

01 CORRIDORS, CULTURE & CONNECTIVITY

July 2015

CHINA-PAKISTAN ECONOMIC CORRIDOR

Impact on
Development of
Balochistan



Arshmah Jamil



Pakistan-China Institute

Corridors, Culture & Connectivity

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FOREWORD

President Xi Jinping's One Road, One Belt initiative, a framework for regional economic development through the land based Silk Road Economic Belt and the ocean based Maritime Silk Road, is a core element of China's foreign policy in 2015. Aimed at integrating the region through the construction of necessary infrastructure, increased investments and trade as well as cultural exchanges, it underscores China's desire to ensure benefit to its cooperation partners, linking their progress and development to the progress and development of China. Under Chinese leadership, the Belt and Road have the potential to change the landscape of regional connectivity, socio-economic development, as well as peace and security.

In view of the regional significance that this Initiative will have in coming decades and the dearth of focused and in-depth research on this vast subject, the Pakistan-China Institute has taken the lead by initiating 'Corridors, Culture and Connectivity'; a series of bi-monthly Monographs dedicated exclusively to research on the Belt and Road. These publications aim to apprise policymakers, academicians, students, and the general public alike, of major initiatives along the Silk Road Economic Belt and the Maritime Silk Road, looking at how the various opportunities and undertakings will impact regional development and security, as well as the challenges that lie in the implementation of the various projects. The objective is to produce quality research work that will provide information, insight, analysis and policy recommendations for the benefit of stakeholders and for the purposes of knowledge dissemination. To this end, the Institute has engaged scholars and academicians from the top universities of Pakistan and China.

In view of the emphasis that the Belt and Road initiative places on increased cooperation with South Asia, and in consideration of the fact that Pakistan constitutes the most important pillar of this initiative, by virtue of the China-Pakistan Economic Corridor that will connect the Maritime Silk Road to the Silk Road Economic Belt, the first Monograph focuses on the CPEC and its impact on the development of Baluchistan. It reviews in details the problems faced by the province at present, looking at socio-economic factors, infrastructure, security, etc. and examines how the Economic Corridor will help in addressing pertinent issues and ameliorating problems.

The Pakistan-China Institute is launching 'Corridors, Culture and Connectivity' as the first of its kind dedicated research on the One Belt, One Road. The Konrad Adenauer Stiftung, Pakistan, is our publishing partner in this initiative, which we undertake with the objective and hope of it serving as a valuable and timely contribution in this regard.

Senator Mushahid Hussain Sayed

Chairman

ABSTRACT*

8 Although, geographically Balochistan is the largest province of Pakistan, demographically it is the smallest and the most under-developed federating unit. Careful examination of the lack of progress in Balochistan reveals a worrying situation, which needs to be given the highest precedence by the government. The locals of Balochistan have had numerous reservations, which over the time have developed into anti-nationalistic feelings and a cause of concern for the federation. The China-Pakistan Economic Corridor will be a game changer for Pakistan as a whole and also for Balochistan in particular, as it will usher in a new era of socio-economic development. This study will examine how this landmark initiative can lead to the economic and social development of Balochistan.

***About the Author:**

The author, Arshmah Jamil, is an M.Phil. International Relations scholar at National Defense University Islamabad. Her research interests are security, development and strategy with a special focus on South Asia, Central Asia and the Middle East.

INTRODUCTION

Although Balochistan is sparsely populated, it is the largest province of Pakistan and is significant not only geopolitically but also strategically. The population figure according to CIA World Fact Book of Pakistan is 196.2 million (2014) with Baloch accounting for 3.57% of the population¹. The Baloch region is one of the oldest settlements of the world as supported by historical and archaeological evidence. If the geographical location is assessed, Baluchistan shares 475 miles with Iran to its west, 625 miles with Afghanistan to its northwest and spreads across 562 miles along the Persian Gulf's Makran Coast². Its location allows it to explore various potential trading routes to the rest of the world, encompassing the Middle East, Iran, Afghanistan, China, India and the Central Asian Republics³.

1. *CIA World Factbook*. <https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html> (accessed July 2014, 1).

2. Methab Ali, Shah. "The Foreign Policy of Pakistan: Ethnic Impacts on Diplomacy." 89. New York: I.B. Tauris & Co. Ltd, 1997

3. TamilNet. *US Congress tables resolution on Baloch self-determination*. February 20, 2012. <http://www.tamilnet.com/art.html?catid=79&artid=34900> (accessed July 15, 2014)

Balochistan's strategic location is inimitable as it is a gateway to South Asia, Middle East and the Central Asian States. Balochistan can benefit from its strategic location by providing a market to the landlocked Central Asian states that lack the route for exporting their resources for international trade. The problems that Balochistan faces at present are manifold, including insurgency and underdevelopment, that has caused this province to be retrograde in its economic and social growth.

