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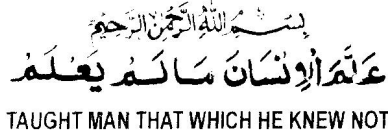


REJUVENATING PAKISTAN'S STANDING: BENEFITTING FROM CHINA'S RISE

Ms. Beenish Sultan



**NATIONAL DEFENCE UNIVERSITY
ISLAMABAD, PAKISTAN**



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Introduction

Pakistan-China relations enjoy a unique continuity in terms of convergence of interests and cooperation that has weathered changes in the arena. The relationship is indeed rich and multidimensional often categorized as strategic. However, in the contemporary scenario, there is a growing urge to move this bilateral relationship beyond stereotypes and if so needed, reinterpret its strategic dimensions in keeping with new realities on the ground.

China's spectacular rise as an economic giant and Pakistan's downturn in the wake of global war on terror provide a '*raison d'être*' complementarities for the future direction of bilateral cooperation. A revisit of their relationship at this stage would indeed provide an opportunity to revamp Pakistan's economic growth. In addition, by that token it will also enable Islamabad to refurbish its capacity to deal with issues in the domain of governance. Currently, in the backdrop of Pakistan's deteriorating security situation, the relations remain restricted to certain sectors i.e. defence and other domains of pressing importance i.e. capacity building remain aloof. In this regard, as China rises to the status of a

global economic giant, Pakistan has an opportunity to act as a gateway to this rise and in turn, benefit its growth.

Historically, the economic content of Pakistan-China relations, despite its vitality for both the states, has not been given its due place. The Chinese investments in various sectors have been fruitful for self reliance but did not improve Pakistan's exporting capacity. Furthermore, the trade relationship falls below the desired level and in fact the US \$12 billion¹ trade carries an imbalance despite Free Trade Agreement (FTA) on numerous issues. Now, when Pakistan is going through the worst energy crisis and its economy is in need of a revamp, improvement in its strategic relations with China can act as a breakthrough for Pakistan.

Context

Pakistan's economic downturn due to the country's engagement in the War on Terror (WoT) has a profound impact on its socio-economic health and ability to provide effective governance. In turn, this also affects the vibrant role Pakistan could play in the region and also amongst the Muslim world. Consequently, the image dilemma of Pakistan is not merely because of the absence of a vibrant polity, but also of its diminishing role as a progressive Muslim community in view of the Asian century benefits. In this context, enhancing the bilateral relations qualitatively between Pakistan and China hold considerable prospects for

addressing issues i.e. political, social and most importantly, economic.

Nevertheless, now the question is how to explore potentials for harnessing and ascertaining the future directions of Pakistan-China relations? This comes with a view for rejuvenating Pakistan's economy and muscle to play a confident role for progress within and for interface with the international community.

Recap of Accumulative Strengths

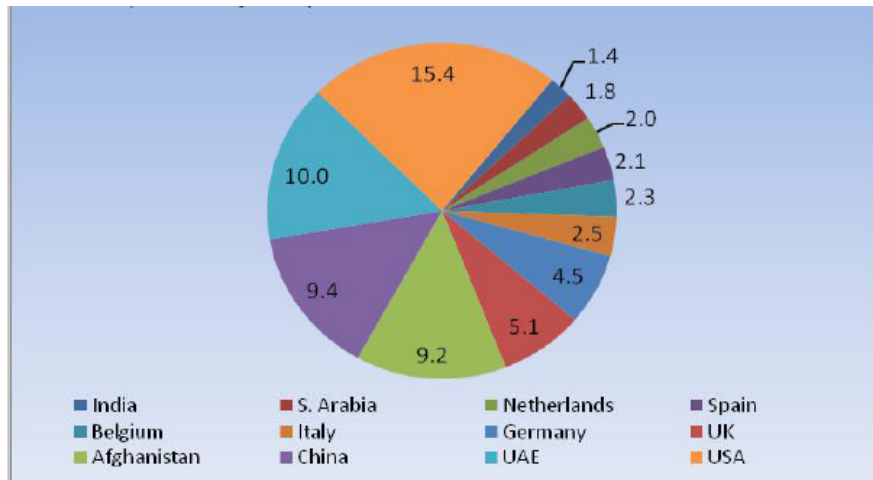
The strength of Pakistan-China friendship and its steady growth are based mainly on the convergence of their strategic interests. Over the years, sectors of military, economy and political cooperation have received special attention. The legacy of the accumulative strengths range back to the year of 1960 where both China and Pakistan optimized their relations against mutual concerns.

