

Analysis of China-Pakistan BRI Cooperation System

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Abstract. This paper firstly sorts out the economic cooperation and political relations between China and Pakistan, and then points out Pakistan's existing bilateral or foreign trade agreements, to measure what contribution Pakistan has made to the construction of the Belt and Road. The last part of the content is the current problems in the development of economic and trade relations between the two countries and the prospects for future cooperation.

Keywords: China-Pakistan relations; BRI; Economic relations; political relations.

1. Introduction to the development of China-Pakistan relations

China and Pakistan formally established diplomatic relations on May 21, 1951, and before that, the friendship between the two countries was connected by the Silk Road, a branch of the Silk Road passed through the northern part of Pakistan, while in modern China and Pakistan have similar historical experiences, let the people of the two countries have mutual support and sympathy of psychology, which also laid the historical foundation of China-Pakistan friendship.

2. Political relations with China

China-Pakistan relations follow the Five Basic Principles of Peaceful Coexistence: adhere to the principle of non-interference in each other's internal affairs, equality, mutual benefit, mutual understanding, mutual respect, and support between the two countries. Before the two countries formally established diplomatic relations, in January 1950, Pakistan announced its recognition of the People's Republic of China, firmly supported the restoration of China's legal rights in the United Nations, and only recognized the one-China policy. Later, out of the need to ensure its security, Pakistan joined the Southeast Asia Treaty Organization and the Baghdad Treaty Organization, but it still maintained friendly exchanges with China. In March 1963, Pakistani Foreign Minister Zulfikar Ali Bhutto visited Beijing, and China and Pakistan signed the "Agreement between the Government of the People's Republic of China and the Government of Pakistan on the Border of China's Xinjiang and the regions whose defense is controlled by Pakistan." (Pakistan Diplomacy). The signing of the China-Pakistan Boundary Agreement is not only to resolve the boundary issues left over from the history of the two countries but also to prove the further development of the relations between the two countries. As for Pakistan's frequent regime changes, while maintaining bilateral cooperation, China also adheres to the principle of non-interference in internal affairs and provides necessary assistance to Pakistan. Pakistan has played an important role as a bridge in China's restoration of its legitimate seat in the United Nations and the restoration of diplomatic relations with the United States. In addition to official exchanges, political parties in China and Pakistan have also established friendly relations, such as trade unions, and women's associations have also organized visits. In 2001, on the 50th anniversary of the establishment of diplomatic relations between China and Pakistan, the Chinese Premier visited Pakistan and signed a series of economic cooperation agreements and memorandums. In the same year, the Pakistani President visited China for the second time. Since the beginning of the 21st century, the China-Pakistan comprehensive cooperative partnership has further developed. High-level contacts between the two sides are frequent, and political mutual trust has been continuously enhanced.

3. Economic and technological cooperation with China

The trade between China and Pakistan began in the 1950s. Before 1987, the trade between the two countries was mainly based on aid from China. The main projects assisted by China in Pakistan included various types of factories and mining of natural resources. The cooperation after 2000 was mainly carried out in the form of Chinese contracted projects and joint ventures. In 1992, China and Pakistan signed a cooperation contract on nuclear power plants. Since then, new content on China-Pakistan economic cooperation has begun. Subsequent cooperation involves aviation, industrial zones, communications industry, water conservancy and hydropower, and other fields. In 2006, the two countries signed a free trade zone agreement, which was implemented the following year; in 2009, the two countries signed the "China-Pakistan Free Trade Zone Service Trade Agreement", and China became Pakistan's second-largest trading partner. When President Hu Jintao visited Pakistan in 2006, the two countries signed the 2007-2009 Cultural Exchange Implementation Plan, and the cooperation between the two countries in the field of science and technology gradually developed from the exchange between projects to cooperation in the field of science and technology between the two governments. With the proposal of the Belt and Road Initiative, the China-Pakistan Economic Corridor was proposed during Premier Li Keqiang's visit to Pakistan in 2015 to strengthen cooperation in transportation, energy, and other aspects, and build a plan centered on roads, railways, oil and gas pipelines, and optical cables, etc. The two parties discussed topics such as "urban cooperation", "industry docking", "information corridor", and "humanities and society" and signed 20 memorandums of cooperation (Pakistan Diplomacy).