This study will examine the present situation of Balochistan and analyze why the China-Pakistan Economic Corridor is crucial to its development. It will unearth the objectives of the Corridor and its impact on the country's economic and social development. Furthermore, the challenges associated with the project will be examined and the necessary steps that must be undertaken to tackle them will be evaluated. In addition, the study will raise awareness about the benefits of, and highlight the positive outlook towards, the project. Its aims are to bring all stakeholders together on one platform regarding this issue

The perceived friction between Balochistan and the central government is due to the presence of vast natural resources in the province, including huge quantities of coal, copper, uranium, platinum, aluminum and gold⁴. While their extraction is under government control, the Baloch receive royalties from the sales⁵. Added to this are the problems of high poverty and the underdevelopment of health and education sectors, high migration and lack of employment opportunities in the province. Estimated poverty rates of the province reveal 45.68 % of the population is living below the poverty line⁶. Various studies have highlighted the poor social conditions of Balochistan including a recent national nutrition survey conducted by Aga Khan University Hospital. The findings accentuate the fact that a total of 785 out of 100,000 mothers in Balochistan lose their lives during pregnancy as compared to 272 mothers from the rest of the country⁷. The province lacks the educational infrastructure as it has the lowest number of educational institutions (5% of the entire institutions in Pakistan) and in rural Balochistan a high dropout rate amongst school-going children is observed⁸. The population that is underprivileged in the rural areas gets adversely affected by the lack of connectivity and access. The various sections of existing railway infrastructure are in pitiable condition

4. Khalid, Mustafa. "Huge gold, copper reserves discovered in Balochistan". May 16, 2014. <http://www.thenews.com.pk/Todays-News-3-250255-Huge-gold,-copper-reserves-discovered-in-Balochistan> (accessed July 1, 2014)

5. Alaiwah. "Constitutional Distribution of Natural Gas and Hydro-Electric Power". September 24, 2008. <http://alaiwah.wordpress.com/2008/09/24/constitutional-distribution-of-natural-gas-hydro-electric-power/> (accessed July 2014, 1).

6. Haroon, Jamal. "Predicting Sub-National Poverty Incidence for Pakistan". Survey, Karachi: Social Policy and Development Centre, 2013.

7. Aga Khan University. "National Nutrition Survey". Survey, Karachi: Government of Pakistan, 2011.

8. Fazl-e-Haider, Syed. "Worst Statics for Education". February 08, 2012. <http://www.dawn.com/news/694085/worst-statistics-for-education> (accessed July 1, 2014)

and cannot accommodate the increasing traffic burden. There needs to be an adequate transport network in Balochistan that transforms the outdated system into modern trade routes which can effectively transfer goods at a faster pace. The underdevelopment combined with lack of infrastructure hinders economic activity on a larger scale in Balochistan. Due to the lack of socio-economic progress in this province, a comprehensive development project that transforms this region and assists in addressing the grievances of the people is the ultimate necessity.

THE CORRIDOR OF HOPE

The China-Pakistan Economic Corridor aims to connect Gwadar Port, located in the province of Balochistan, to Xinjiang province in China's northwest region through railways, highways and pipelines, to facilitate the transportation of gas and oil. Upgrading Gwadar Port also aims to address the energy concerns of our country⁹.

Resolving The Energy Crisis

Pakistan currently faces a deeply problematic energy crisis. For a country to be economically viable, its energy sector must be strengthened. The crisis is due to the lack of equilibrium between low supply and high demand for energy. The situation is worsening as total primary energy consumption is expected to rise 7 fold from 55 million tons of oil equivalent (MTOE) to 360 (MTOE) by 2030¹⁰.

Balochistan's abundant natural resources and geographical location make it essential to ensuring Pakistan's energy security¹¹. In the present scenario, when Pakistan is running out of reasonably priced and useable energy, more proficient use of energy is absolutely essential. The China-Pakistan Economic corridor project aims to enhance regional cooperation to meet the energy demands of the present era. Under the Economic Corridor project, 300 megawatts (MW) coal based power projects at Gwadar have been planned¹².

Energy is the lifeline of economic progress for a country. The industries require a consistent supply of electricity for their effective and uninterrupted operation. The China-Pakistan Economic Corridor will assist in fulfilling the energy requirements

9. Associated Press of Pakistan. September 22, 2013. http://www.app.com.pk/en/_index.php?option=com_content&task=view&id=241501&Itemid=2 (accessed July 16, 2014).

10. *Energy Security*. Islamabad: Government of Pakistan, 2011.