Both Pakistan and China, because of their strained relations with India, were in search of friends in their neighborhood to neutralize India's growing power superiority. So, they met the demands of their strategic compulsions. Pakistan's realization of the strategic importance of its friendship with China increased as it became acutely aware of the unreliability of the Western support in any conflict with India. After the cold war, the geopolitical developments brought Pakistan and China closer together. The result was

enhanced Pakistan-China cooperation in various fields, including the field of nuclear technology. Pakistan's need for China's support and cooperation increased also because of the intensification of the freedom movement in the Indian Occupied Kashmir and the resultant tensions in Pakistan-India relations. The Pakistan-China relations indeed provide a point of strength in Pakistan's interface with India.

This is true primarily when assistance for Pakistan is not forthcoming from the West; hence, China provides both assistance and facilitates cash flow. The graph below indicates Pakistan's major export destinations from the year 2011-2012. China is the second globally and first regionally in the list of Pakistan's trade destinations.

Major Export Destinations of Pakistan 2011-12



Source: FBR Quarterly Review, Vol: 1 No.4 April- June 2011-2012.

The first decade of the 21st century witnessed the commencement of a complex reconfiguration of the global strategic scenario driven by China's phenomenal economic progress and rise as a leading global power. The initiation of economic reforms and opening to the outside world in 1979, under China's dynamic and paramount leader Deng Xiaoping unleashed powerful forces that accelerated China's economic growth to enormous heights. Today, China possesses the biggest foreign currency reserves of \$3 trillion and is the world's second largest economy.²

In addition, China enjoys the status of being the major trading partner with various countries; both developed and developing. It is the largest trading partner of India, Brazil, Japan, South Korea and Africa. Interestingly, despite China's strained relations with India over the years, it has emerged as one of its biggest trading destinations in South- Asia. Trade between China and Africa rose from \$2 billion in 1999 to almost \$ 130 billion in 2010. China-South Korea trade volume increased to \$ 220 billion in 2011 and is expected to reach \$ 300 billion by 2015. China-Japan trade volume also reached soaring heights in the year 2011 with \$ 340 billion. China enjoys a trade surplus with most of these countries.³

Nevertheless, since China's GDP grew five times between 1979 and 1998 (the current GDP amounting to US \$ 8.227 trillion)⁴ as against the target of fourfold increase; there appears no room for ultimate complacency for Pakistan. The

truth remains that Chinese investments have surfaced till the extent of self reliance and did not always enhance Pakistan's ability to increase its exports. Pakistan's bilateral trade with China was far behind the India-China trade of \$ 80 billion in the year 2011.⁵ Hence, currently a critical notion of enhancing relations in all sectors needs to be invigorated.

Harnessing Relations in Various Sectors

Pakistan and China both acknowledge the importance of each other's position as a strategic hedge in the evolving global order.⁶ Where China's steady rise necessitates an outreach through Pakistan for addressing its strategic needs, Pakistan's energy 'deficient' economy also requires a boost from China. In fact, invigorating the economic relations of the two states would in turn help Pakistan both strategically and socially.

The states can harness their relations in three main sectors: Economic, Strategic and Social.

