

# The Nation

**Islamabad**

**22 December 2017**

## **CPEC's Long Term Plan**

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The China-Pakistan Economic Corridor (CPEC) has entered into the second phase of the Long-Term Plan (LTP) after the successful completion of the Early Harvest Program (EHP). Some of the EHP projects will be completed next year. The EHP was launched in 2015 and an amazing progress was achieved within 32 months. Some of the projects were completed with an exemplary speed and even faster than the similar projects completed in China and other countries. The CPEC's EHP gave a positive image of governance, transparency, and early completion of projects and regarded CPEC's projects as truly a flagship of the Belt and Road Initiative (BRI) and set out new benchmarks for Pakistan and to the outside world.

On 18 December Minister of Planning, Development, and Reform, Ahsan Iqbal revealed the 26-page Long-Term Plan of the CPEC. The plan was approved by the 7th Joint Coordination Committee (JCC) on 21 November at Islamabad. The plan touched upon

all important sectors of the economy that included connectivity with road and rail infrastructure, information network, energy, trade, industrial parks, agriculture, poverty alleviation, and tourism with a focus on maritime tourism across the Keti-Bander-Karachi, Sonmiani-Ormara, Jhal Jhao, Gwadar, Gadani, and Jiwani routes.

Modernization of industry will be main component of the LTP that would convert Pakistan into industrialised country at par with other developed countries. Some milestones will be attained by 2025. The LTP will modernise agriculture as new agro-based technologies, seeds, and irrigation mechanism will be introduced. The LTP thrust on the economic development across the country, which falls within the “Pakistan’s Vision of 2025” on which this Government has been working hard.

The LTP has been divided into three phases: The short-term projects will be completed by 2020, medium-term by 2025, and long-term by 2030. The LTP goes beyond power projects and road construction. In this phase, enterprises from China and Pakistan would play a crucial role. Public-private partnership will gain momentum and they would re-shape investment in a number of sectors. The total value of the short, medium, and long-term planning is not defined yet but billions of dollars will be spent depending on the projects signed.

Chinese capital played the dominant role in the executing EHP worth US\$ 46 billion that has increased to US\$ 63 billion, the LTP will entertain Chinese currency of Yuan for CPEC financial component and trade. This financial arrangement will ease dollar pressure on Pakistan’s economy, giving a relief, and expanding the economy. The financial arrangements would integrate Pakistan’s economy with Chinese global economy.

This shift is more important. The Bank of China has been made operational last month and it will be the main source of Yuan transactions for CPEC’s LTP. The State Bank of Pakistan has already declared Yuan as an approved foreign exchange for all purposes in the country. The Government needs to make public about the details of Yuan-Rupee exchange mechanism and explain the benefits of this new financial arrangements.

The currency swap agreement to create Yuan-Rupee parity was signed between the Peoples Bank of China and the State Bank of Pakistan in December 2011. The purpose of this agreement was to enhance the strength of local currencies of the two countries and to reduce dependence on the US dollar. Chinese banks such as the Industrial Commercial Bank of China (ICBC) and Asia Infrastructure Investment Bank (AIIB) have now assumed added international reputation together with the Silk Road Fund (SRF) and the arrangement of Yuan-Rupee would introduce a new mechanism for many

developing economies which often surrender to the US dollar dominance over the local currencies and face default situation as they could not build reasonable dollars reserves.

The LTP of the CPEC envisages the emergence of this new trend under the growing Chinese financial strength in global markets. Under this new financial arrangement, Yuan credits to Pakistan would dramatically increase and would give cushion to its liquidity. China has signed similar agreements with a host of countries that included South Korea, Hong Kong, Malaysia, Belarus, Indonesia, Argentina, Brazil, Iceland, and Singapore.

The LTP has revealed trust and confidence that both China and Pakistan have shown to each other in executing the EHP. The LTP is the continuity of this trust and confidence and revealing the achievements of the EHP. Sources say that Chinese investment in Pakistan has increased to US\$ 4.6 billion by July this year and China has emerged as the lead investor in Pakistan's Foreign Direct Investment (FDI). China has assumed the status of the largest trading partner of Pakistan and bilateral trade has been hovering around US\$ 20 billion that would further turn around under the financial and trade arrangements both countries are levelling. In short, the CPEC's LTP would bring about a balanced regional development across different parts of Pakistan and it would integrate the economies in the region.

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