11. Ibid

12. "China Approves Construction of 14 Power Projects," Express Tribune, August, 7, 2014. <http://tribune.com.pk/story/745584/china-approves-construction-of-14-power-projects/> (accessed July 20, 2014)

for the ship breaking industry in Balochistan to help meet its need for power. Despite having the largest ship breaking yard at Gadani (coastal village in southern Balochistan)¹³ and the third largest ship breaking operations in the world¹⁴, the infrastructure is in a deplorable condition. With unpaved roads, no telephone lines, no public supply of drinking water and most importantly no electricity, Gadani¹⁵ has failed to deliver up to its full potential. Water supply is scarce in this area and the requirements are fulfilled by bringing in tanks from the nearby town of Hub. The electricity shortage in the area also leads to heavy dependence on generators. Furthermore, the problem of load shedding (electrical power outages) reduces the productivity of yards, leading to various delays¹⁶. These power outages are a serious security threat for workers who have to work in the dark inside a hull. Enhanced supply and generation of electricity is the only probable way to ameliorate these problems. The project aims to provide energy supply, which will not only increase the yard productivity but will also ensure safety of the workers.

The underdeveloped mining sector of Balochistan faces a similar problem. Despite the abundance of natural resources, the major bottleneck for the growth of mining sector is increased cost of electricity, lack of industrial zones in Quetta and shortage of skilled labor¹⁷. This causes the manufactured material quality to be compromised and it becomes incompatible for export.

12

The advantages of the energy projects that are part of China-Pakistan Economic Corridor would be manifold. They will not only increase productivity of ship breaking, shrimp farming and mining sector but will also contribute to providing greater employment opportunities. The mining sector will be transformed and the products will attain the standard compatible for export. Moreover, the social benefits will be observed when the locals will domestically utilize the energy through cooking, heating and water provision. Their satisfaction with the adequate provision of electricity to their homes will not only help towards addressing some of their frustration at the lack of facilities available to them, but will also assist in increasing their positive sentiments towards the government. While addressing the energy needs of Balochistan, equally significant is the need to transform the underdeveloped road and railway network.

13. Nadir, Siddiqui. "Ship-Breaking at Gaddani." December 23, 2011. <http://www.dawn.com/news/668410/ship-breaking-at-gadani> (accessed 1 July, 2014).

14. Qasim, Nauman. Reuters. February 27, 2012. <http://www.reuters.com/article/2012/02/27/us-pakistan-shipbreaking-idUSTRE81Q13Z20120227> (accessed July 2014, 1).

15. Kanwar Iqbal, Patrizia Heidegger. "Pakistan Shipbreaking Outlook." Brussels/Islamabad: Sustainable Development Policy Institute and the NGO Shipbreaking Platform, 2013

16. Ibid

17. WorldBank Economic Report. May 2008. <http://siteresources.worldbank.org/PAKISTANEXTN/Resources/293051-1241610364594/6097548-1257441952102/balochistaneconomicreportvol2.pdf> (accessed July 1, 2014)

Upgrading the Railway Network

For a greater economic impact, improved railway connectivity is the ultimate necessity for Balochistan. This is because economic return to investments in physical transport infrastructure is dependent upon the corresponding progress with transit and trade furtherance¹⁸. The existing railway network in Balochistan is in deplorable condition. Due to the problem of infrastructure, there has been a lack of bilateral trade between Pakistan and its neighboring countries. The failure of the 1965 trade agreement between Pakistan and Afghanistan to offer a transit capacity for Afghan goods reaching Karachi seaport through land route of Torkhum and Chaman¹⁹ reveals the underlying problems of poor infrastructure which still exist in our system. The rationales behind the failure of the trade deal were manifold, including reduced facilities, long waiting times, scarcity of railway wagons and high transport charges, thereby leading the Afghan traders to opt for the Iranian seaport of Bandar Abbas despite the greater distance²⁰. Unfortunately the railway network in Pakistan has not been able to rejuvenate itself. The system at present is substandard and not able to sustain the volume of the new load²¹. The existing railway network of Pakistan is composed of ML-1 that follows the Route from Karachi and ends at Peshawar (1681 Kilometers); next is ML-2 following the route commencing from Kotri and finishing at Attock (1243 km)²². Lastly, the ML-3 starts from Rohri and ends at Taftan (966

18. WorldBank. May 2008. <http://siteresources.worldbank.org/PAKISTANEXTN/Resources/293051-1241610364594/6097548-1257441952102/balochistaneconomicreportvol2.pdf> (accessed July 1, 2014).

19. RahimUllah, Yousafzai. "Pakistan-Afghanistan Relations: A Pakistani Perspective." Pildat. March 2011. <http://www.pildat.org/Publications/publication/FP/Pak-AfghanParliamentarianDialoguePaper250311.pdf> (accessed July 1, 2014).