Economic

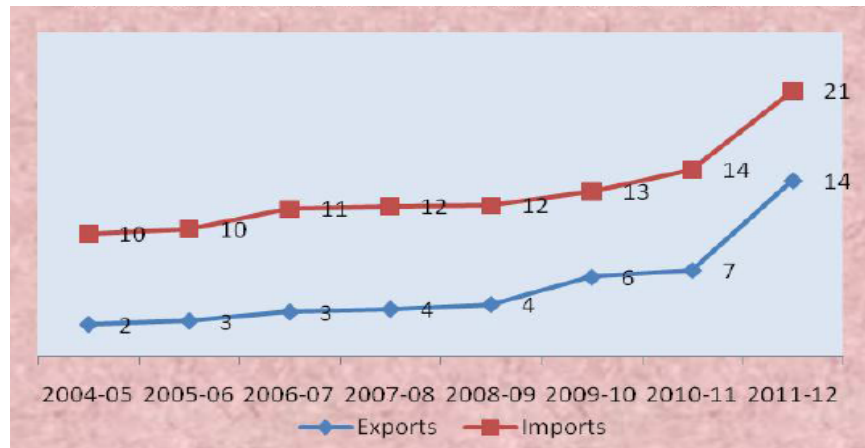
The economic content of Pakistan-China relations comprises:-

- Trade
- Investment
- Energy cooperation

Trade: The Pak-China bilateral trade along with economic cooperation does not commensurate with their strong political

and strategic ties.⁷ In the last ten years, the volume of bilateral trade has risen; however, the percentage in growth of Pakistani exports on yearly basis has been progressively declining. Trade in the previous years' show a trend of expansion reaching to US \$ 12 billion, but with the balance of trade constantly increasing in favor of China (Pakistan's exports to China amount to US \$ 3.14 billion).⁸ One of main reasons for this trend is the immense emphasis on FTA which has, in fact, hindered Pakistan's industrial growth and hindered Pakistan's productive capacity. The essence of this agreement has always been on creating a trade balance between both the countries.⁹ The graph below indicates the balance of trade between Pakistan and China over the previous years.

Pakistan's Share (%) of Trade with China as Compared to Rest of the World (RoW)



Source:<http://www.issi.org.pdf> accessed on: 12 September 2013.

On ground, more than three-quarters of Pakistan's exports to China are raw materials, with cotton accounting for 70% of goods leaving Pakistan for Chinese ports.¹⁰ (China accounts for more than half of all raw cotton exports from Pakistan.¹¹) Meanwhile, China's exports to Pakistan, which totaled \$ 9.2 billion last year, are mostly electronic equipment and industrial machinery.¹² In addition, the machinery is also claimed to be of low quality. The table below indicates the major exports and imports between the two countries:-

Pakistan's Exports to China	China's Exports to Pakistan
Cotton	Petroleum
Copper	Petroleum Products
Chrome	Machinery
Fruits	Plastics
Cereals	Edible Oil

Source: <http://www.tdap.gov.pk/china>, accessed on:

24 October 2013.

Investment: Since early 2000, a number of initiatives have been taken by the public and private sectors of the two countries to enhance Chinese investments in Pakistan. China has contributed immensely in the development of infrastructure in Pakistan with projects such as the Gwadar deep sea port, coastal highway, up-gradation of the

Karakoram Highway (KKH) and several other energy related projects. Together, the two countries are working hard to chalk out a roadmap for future short-term cooperation, while also formulating policies for the long term, by creating complementarities in trade and enhancing investment opportunities.

At this stage, Pakistan felt that simultaneous investments in the industrial sector could help reduce the growing trade imbalance and attempted to persuade the Chinese side, from both public and private spheres, to bring in investments along with their goods to make the trade partnership sustainable and create a win-win situation. Unfortunately, Pakistan did not succeed in this endeavor to attract meaningful investment as China was not forthcoming in terms of investing in the country. From 2000 to 2005, while the foreign direct investment in Pakistan increased about 600 percent, China's contribution remained minimal.¹³

Currently, 120 Chinese companies employing 13,000 personnel, who are working on 250 projects in Pakistan in oil and gas, IT, Telecom, Power generation, engineering, automobiles, infrastructure and mining sector. In addition, a joint company with paid up capital of US \$ 200 million was launched in 2007.¹⁴ However, they fall short of invigorating Pakistan's economic capacity to export commodities especially to the Gulf. One reason may also be lack of considerable

investments in the industrial sector of Pakistan, which resulted in a decrease of its foreign exchange revenue as well.

