ON-GOING BUSINESS MATTERS



MATTER #1

TAXATION

The Joint Cooperation Committee (JCC) on China-Pakistan Economic Corridor (CPEC) has decided to expedite tax dispute settlement process, increase interaction between tax authorities (Federal Board of Revenue and State Administration of Taxation, China) and utilize double taxation treaty fully to maximize tax incentives to Chinese companies operating in Pakistan.

There would be frequent interactions between the Federal Board of Revenue (FBR) and State Administration of Taxation of China to resolve issues of Chinese companies working under the CPEC.

According to the decision, the JCC believed that in order to facilitate the development of CPEC and promote bilateral trade and investment, the two sides should further expand the cooperation among the tax authorities of the two countries, make full play the tax treaties (DIA), expedite tax dispute settlement, strengthen tax administration capacity, enhance tax certainty, and provide quality taxpayer service, so as to create a good environment for trade and investment.

The Pakistani side agreed to facilitate the early resolution of provincial sales tax issues so that CPEC power generation projects are not adversely affected. The JCC expressed satisfaction over the progress of the "Two Big Projects." The Chinese side expressed its satisfaction and greatly appreciated the efforts of government of Pakistan for making safety and security arrangements for Chinese working on these projects.

It was assured by the Pakistani side that the issues relating to tax on machinery/equipment and construction material as per commercial contract will be resolved by the end-2017.

MATTER #2

SECURITY



The JCC highly appreciated the tangible endeavors of the Pakistani side to protect the safety of CPEC. The Pakistani side agreed to enhance input to strengthen and protect the safety of the projects, companies and organizations, besides personnel working for the CPEC. The Chinese side assured expediting allocation of resources for capacity building of SSD and other law enforcement agencies. The two sides will continue the close coordination and cooperation to secure the safety and smooth development of CPEC.

B. ON-GOING PROJECTS



Ongoing Projects Under Discussion # 1

RAILWAYS



Railways # 1

ML-1



Reporting about the visit of high-level delegation from NRA and NDRC in July 2017, it was informed that both the sides have reached agreements on making fast track arrangements for completing all related tasks for ML-1 implementation in a timely manner. The two sides have signed the framework agreement for implementing ML-1 Project during the "Belt and Road" Forum for International Cooperation. The review of the preliminary design of Phase-I sub-projects would be completed by November 30, 2017; the process for hiring of project management consultant (PMC) has been initiated and aligned; tendering process for EPC contracting of Phase-I, in three contract packages, would be initiated soon; security plan is jointly being prepared; two batches Pakistan Railways officials have been trained in China with the support of National Railways Administration China, CREC and Ministry of Railways Pakistan and initial discussion on financing held. The JCC appreciated the progress made on the ML-1 project and support provided by Pakistani side.

Given the strategic importance of ML-1 project, both the sides jointly decided that financing arrangement would be made proactively and work on ground could be started early. The first meeting of the working group was held on July 20, 2017. Pakistani side proposed that broad terms and conditions of financing may be considered for sharing by the Chinese side, so that financial close can be achieved in the timely manner.

Given that the JCC has declared ML-1 as strategic project as it creates "win-win" situation for both the sides, Pakistani side proposed that financing arrangement for the project may have favorable terms and conditions which Chinese side agreed to consider in financial negotiations. As jointly agreed during 5th meeting of the Joint Working Group on Transport Infrastructure that the work on Phase-I of ML-1 project would be started early 2018. Pakistani side proposed extension of ML-1 to Torkham. Both the sides agreed to discuss the extension of ML-1 to Torkham at technical level on completion of the feasibility study being carried out. The JCC endorsed the proposal.

Source: *Business Recorder:* <https://fp.brecorder.com/2017/12/20171210325750/>

Railways # 2

KARACHI CIRCULAR RAILWAY

PESHAWAR MASS TRANSIT

QUETTA MASS TRANSIT



The JCC endorsed the Pakistani side's proposal for developing a comprehensive capacity building program/plan for railways to promote communications and cooperation between the Ministry of Railways Pakistan and National Railways Administration of China.

Karachi Circular Railway (KCR) project, as recommended by the 5th JWG, was discussed in detail and both the sides agreed that the project is a technically qualified and mature for implementation. For Greater Peshawar Mass Transit-Circular Rail and Quetta Mass Transit Projects, both the sides agreed that after approval of PC-I, projects will be discussed in the next JWG on transport infrastructure. Both the sides further agreed that NRA may nominate a design institute for reviewing the feasibility study.

Source: Business Recorder: <https://fp.brecorder.com/2017/12/20171210325750/>

Ongoing Projects Under Discussion # 2

HIGHWAYS

(Beyond CPEC)

Five Year Action Plan for Technical Cooperation



The JCC appreciated Five-Year Action Plan for Technical Cooperation on Highways between China and Pakistan (2018-2022). As decided in 5th JWG on Transport, Pakistani side has notified the executive body for implementation of technical cooperation. The Chinese side was requested to notify their counterpart executive body.

For development of all-weather opening of KKH at Khunjrab, Chinese side noted this project for further internal consultations.