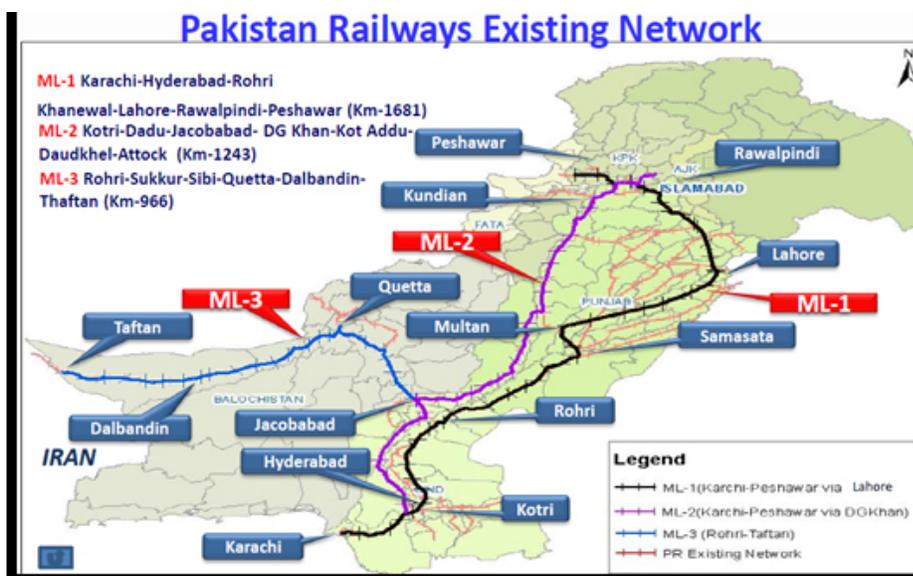
20. WorldBank Economic Report. May 2008. <http://siteresources.worldbank.org/PAKISTANEXTN/Resources/293051-1241610364594/6097548-1257441952102/balochistaneconomicreportvol2.pdf> (accessed July 1, 2014).

21. Maqbool, Afridi. Pakistan Today. November 30, 2011. <http://www.pakistantoday.com.pk/2011/11/30/business/gwadar-the-future-economic-hub/> (accessed July 1, 2014).

22. Pakistan Railways. <http://pakrail.com/nrl.php> (accessed July 15, 2014)

km). It can be analyzed that this Railway network is not comprehensive as it does not provide links to the remote areas of Pakistan. It can be reasoned that this leads to deprivation and backwardness of a society that has no access to rail links for transport and commerce.

Below is the map representing the existing Railway network:



14

Image 1: Map of Pakistan's Existing Railway Network

Source: Pakistan Railways. <http://pakrail.com/nrl.php>

There is a dire need to revamp the underdeveloped railway network in present circumstances. The China-Pakistan Economic Corridor offers a carefully coordinated and sequenced network, where improvement in the rail network supports the facilitation of trade. Under the China-Pakistan Economic Corridor, Gwadar-Basima-Jacobabad's new track (1050 km), Gwadar to Karachi's new track (700 km), Jacobabad to Havelian (959 km- existing track to be upgraded) and Havelian to Khunjerab's new track (682 km)²³, the rail network will become increasingly coherent. Railway projects under the China-Pakistan Economic corridor also include the upgradation of Karachi-Lahore-Peshawar (ML-1) railway track (1736 kilometers) which is to be started in July 2015 and completed by Dec 2017²⁴. The project also includes the construction of Havelian Dry Port including cargo handling facilities (cost US\$ 40 million) which will be initiated in July 2015 and to be completed by December

23. Ibid

24. Humayun, Zafar. "The Corridor of Hope." Daily Times. July 25, 2014. <http://www.dailytimes.com.pk/business/25-Jul-2014/the-corridor-of-hope> (accessed August 1, 2014).

2017²⁵. Government has allocated Rs 250 million for feasibility study for up gradation of ML1 and Havelian Dry Port ²⁶. The Project will include construction of new rail link (682 Km) from Havelian to Xinjiang Province in China and a feasibility study of Rs. 300 million has been assigned for this project ²⁷.

This network will increase the effective movement of containers and cargo to and from the various cities that connect Balochistan with the other provinces. Balochistan is endowed with a unique environment that is beneficial for the production of a great variety of quality fruits such as pomegranate, cherries, peaches, apples, etc. The increased connectivity due to the China-Pakistan Economic Corridor will reduce the problems of farmers such as post-harvest and transportation losses. Due to enhanced connectivity, the farmers will be able to market their products and earn profits.

The Map below shows the proposed Rail Link of the Pak-Economic Corridor:



Image 2: Proposed Rail Link of Pakistan-China Economic Corridor

Source: Pakistan Railways. <http://pakrail.com/nrl.php>

The importance of these railway links is on the premise that they will offer greater connectivity to various regions of Pakistan, including the remote areas with no rail links (Turbat, Hoshab, Besima, Khuzdar, Havelian, Besham, Gilgit) and provide them

25. Ibid

26. WorldBank Economic Report. May 2008. <http://siteresources.worldbank.org/PAKISTANEXTN/Resources/293051-1241610364594/6097548-1257441952102/balochistaneconomicreportvol2.pdf> (accessed July 1, 2014)

27. Ibid

with a link to enhance their trade with the rest of the country. These linkages would not only be providing connectivity within the country, the new rail link from Havelian to Xinjiang Province would also provide an external link to China and would enable the locals to boost trading opportunities.