Energy Cooperation: The current energy crisis in Pakistan has brought the economy to a near standstill. Chinese investments in the industrial sector may also not serve the purpose, if the energy shortage in Pakistan is not addressed objectively. The key lies in invigorating priority projects in connectivity, energy development and power generation and promoting a Pak-China energy corridor.¹⁵ This would, in turn, also facilitate development in Western China and open it up to the waters of the Indian Ocean through Gwadar Port. For this, the idea lies in adopting short term policies with long term objectives. As a starter, China can enhance investments in Pakistan's mega projects for electricity generation i.e. hydro-power (Neelum-Jhelum Hydroelectric Power Project which aims at diversion of the water of Neelum river through a tunnel into Jhelum river, at a cost of US \$12.6 billion)¹⁶, solar energy and coal gasification.

Strategic: As already mentioned, the strategic dimensions of the relations had a narrow implementation in the form of defence ties and production. The fuller meaning of this aspect has not been crystallized as an agenda up till now. In this regard, Pakistan's potential to act as a gateway for China to the energy rich Central Asian Republics (CAR's) is the limelight. Steps like optimizing the Gwadar port both as a commercial and strategic gateway is the key. This is a

landmark opportunity for both the states. The distance between China's Xinjiang area and Karachi and Gwadar is about 2,500 km against its distance of 4,500 km from China's eastern sea board. Consequently, after handing over the management of Gwadar port to China, now the need is to run railway network, information highway and energy corridors in parallel. This would contribute in an upturn in the port's strategic importance and Pakistan would also become an engine for productivity in Western China.

Social: Various areas of Pakistan, mostly Pushtoon dominated, suffer from a torn social fabric and are a victim of massive dislocation in terms of internally displaced people. On the other hand, with an immense downfall in productivity 'Quasi-nationalism' is pumped, where the local population is not engaged in productive activities. Theoretically, it is very rightly believed that foreign investment without promoting local participation in such an area would instead increase retaliation. Both Pakistan and China need to invigorate and generate stakes of the locals in the strategically important areas of Pakistan. This will have a trickledown effect on the local population and address numerous other issues.

Mutuality of Interests

In the backdrop of aforementioned analysis, it would not be wrong to say that reinterpreting the Pakistan-China relationship beyond the stereotypes of defence is a mutually beneficial phenomenon. Where optimizing Gwadar port holds

the potential of invigorating Pakistan's position in every domain, it is also true that China's Western provinces cannot be developed in midterm unless communication infrastructure and trade/transit corridor are developed through Gwadar. However, for gaining access to international markets, raw materials and especially oil, this corridor needs to be developed economically and socially to address the issues at hand.

Furthermore, peace and development in Western tribal belt of Pakistan will also help China in stabilizing its Western provinces, without that China will not be able to bring stability in that region. This comes in the backdrop of persistent instability in Afghanistan and its probable outflow into the FATA region of Pakistan; if China wants to win over Afghanistan and reduce influence of US in the region in future. The trade and industrial corridors will have the potentials of enticing Afghanistan. It should be done on urgent basis, before US operationalizes its concept of 'New Silk Route', which in part is also meant to exclude China.

As far as the trade relations are concerned, dealing with the imbalance is the key to mutual benefits. China's export commodities were once restricted to light machinery and textile goods, which are now shifted to high tech products led by information technology commodities. Now, where Pakistan has an agro based economy, establishing mutual industries, mainly textile (which are no more relevant to China) can be

beneficial both for Pakistan and China in order to export the finished commodities to regions like Africa, Middle East and the Gulf, as below:-

Trade with Africa: According to Standard Bank researchers, most African countries like Egypt, Kenya, Nigeria and South Africa are increasing their trade relations with China with the highest demand of manufactured goods.¹⁷ This includes an equal increase in imports, mainly of crude oil from Angola. Today, Africa is China's fastest-growing export destination and trade partner, and trade with Africa has grown nearly twice as fast as trade with Latin America, which is the second-strongest performer. Hence, joint ventures between Pakistan and China for exporting manufactured goods to the African countries would be highly beneficial for both the states.