Source: Business Recorder: <https://fp.brecorder.com/2017/12/20171210325750/>



Ongoing Projects Under Discussion # 3

GAWADAR

PORT AND SEZ IN GAWADAR



C. PLANNING STAGE PROJECTS



Planning Stage Projects # 1

SPECIAL ECONOMIC ZONES FOR INDUSTRIAL REVIVAL AND PROMOTION (SEZs)



The JCC highly appreciated the remarkable progress of Gwadar Free Zone. The primary development and investment of Initial Zone of Gwadar Free Zone progressed successfully and the ground breaking ceremony of the Initial Zone as well as the first session of Gwadar Expo International Commodity Fair are planned to be held in January 2018. The China Overseas Ports Holding Company (COPHC) has submitted the feasibility report of Gwadar Port (Phase-II) Expansion and the feasibility report of Gwadar Free Zone (Phase II) to Gwadar Port Authority (GPA), and both sides supported to carry out relevant construction work as soon as possible.

The Chinese experts conveyed that Dhabeji Industrial Park at Thatta, Hattar Industrial Estate-II of Khyber Pakhtunkhwa and M-3 Faisalabad, Punjab, currently have more advantages than other proposed sites for PSEZs. However, Pakistan side expressed that Rashakai SEZ is its preference in Khyber Pakhtunkhwa, and an additional SEZ (M-2/ Quaid-e-Azam Park Sheikhupura) in Punjab. This description & expert opinion and observation were given for reference purpose only by the Chinese Expert Group. However, Pakistan side expressed that Rashakai SEZ is its preference in Khyber Pakhtunkhwa, and an additional SEZ (M-2/ Quaid-e-Azam Park, Sheikhupura) in Punjab. The Chinese expert group noted that Khyber Pakhtunkhwa pays high attention to the development of SEZs especially has done abundant work in Rashakai SEZ; it is suggested to make full use of the positively of Khyber Pakhtunkhwa to promote the construction of Rashakai SEZ at the earliest.

Source: *Business Recorder*: <https://fp.brecorder.com/2017/12/20171210325750/>

Planning Stage Projects # 2

VOCATIONAL AND TECHNICAL EDUCATION



Both sides agreed to strengthen cooperation on vocational & technical education and training. National Vocational and Technical Training Commission (NAVTTTC) Pakistan will provide a detailed plan for the proposed cooperation under the ICJWG umbrella.

Source: Business Recorder: <https://fp.brecorder.com/2017/12/20171210325750/>



D. SOCIAL SECTOR AID PROJECTS

Pakistan side expressed that the two projects should be launched at an early date. Chinese side stated that the two projects were steadily promoted according to the procedure of foreign aid program and they strive to have a substantial progress. Both side agreed to sign LOEs by the end of 2017. The GPA and GDA will complete formalities with MOFCOM through EAD.

Source: Business Recorder: <https://fp.brecorder.com/2017/12/20171210325750/>



E. COOPERATION BEYOND THE CORRIDOR



INDUSTRIAL COOPERATION BEYOND CPEC



The JCC agreed that as next step, the priority of industrial cooperation is to enhance the industry coordination of the two countries. Pakistan could propose cooperation demand in key industries eg textile, iron & steel and petrochemical etc. China will use its advantages in equipment, technologies, management experiences and funds to support Pakistan in developing relevant industries.

Source: Business Recorder: <https://fp.brecorder.com/2017/12/20171210325750/>



F.

MISCELLANEOUS

COMMERCIAL FLIGHTS



The Chinese side highlighted the need for increasing the frequency of commercial flights to (3waclar from Karachi, Islamabad and Lahore). In response, Pakistan side informed that the airlines will be asked to increase the number of flights. Chinese side and Pakistan side will further deliberate on this.

Source: Business Recorder:

<https://fp.brecorder.com/2017/12/20171210325750/>



VISIT OF PAKISTANI EXPORTERS

The Pakistani side proposed that the visit of the Pakistani exporters may be facilitated in 2017 to which Chinese side stated that NDRC will facilitate the visit and encourage the interaction between Pakistani and Chinese business community and major procurement organizations.

Source: Business Recorder:

<https://fp.brecorder.com/2017/12/20171210325750/>



THE JCC AND THE PLANNING PROCESS

(To Select Projects)





COOPERATION WITH CHINA BEYOND CPEC



My View:

**CPEC OR LTP
SHOULD NOT BE
SEEN AS A
VISIONARY PLAN**



**CPEC AND LTP IS,
AND SHOULD BE,
PROJECT FOCUSED
ACTION**



**CHINA IS NOT
TRYING TO
PROVIDE A LONG
TERM DIRECTION
TO PAKISTAN**



**LET IT STAY
THAT WAY**



LET PAKISTANI NATION (Do not leave it to the State) DECIDE TO PLAN FOR ITSELF AND CHOOSE GOOD FRIENDS AND BUSINESS PARTNERSHIPS TO BRING THOSE PLANS TO FRUITION BY MEANS SUCH AS PROJECT BUSINESS FINANCING AND TECHNICAL EXPERTISE WHICH COMES WITH COMMERCIALY VIABLE FDI.



THANK YOU