The development of Balochistan within the province and with its neighboring provinces and countries can only be possible with an effective transport system. The transport cost is increased by remoteness which causes the markets to be segmented and decreases the market of specialization and scale for public and private sectors. The investment in initiatives like the China-Pakistan Economic Corridor can bring urbanization by facilitating mobility as problems arising from remoteness are arbitrated through transport. Upgrading the rail networks will be important to decrease the disadvantages associated with remoteness that hinder the urbanization process. The developed cities are essential drivers of development as they offer a strong cluster of economies through strong forwards and backwards linkages to input and output markets, access to finance, skilled labor force, close propinquity to policy makers and public administration. The improvements in the cross provincial and cross border infrastructure would assist private trade as a tool for growth. The strategic location of Balochistan would make it a trading center linking Pakistan's industrial hub with the energy rich areas of Central Asia and the Middle East. The main problem that affects our trade with Afghanistan and Central Asia is the underdeveloped transport system that could facilitate trade. The Central Asian Republics utilize Russia's well-functioning road and rail linkage to access the European markets²⁸. The development of infrastructure in Balochistan under the China-Pakistan Economic Corridor would provide these states an alternative and feasible route for their markets.

A powerful stimulus for a stronger agglomeration of Balochistan's economy would be provided with the development of an effective rail infrastructure. And this should not be seen only in the economic perspective. Socially the cities that are developed provide domains for collective change. The rural areas have been subjugated by traditional social structures and urbanization would offer the inhabitants a neutral space where the individuals do not pay allegiance to a particular individual or group and are unconstrained due to the asset of their nationality²⁹.

The success of social development in any region is measured through the Human Development Index. The United Nations Development Programme (UNDP)

28. Ibid.

29. Ibid.

Human Development Index (HDI) is a composite index that measures the average achievement in a country/region based on three basic dimensions: knowledge, measured by adult literacy rate and combined primary, secondary and tertiary gross enrollment ratios, a long and healthy life assessed by life expectancy at birth, and a decent standard of living determined by Gross Domestic Product (GDP) per capita in terms of Purchasing Power Parity in US dollars (PPP\$)³⁰. HDI was created to place emphasis on people and their satisfaction with a social impact should be the criteria for assessing the country's development, which should not be solely based on economic growth to give a holistic picture.

Presently, Pakistan ranks in the lowest category of HDI (146) as compared to its neighbors India, which ranks in the medium category and Iran, which ranks in the high category³¹.

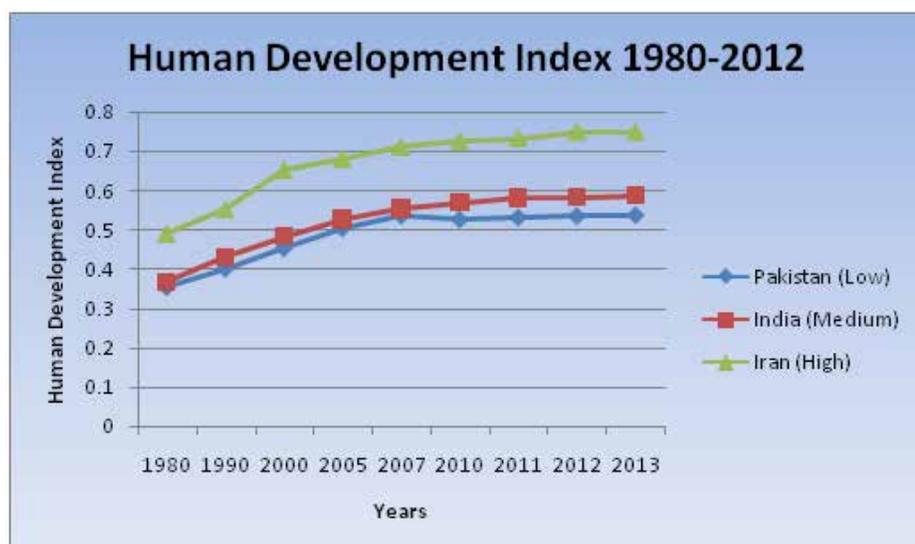


Figure 1: Chart of HDI of Pakistan in comparison with its neighbors

Human Development Report 2014

These statistics reveal the dearth of social development in our country. But the HDI value of Balochistan is the worst in terms of social indicators. Overall, 56% of Balochistan's population falls in the category of "Multi dimensionally poor"³². The estimated HDI value is 0.391 and among three components of HDI including

30. Haroon Jamal and Amir Jahan. "Trends in Regional Human Development Indices". Social Policy and Development Centre, 2007

31. Khalid, Malik. 2014. "Human Development Report: Sustaining Human Progress, Reducing Vulnerabilities and Building Resilience." New York.