Trade with Middle East: China buys nearly a quarter of its daily oil consumption from the Middle East's oil producers, and in spite of China's best efforts to diversify its energy sources, the country's factories will grow increasingly reliant on huge oil fields in Iran, Kuwait and Saudi Arabia. However, currently the trade ties are not subservient merely to the oil tankers. China's trade with the Middle East has reached to US \$ 60 billion in the past five years and China has over taken the USA in being the largest trading partner with Middle East (with investments restricted to commodity assets.¹⁸). An important factor here is the role of private

entrepreneurs, who are responsible in boosting this trade instead of the public policy makers. This is due to the difficulty in receiving official approval for trading with China. In this scenario, a Sino-Pak joint manufacturer can easily export items to the large market in the Middle East.

Trade with the Gulf States: The Chinese view trading with the Gulf States, especially Dubai, as a jumping board to the large market in Africa, particularly, Pakistan enjoys a unique bond with the Gulf in terms of political, historical and social ties. The Gulf market is overshadowed by real estate, construction and telecommunication infrastructure. Pak-China joint ventures especially in manufacturing fiber optics can help increase mutual trade to the Gulf.

On the other hand, establishing industries like car, machinery etc in the trade corridor will not only cut down costs on transportation to markets but will also help both countries. Joint investment in Pakistani transportation to include: Rail, Shipping and buses have the potential to benefit both the states. Theoretically, trade remains on the back foot without infrastructure and feasible opportunities for mobility of commodities. In this regard, the map illustrates a very important Gwadar-Khunjab-Kashgar rail network proposed to be built in the near future. The US \$ 10 billion project is expected to help China in securing oil supply and commercial linkages through the Indian Ocean and in turn also help Pakistan's economic downturn.¹⁹. Concurrently, Chinese

investments in Pakistan's Naval dock-yard can boost Pakistan's capacity in developing the Gwadar deep sea port into a major docking port for foreign ships; raising immense benefits for Pakistan's economy. This would also boost Chinese interface in the Indian Ocean.



In this frame, mutual benefits may also be boosted, if China invests in the cost of dams on upper areas of Karakorum. This would also help in exporting energy to China's Western provinces besides the Turkmenistan–Afghanistan–Pakistan–India Pipeline (TAPI) gas in future.

Interface with the International Community

Both Pakistan and China can benefit by refurbishing their ties in the atmosphere of fading Unilateralism and rise of the Asian Century. Only in the last year, US economy grew just by 1.8%, whereas Asia managed a 7.6% hike,²⁰ hinging between China and India. Since the USA has shifted its focus to the

Asia Pacific, resultantly, China is engaged in PLAN (People's Liberation Army Navy) modernization and increasing trade relations with almost every region. Nevertheless, cooperation between Pakistan and China is no longer a bilateral affair²¹ and has both regional and global repercussions. Where the 'containment of China' syndrome is provided window by its strategic relation with Pakistan, the strategic relations should be aligned with political and economic gains for Pakistan.

Findings

The following findings flow from the course of the study:-

- The global order is in a constant mode of transformation. Indeed, it is due to the impact of the rise of China as a major power. This peaceful rise paves the way of opportunities for Pakistan to revamp its economic situation and in turn address the key question of its role as a progressive country in the comity of nations. (It was a subject of the recent visit of the PM to China. The joint statement is placed at Annex A)
- Pakistan and China have been enjoying deep rooted cordial relations. However, in the backdrop of evolving security situation of the region, it is time to take the friendship at another level by boosting the cooperation (qualitatively and not only quantitatively) in minute yet fundamental sectors.