4. Establishment of China-Pakistan Belt and Road Cooperation Framework

Since the Belt and Road project was proposed in 2013, there have been many voices of doubt in the West, believing that it is a symbol of China's desire to become a hegemony, and many countries' attitudes towards the Belt and Road are in a wait-and-see state, which indirectly led to a downward trend in China's total trade import and export volume. As an "old friend" of China, Pakistan's trade volume with China has not only shown a downward trend in the volume of trade imports and exports but has steadily increased. In addition to trade imports and export, Pakistan is one of the key markets for China's foreign contracted projects. With the advancement of the Belt and Road projects, more and more Chinese companies have begun to turn their attention to Pakistan and actively participate in Pakistan's communications, oil and gas exploration, electricity, water conservancy, transportation, airports, ports, real estate, natural resources development and other fields of project implementation. The signing of the China-Pakistan Economic Corridor Memorandum of Understanding in 2015 covers Gwadar port, infrastructure, industrial cooperation, cultural exchanges, and in-depth cooperation in the energy field, and the China-Pakistan Economic Corridor Cooperation Committee was established to promote and coordinate the China-Pakistan economy. Corridor planning, etc. therefore in the process of the development of the Belt and Road, based on the different laws and regulations of different industries in the two countries, how does Pakistan ensure the smooth progress of the Belt and Road project based on its existing legal system?

5. Pakistan's existing legal system

Pakistan now has a sound legal system. As a British colony in history, it inherited the Western legal system in the legal system and constitution, and at the same time blended the achievements of Muslim religious ideas and modern laws. Pakistan has a sound legal system in fiscal and taxation, trade, foreign investment, resource development, and labor protection. The focus of the Belt and Road is to promote unimpeded trade. During the construction of the China-Pakistan Economic Corridor, Pakistan's contribution to promoting cooperation can be measured by the progress of China's projects in Pakistan. If you want to know the progress of China's projects in Pakistan, it is necessary to understand Pakistan's access regulations for foreign markets and the system of trade regulations.

The department responsible for trade in Pakistan is the Ministry of Commerce of Pakistan, which is mainly responsible for the formulation of domestic and foreign trade management policies, fair trade, and multilateral and bilateral trade agreements. Today, the main laws and regulations related to trade in Pakistan are the "Customs Law", "Company Law", "Trade Monopoly and Restriction Law", "Trade Organization Law", and "Anti-dumping Law", "Anti-Hoarding Law" and so on.

6. Agreements related to the Belt and Road project

China has contracted many projects in Pakistan and has dozens of registered companies in Pakistan, its business scope covers water conservancy and hydropower, mining, port construction, home appliance manufacturing, and communications. It has participated in more than 100 large and small projects, among them, the Gwadar port and the Scientak copper-gold mine and other projects have a greater impact, in addition, Chinese companies have also undertaken the construction of a series of water conservancy and hydropower projects in Pakistan, including the Mangla Dam, the Balota Hydropower Station, and the Komozan Hydropower Station. There are also many infrastructure construction projects, and Chinese companies that contract these projects should be most concerned about Pakistan's access to the foreign investment market, as well as what bilateral trade agreements and preferential policies Pakistan have.

The first part is the bilateral agreement between Pakistan and China. As early as 1989, China signed the Bilateral Investment Protection Agreement with China, the agreement aims to encourage and protect investment in both countries, and to provide a good platform for them to promote the common development of the two countries' economies. In the same year, the Agreement on the Avoidance of Double Taxation and the Prevention of Tax Evasion and Tax Evasion on Income was signed, and in 2007, the provisions of Article 11, paragraph 3 (3) of the previous agreement were changed and replaced by the following provisions: "(3) The local authorities, financial institutions and departments of the other Contracting State as agreed at any time by the competent authorities of both Contracting States. The "national bank" mentioned in item (2), in China, refers to the People's Bank of China, the Bank of China, the Export Bank, Agricultural Development Bank of China and China Development Bank, in Pakistan, refer to the State Bank of Pakistan." In 2017, the Third Protocol to the China-Pakistan Agreement was signed, which stipulates that the Industrial and Commercial Bank of China and the Silk Road Fund are the "People's Republic of China" in Pakistan. The energy projects mentioned in the Agreement between the Government and the Government of the Islamic Republic of Pakistan on Cooperation in Energy Projects under the China-Pakistan Economic Corridor provide loans to obtain interest, which may be following the provisions of Article 11, Paragraph 3 of the China-Pakistan Agreement and the Second Protocol of the China-Pakistan Agreement is exempt from income tax in Pakistan. The "Free Trade Agreement" signed in 2006 focuses on reducing tariffs on products of the two countries, optimizing market access conditions, and making the trade and investment environment more standardized and transparent. In 2008, on the "Free Trade Agreement", the "Supplementary Agreement to the Free Trade Agreement" was signed, adding another preferential policy for Pakistan's investment zones in China.