32. UNDP. "Area Development Programme Balochistan." Project Brief UNDP, Islamabad, 2013

education, health, and income index for Balochistan, the HDI value dropped to 0.409 in 2010 as compared to 0.487 in 2004³³ .

The most important determinants of future economic growth depend on improvements in road and rail infrastructure that provide connectivity to support industrial expansion, scaling up of social service provision through schools, hospitals, and sanitation services³⁴ . The center of Balochistan's development agenda is service delivery. The citizens of Balochistan must be satisfied with the access to and quality of basic services. In many villages and communities around Balochistan, the government does not meet the exact requirements of the locals to guarantee basic education and health outcomes, especially to poor people. It includes the expectant mother who does not get prenatal care because she cannot meet the expense of the fare to reach the nearest health center or because she considers it a waste of time based on the ineffective services she has received. This also includes children who remain illiterate because they do not have an operational school in their village. The development of infrastructure through the China-Pakistan Economic Corridor will increase the citizens' access to education, health, water and energy, which is currently absent in many areas of Balochistan.

The main purpose of human development is expansion of human progress. Individuals are bound up with others and that's how they relate to each other, which then becomes the foundation of an enduring and cohesive society. The economic success, well-being and social stability is dependent on the integration of different groups. An integrated society that depends on effective social institutions enhances trust and solidarity between groups and allows people to act cooperatively. The essential part of a thriving existence is being a member of a healthy society. According to Global Peace Index, the most peaceful countries in the world in 2012 are amongst the most equal societies. They are exemplified by absence of discrimination and low levels of marginalization. But this is a commodity centric view and does not address the social and economic discrimination that has cultural and historical roots. To achieve social cohesion, income growth and active policies are the key needs. Exclusion of those at lower ends of distribution is also because most of these people lack the political voice to rectify these problems. Projects such as China-Pakistan Economic Corridor aim to create more equal and more just societies where sustainable human progress in all sectors is observed and would result in greater voice and participation for the locals, and consequently more accountable governments.

33. Ibid

34. UNDP. "Balochistan Millenium Development Goals." 2011. <http://www.pk.undp.org/content/dam/pakistan/docs/MDGs/UNDP-PK-MDG-BalochistanReport-2011.pdf> (accessed July 1, 2014).

While these developments are essential for economic and social benefits within the region, the up gradation of a deep sea port is the ultimate necessity for an enhanced global trade linkage. The China-Pakistan Economic Corridor aims to develop and upgrade Gwadar port, which will have economic links not just with Pakistan but also with the rest of the world.

GWADAR

Gwadar port is a focus of concern for certain Baloch elements. The concerns are due to the non-participation of the locals in operation and management of the port. These feelings of resentment emanate from their conviction that the influx of workers from other provinces of Pakistan might reduce the opportunities for the local population³⁵. In many ways the vast natural resource wealth in Balochistan has fuelled insurgent movements with the belief that they can survive and thrive without the Pakistani state. The truth is that Pakistan can only thrive when it stands united and this can be carried out by creating awareness of the project's aims and benefits to the people of Balochistan. The location of Gwadar port is significant as it is situated 180 nautical miles from the Strait of Hormuz, through which 40% of the traded oil of the world passes³⁶. The map below displays Gwadar's geographical location³⁷ :



Image 3: Gwadar's geographical location
Source: www.googlemaps.com

It must be understood that our neighbor China has played an active role in the development of Gwadar as it seeks for a harmonious relation with Pakistan and

35. Frederic, Grare. "Balochistan: The State Versus The Nation." *Carnegie Endowment For International Peace*, 2013.

36. Ziad, Haider. "Baluchis, Beijing, and Pakistan's Gwadar Port." *GeorgeTown Journal of International Affairs*, 2005: 95-103

37. *Google Maps*. googlemaps.com (accessed July 15, 2014)

wishes for its prosperity and betterment. China's interest to assist in the development of Gwadar dates back to the 1990's and was officially launched when Zhu Rongji (Fifth Premier of People's Republic of China) visited Pakistan in 2001³⁸. China's supportive and positive role in developing Gwadar Port can be assessed from the fact that it not only provided financial assistance but also offered technical support to ensure the sustainability of the project. In March, construction began and China agreed to provide US\$198 million of the total US \$224 investment³⁹. This included the construction of three multipurpose ship berths and improvement in the infrastructure associated with the port⁴⁰. Phase 11 of Gwadar Port had an estimated cost of US\$600 million and included the building of one bulk cargo terminal, two oil terminals, one grain terminal and an additional nine berths. It is the outcome of sustained support from our neighbor that on December 21, 2008 Gwadar Port became operational⁴¹.