- The notion of China's rise as an economic giant raises numerous questions pertaining Pakistan's interests. The window for augmenting 'strategic strength' lies in invigorating investments and not in aid or merely trade. The basic question lies in how and where to harness these investments and for what purpose.
- China's developmental focus towards its Western part in fact has a mutuality of interest. As, the Chinese themselves believe that, benefit of progress must be shared in the neighborhood.²²

Recommendations

A set of recommendations while keeping in view the findings deduced from the study, are suggested as following:-

- Bilateral cooperation at local level should now move beyond signing of MoUs to translating ideas into mutually beneficial structures.
- Pakistan and China should combine their energies in establishing linkages for mutual benefits and China should make the investments in Pakistan to the next level of enhancing Pakistan's capacity to export. This however requires an 'out of box' approach, for example; investments can simply mean in establishing Chinese industries in Pakistan and re-exporting the commodities to China. This would also help in reducing imbalance in trade. Hence this may include:-

- Shifting various Chinese industries (mainly textile) to Pakistan.
- Invigorating Joint industrial zones in order to gear exports to other regions specifically the Gulf.
- Revitalizing energy and information corridors where Western China is the future eye of the country.
- The industrialization and setting up of information highway is bound to be mutually advantageous if the endeavor engages the native population on both sides and ensures a trickledown effect. This will in the longer run outweigh problems posed in the domain of governance and torn social fabric.
- Pakistan can benefit from Chinese support in establishing an institutional framework for boosting Human Resource Development and social uplift of underprivileged areas in Pakistan.

Annex A

**Joint Statement on “Common Vision for Deepening
Pakistan-China Strategic Cooperative Partnership in
the New Era”**

(5 July 2013)

At the invitation of Premier Li Keqiang, the Prime Minister of Pakistan Muhammad Nawaz Sharif, paid an official visit to China from July 3 to July 8, 2013. This was Prime Minister Nawaz Sharif's first overseas trip since taking oath of office and follows Chinese Premier's visit to Pakistan in May 2013. These successive visits, in a short period of time, reflect the positive desire of both countries to further reinforce the existing brotherly and time-tested China-Pakistan relationship.

During the visit, Prime Minister Nawaz Sharif met with President Xi Jinping, held talks with Premier Li Keqiang, and met with Mr. Zhang Dejiang, Chairman of the Standing Committee of the National People's Congress of China. Prime Minister Nawaz Sharif also met with corporate leaders and leading members of business community.

The Pakistani Prime Minister reaffirmed the strong commitment of his government to further promote and deepen the bilateral strategic cooperation between China and Pakistan. The Chinese leaders appreciated that Prime Minister

Nawaz Sharif had chosen China as his first destination for his visit abroad.

Prime Minister Nawaz Sharif underscored that the recent political transition in Pakistan was a historic development which would create political cohesion, social stability, and internal growth. It will also improve governance and lead to sound macro-economic management thus creating an enabling environment for foreign investment in Pakistan.

The two sides reviewed with satisfaction the development of China-Pakistan relations, and were of the view that this relationship had acquired growing strategic significance in the emerging dynamics of 21st century. Both sides decided to continue to deepen the Sino-Pakistan strategic partnership in the new era.

Both leaders appreciated that Asia was the engine of global economic growth and more than forty percent of the global population resided in this vibrant and dynamic region. A major urbanization and technological advancement was underway in this region which would unleash enormous potential for regional economic development.

Both Pakistan and China recognizing the existing opportunities and the challenges, vowed to promote policies that can advance the cause of peace, co-operation, and harmony thereby creating a win-win situation in the region.

Both leaders reaffirmed their commitment to pursue people-centric policies that could mitigate poverty, promote social and economic development and diminish the roots of conflict.

The two sides decided to further deepen practical cooperation in all sectors and strengthen coordination and cooperation on international and regional issues according to the guiding principles of the Treaty of Friendship, Cooperation and Good-Neighborly Relations between the People's Republic of China and the Islamic Republic of Pakistan signed in April 2005 and on the basis of the existing close cooperation.

China reaffirmed that its relationship with Pakistan was always a matter of highest priority in its foreign policy, and it would continue to strengthen this strategic partnership. China appreciated Pakistan's long-term, staunch support on issues concerning China's core interests. China would continue to extend its full support to Pakistan in the latter's efforts to uphold its independence, sovereignty and territorial integrity, while respecting the development path chosen by the people according to its national priority, and support Pakistan in maintaining social stability and economic development.