The second part is the protection and preferential policies for foreign investment in Pakistan. Pakistan has enacted the Foreign Private Investment (Promotion and Protection) Act 1976, the Economic Reform Promotion and Protection Act 1992, and the Pakistan Investment Policy 2013. "Pakistan Investment Policy 2013" proposes economic liberalization measures including improving investor convenience, investment protection and removing regulatory barriers, public-private partnerships, and strengthening coordination among all parties. At the same time, it enjoys no upper limit on foreign investment, allows the repatriation of profit dividends, and preferential policies such as equipment import tariffs. These regulations simplify the government approval procedures for investment in Pakistan for companies contracting projects in the Belt and Road project. It reduces the company's business costs and provides a good environment for Chinese companies to operate overseas. It can be seen that these preferential policies and bilateral agreements have been

supplemented later, which shows that the existing regulations have also been reviewed when dealing with disputes so that there have been many supplements and revisions to the agreement. Therefore, with the accumulation of experience, there are more appropriate methods for the problems existing in the project in the China-Pakistan Economic Corridor cooperation project and how to effectively solve the problems.

Finally, there is the special economic zone of Pakistan. In 2012, the Pakistani government promulgated the "Special Economic Zone Law of 2012", which stipulates that the government and private enterprises can establish special economic zones. The main preferential policies are about special economic zone developers and enterprises exempt from tax Five-year income tax and infrastructure to provide convenience, etc. In 2019, preferential policies on tax exemption in the Gwadar Free Zone were promulgated, mainly including 40 years of tariff exemption for imported equipment and materials for free zone development enterprises, 23 years of sales tax exemption, and 23 years of income tax exemption, and 23 years of export-related enterprises. Exemption from customs duties, sales tax, and income tax. Today, several special economic zones and export processing zones have been built, involving manufacturing, food processing, steel, machinery and equipment, textiles, and agriculture. The roles of Chinese investors in special economic zones are two-fold. First, as a developer, participate in the construction and management of the economic zone. Participation methods include public-private partnerships or full private investment, and the relevant law stipulates that developers should be determined through competitive bidding. Second, as an enterprise in the economic zone, it must enter the economic zone with the permission of the developer, obtain the enterprise certification of the economic zone, and enjoy the preferential policies of the economic zone. The additional preferential policies that China can enjoy under the construction of my country-Pakistan Economic Corridor special economic zone are determined by the two countries through negotiation. For example, the preferential policies for Chinese investors in the special economic zone determined by the Seventh China-Pakistan Economic Corridor Joint Committee include: imports within 10 years All production materials are exempt from tax (Chinese investors must import from China); income tax is exempted for 10 years.

7. Development status and cooperation prospects

7.1 Development Status

It can be seen that although the trade between China and Pakistan is escorted by many agreements, there are still some problems in the cooperation between Pakistan and China. First of all, part of the projects in Pakistan and China did not achieve the expected purpose, and China did not encourage Pakistan to carry out reforms through investment, and a large part of the investment was also used for existing projects. China and Pakistan's interoperability projects, pipelines, and railways are not very implementable and the cost is too high. However, railway transportation is indeed more important for China to implement the interconnection of the Belt and Road Initiative. For example, Gwadar is close to the Middle East and Africa. This logistics channel greatly shortens the delivery of Chinese goods to these markets, as well as the energy and energy imported from these markets, the distance the raw materials are shipped back to China. How realize the construction of this railway is also a test for China and Pakistan. Secondly, due to the religious problems in Pakistan, some extremists pose a threat to the personal safety of engineers and technicians in Pakistan. For example, in 2004, Chinese engineers and technicians in Pakistan were attacked by roadside bombs, causing many people to be injured, and personal safety issues will have a certain impact on the development of economic and trade cooperation between the two countries. At the same time, how strengthening the prevention of personnel safety work is also an important issue at present.

7.2 Cooperation prospects

Although there are some problems in the cooperation between China and Pakistan, the prospects for cooperation between the two countries are huge. China's economy and Pakistan's economy have

strong complementarity, which is mainly reflected in the products required by the Pakistani people's life and economic development, enterprises can provide it. Similarly, the technology used in China's economic development is also in line with the needs of Pakistan's social and economic development, and both countries are developing countries. Although there are large differences in economic scale, the level of economic development is relatively close. China and Pakistan government has also made many efforts to promote cooperation between the two sides, such as the construction of the China-Pakistan railway. Improving the existing traffic conditions can increase the trade flow with neighboring countries, especially Pakistan. Similarly, with the continuous increase of cooperation projects between the two countries, the possible trade disputes and conflicts will also increase, so based on the existing agreements and regulations, the content may not cover all possible types of disputes. is also necessary. Generally speaking, the construction of the China-Pakistan Economic Corridor is a key project of the Belt and Road. Cooperation has been elevated to new heights with the advancement of the Belt and Road Initiative.

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