Benefits of Hub Status

The reason why Gwadar has garnered national and international interest is because it is a hub port and enjoys the benefits associated with the Hub Status. In essence, a hub port is the single concentrated point for the collection of various trades⁴². There have been numerous empirical studies that define a positive correlation between growth and trade⁴³. Gwadar, being a hub port, has modern cargo facilities that allow it to meet the increasing challenge of the world trade where 70% of seaborne trade is conducted through containers⁴⁴. According to a UN report, world container throughput (flow of containers from land to sea transport modes and vice versa, in twenty-foot equivalent units (TEUs), a standard-size container) increased by approximately 3.8% in 2012 to 601.8 million⁴⁵. The report also stated that Asia is a leading player in the growing global demand for container port services (UNCTAD 2013) with Pakistan's container port traffic estimated to be 2.28 million⁴⁶.

The advantages of being a transshipment hub is economical as it provides local importers and exporters direct access to line haul service which reduces the

38. Mathias, Hartpence. "The Economic Dimension of Sino-Pakistan Relations: An Overview." July 15, 2011: 581-599.

39. Ibid

40. Ibid

41. Ibid

42. Sam J, Tangredi. "Globalization and Maritime Power." In Globalization and Maritime Commerce: Rise of Hub Ports, by Daniel Y Coulter, 133. Washington D.C: NDU Press Publications, 2009

43. Jeffery A Frankel, David Romer. "Does Trade Cause Growth?" American Economic Review, 1999: 379-398

44. UNCTAD. "Review of Maritime Transport" 2013. 2013. http://unctad.org/en/publicationslibrary/rmt2013_en.pdf (accessed July 1, 2014).

45. Ibid

46. WorldBankIndicators. World Bank. 2013. <http://data.worldbank.org/indicator/IS.SHP.GOOD.TU> (accessed July 1, 2014)

transportation time to and from overseas markets⁴⁷. The transit cargo, which consists of both liquid and dry, can be transported from Gwadar to the rest of the world within a short span of time⁴⁸. The reduction in transportation time directly impacts the costs of imports, and consequently creates more jobs and income throughout the economy. The China-Pakistan Economic project will upgrade Gwadar port to enhance its effectiveness.

Gwadar's Upgradation

Under the China-Pakistan Economic Corridor, the Government of Pakistan has made various plans, which include acquiring land for Gwadar Free Trade Zone costing Rs 6.3 billion⁴⁹. This will provide a unique trading route between China, Pakistan, the Middle East and Central Asia. The aim of the project is to transform Pakistan into the fastest growing economy of Asia⁵⁰. China Development Bank, the Export Import Bank of China and other financial institutions will provide financial services to a certain size for the construction of China-Pakistan Economic Corridor⁵¹. The Gwadar port project mainly includes East Expressway, Gwadar International Airport, construction of breakwater, dredging of berthing areas and channels, Integrated Development of Gwadar city/region and development related infrastructure⁵². With enhanced inter-regional connectivity due to the railway project, the upgradation of Gwadar port will assist in global trade connectivity.

Trade Prospects (External)

The Gwadar Port will increase the Foreign Direct Investment as the incorporation into the global economy will attract Multinational Corporations (MNCs) for investment. Multinational Corporations will facilitate technical advances through inter firm associations that increase cost of research and development and will safeguard national sovereignty of Balochistan while gaining benefits of these Multi-National Corporations⁵³. The key to protecting the economy is opening up to new markets

47. Ibid.

48. Maqbool, Afridi. Pakistan Today. November 30, 2011. <http://www.pakistantoday.com.pk/2011/11/30/business/gwadar-the-future-economic-hub/> (accessed July 1, 2014)

49. Nation, The. CDWP recommends Rs130b projects to Ecnec. June 6, 2014. <http://www.nation.com.pk/business/06-Jun-2014/cdwp-recommends-rs130b-projects-to-ecnec> (accessed August 1, 2014).

50. Shahbaz, Rana. Express Tribune. June 6, 2014. <http://tribune.com.pk/story/718018/pakistan-china-corridor-two-strategically-vital-projects-approved/> (accessed July 16, 2014)

51. Manzoor Ahmed, Yusufi. "Transport And Communications." Government of Pakistan Ministry of Finance. 2013. http://finance.gov.pk/survey/chapters_14/13_Transport_and_coms.pdf (accessed July 1, 2014)

52. Ibid.

53. Ziad, Haider. "Baluchis, Beijing, and Pakistan's Gwadar Port." *GeorgeTown Journal of International Affairs*, 2005: 95-103

and decreasing the reliance on a single market. The Free Trade Zone in Gwadar will allow increased trade and benefit Pakistan's economy. It will also increase trade with China, Central Asia and the Middle East, while decreasing reliance on the U.S. The U.S. currently accounts for a large part of Pakistan's textile exports, the largest export sector for Pakistan⁵⁴. Depending on one country for trade is a risky approach because if at any point the relations are not congenial, it negatively affects the country's economy and makes it more risk-prone.