Pakistan reiterated that friendship with China was the cornerstone of its foreign policy, enjoying a national consensus. Pakistan appreciated the support and assistance of

the Chinese government and people for Pakistan's sovereignty and socio-economic development.

Pakistan will continue to adhere to its one-China policy, oppose Taiwan and Tibet's independence and support China's efforts in combating the "Three Evils" of extremism, terrorism and separatism.

We regard ETIM as our common threat and stand united in combating this menace.

The two sides believe that maintaining the tradition of frequent exchange of visits and meetings between their leadership, and fully leveraging arrangements such as annual meetings between their leaders, is of great importance in advancing bilateral relations. They also agreed to enhance the role of mechanisms such as Foreign Ministers' Dialogue, Strategic Dialogue and other consultative mechanisms between the relevant ministries and departments, so as to strengthen the strategic communication and coordination between the two countries.

Both sides reaffirmed that expanding bilateral economic relations was a matter of high priority. The two sides agreed that China is committed to realizing the Chinese dream of national rejuvenation by accelerating the transformation of the pattern of economic development and earnestly pursuing the strategy to develop its western region. Meanwhile, Pakistan is committed to reviving the national economy and

realizing its "Asian Tiger dream". The development strategies of the two countries therefore coincide with each other. Both sides decided to further strengthen the ties of pragmatic cooperation between them, with a view to translating their high-level political relationship into wider economic dividends. To this end, the two sides will strengthen cooperation in trade, investment, energy, agriculture, mining, food security, environment, finance and other fields.

The two sides agreed to fully implement the Additional Agreement to Extend the Five Year Development Programme on China – Pakistan Trade and Economic Cooperation and the China-Pakistan Free Trade Agreement; fast track work on the projects identified under the Five Year Development Program; hold the second phase of tax-reduction negotiations of China-Pakistan Free Trade Agreement on speedy basis; further liberalize trade, and advance economic integration between them.

Enhancing connectivity between China and Pakistan is of great importance to expanding economic and trade cooperation, promoting economic integration, and fostering economic development of the two countries.

To develop the Long-term Plan for China-Pakistan Economic Corridor, both sides agreed to set up the Joint Cooperation Committee on the Long-Term Plan for China-Pakistan Economic Corridor, with the National Development and Reform Commission of China and the Planning and

Development Ministry of Pakistan as leading ministries, and secretariats established in both ministries. Ministerial officials of both countries held talks in Beijing recently. The Chinese side will dispatch a working group at an early date to Pakistan for further consultations. Both sides agreed to start work on the Long-term Plan for China-Pakistan Economic Corridor on speedy basis. The plan will mainly include such areas of cooperation as connectivity construction, economic and technical cooperation, people-to-people and cultural exchanges, and exchanges between local governments and organizations.

Both sides agreed that they will focus on the following areas of cooperation in the near future under the framework of the Long-Term Plan for China-Pakistan Economic Corridor: start the China-Pakistan Cross-border Fiber Optic Cable project at an appropriate time, upgrade and realign the Karakoram Highway on fast-track basis, explore cooperation on solar energy and biomass energy, explore construction of industrial parks along the Pakistan-China Economic Corridor, launch at an early date inter-governmental consultations to implement the Digital Television Terrestrial Multimedia Broadcasting (DTMB) in Pakistan, coordinate the commercial operation of TD-LTE in Pakistan, and enhance cooperation in the wireless broadband area.

Both sides will support enterprises of the two countries in conducting cooperation on establishment of industrial zones in Gwadar.

The Chinese side agreed to support the efforts of the Government of Pakistan in addressing its urgent energy needs. The two sides agreed to hold the third meeting of the China–Pakistan Joint Energy Working Group at an early date and deepen cooperation in conventional energy, renewable energy and other sources of energy. China stressed that it will continue to encourage and support Chinese enterprises' investment in Pakistan. The two sides agreed to speed up work on the China-Pakistan Agriculture Demonstration Zones.

Prime Minister Nawaz Sharif acknowledged that a great number of Chinese personnel working on various economic projects in Pakistan were contributing to Pakistan's economic development and were an asset both to Pakistan as well as the region. The Chinese side expressed its appreciation for the Pakistani side's efforts to safeguard the security of Chinese personnel and institutions in Pakistan, and create good environment for deepening pragmatic cooperation between the two countries.

The two sides agreed to jointly carry out economic and technical cooperation in agriculture, health, education and public transport and other projects that benefit the people.

The two sides agreed to deepen cooperation between their financial regulators and institutions, and support their financial institutions in setting-up representative offices, branches or subsidiaries, and carrying out business activities subject to relevant laws and regulations.

The two sides agreed to continue the implementation of the currency-swap agreement. The two sides agreed to enhance exchanges between young entrepreneurs, which will strengthen communication on trade and investment cooperation. The two sides believe that enlarging and deepening maritime cooperation between the two countries was of great importance. The two sides agreed to enhance bilateral cooperation in the fields of maritime security, search and rescue and disaster relief at sea, combating piracy, maritime scientific research, environmental protection, and blue economy.

Both sides renewed their commitment to implement the Agreement on Maritime Cooperation signed between the two countries during Premier Li Keqiang's visit to Pakistan in May 2013.

Both sides reiterated the desire to implement the 2012-2020 Space Cooperation Outline between China National Space Administration and Pakistan Space and Upper Atmosphere Research Commission to further enhance bilateral exchanges and cooperation in this field. The two sides will take necessary measures to actively explore

expanding air routes for passenger travel and cargo transportation, and increase the number of flights.

Both sides believe that infusing the narrative of Pakistan-China traditional friendship to coming generations would remain a priority. In this regard, both sides acknowledged the important role of parliamentary institutions and agreed on the need to further strengthen parliamentary exchanges. They will maintain the exchange of youth delegations, and strengthen cooperation in the training of young cadres. Both sides decided to celebrate 2015 as China-Pakistan Year of Friendly Exchanges in a befitting manner.

To promote cultural and social ties, the two sides agreed to encourage their cities/provinces to establish twinning relationships. Recognizing the eternal and abiding significance of commonly held values, flowing from the rich cultural heritage of Pakistan and China, more Confucius Institutes will be established in Pakistan. Both sides will promote exchanges of scholars, academics and reinforce linkages in mass media.

The two sides believe that the exchanges and collaboration between the defense forces of China and Pakistan was an important pillar of their friendly relations. They highly commended the China-Pakistan Defense and Security Consultations Mechanism, and will maintain the momentum of high-level visits between the armed forces of the two countries, deepen cooperation in counter-terrorism personnel

training, joint training, equipment and technology, and exchanges between military academies, and identify new areas for exchanges and cooperation. The two sides agreed to further enhance cooperation in defense technology and production.

China and Pakistan reaffirmed their commitment to promoting multilateral arms control, disarmament and non-proliferation measures. Both believe that global disarmament measures should not be discriminatory. They support universal and non-discriminatory prohibition and destruction of all nuclear weapons and reiterated their opposition to the weaponization of and an arms race in outer space. The two sides support multilateral cooperation mechanisms in Asia, and take a positive view of each other's participation in regional and sub-regional cooperation processes.

The two sides recognize that holding identical views on many international and regional issues of mutual interest, they would enhance close communication, while extending mutual support and collaboration in various multilateral fora including the United Nations, the Asia-Europe Meeting, the ASEAN Regional Forum, the Shanghai Cooperation Organization and the Istanbul Process.

The two sides stressed that they will enhance communication and cooperation on important global issues such as climate change, food and energy security and UN reform. China and Pakistan are committed to strengthening

the solidarity and cooperation between developing countries and safeguarding their common interests.

The two sides believe that the evolving situation in Afghanistan has great implications for the regional security and stability. They emphasized that inclusive political reconciliation is a key step towards unity, peace and stability in Afghanistan. The two sides reaffirmed their support for the “Afghan-owned and Afghan-led” peace and reconciliation process, and will work with the regional countries and the international community to help Afghanistan achieve peace, stability and security.

Prime Minister Nawaz Sharif expressed gratitude for the warm hospitality accorded to him and his delegation.

Islamabad

05 July 2013

Endnotes

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