Moreover, it has been proven repeatedly that the countries pursuing isolationist approach experience lesser growth as compared to the countries that are integrated in the global economy. The best cases to highlight this fact are the former Soviet republics that pursued this approach in the 1970s-80s and ended up lagging far behind the West⁵⁵. This world can be seen as a survival of the fittest race where those nations that do not adapt themselves to the changing times remain far behind the ones that are continuously adapting themselves to new economic trends.

To assess the correlation between development and integration, the Human Development report of 2013 is analyzed. The report reveals that from a sample of 107 developing countries (during 1990-2010), about 87% that were globally integrated increased their trade to output ratio compared to the countries that had lower levels of integration. Almost all globally integrated developing countries that made the most improvement in HDI value relative to their peers between 1990 and 2012 integrated more with the world economy. Their average increase in trade to output ratio was observed to about 13% points greater than that of the group of developing countries with more modest improvement in HDI value⁵⁶. This is consistent with earlier findings that countries which tend to open up their economies will develop

54. Zaheer, Abassi. *Business Recorder*. August 5, 2014. <http://www.brecorder.com/cotton-a-textiles/185:pakistan/1209751:moti-formulating-five-year-textile-policy-national-assembly-informed/> (accessed August 10, 2014).

55. Stephen G, Brooks. "Producing Security: Multinational Corporations, Globalization, and the Changing Calculus of Conflict." 104-114. *Princeton University Press*, 2007.

56. Khalid, Malik. "Human Development Report 2013: The Rise of the South." New York, 2013.

significantly. All countries that had substantial improvement in HDI value and increased their trade output ratio between 1990 and 2012 are in the upper right quadrant of the figure below:

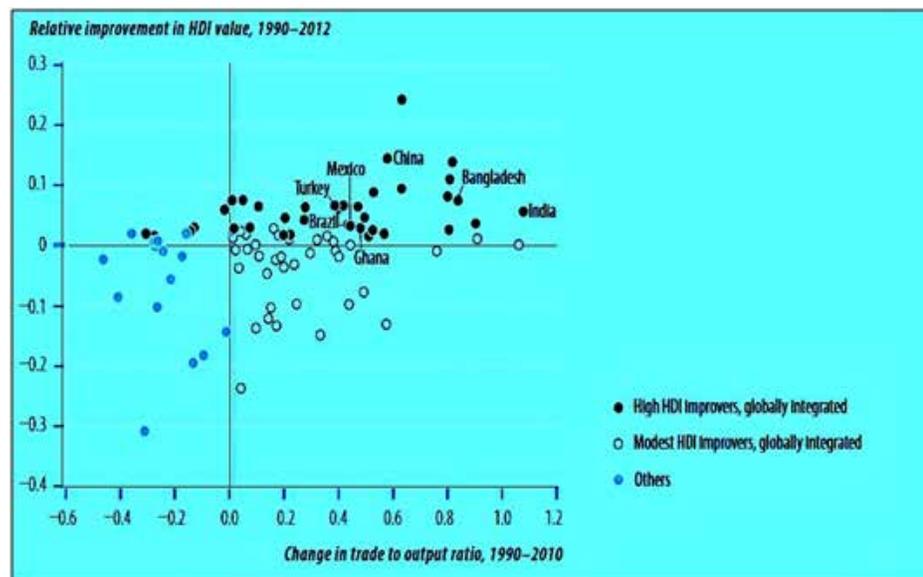


Image 4: Relative Improvement in HDI value
Human Development Report 2013: The Rise of the South

Balochistan's greatest asset is its advantageous location of being at the crossroads of South Asia, Central Asia and the Middle East, making it a hub for regional trade⁵⁷. It has a 900 kilometer border with Iran that provides access to resource rich areas and a 1,200 kilometer border with Afghanistan, providing northwestern neighbors and the Central Asian Republics access to the sea⁵⁸. The potential for Gwadar port is intrinsically linked to the performance of Pakistan's economy. If the trade volumes continue to develop at a healthy pace, in line with an escalating economy, then Gwadar will soon emerge as a chief national import and export hub in view of the capacity constraints at existing Port Qasim of Karachi⁵⁹. Pakistan's macroeconomic stratagem is dependent on improving trade competitiveness and deepening trade relations with the rest of the world and the China-Pakistan Economic Corridor project achieves this plan by upgrading the port.

57. Zahid, Anwar. "Gwadar Deep Sea Port's Emergence as Regional Trade and Transportation Hub: Prospects and Problems." *Journal of Political Studies*, 2011: 97-112

58. Ibid

59. *WorldBank Economic Report*. May 2008. <http://siteresources.worldbank.org/PAKISTANEXTN/Resources/293051-1241610364594/6097548-1257441952102/balochistaneconomicreportvol2.pdf> (accessed July 1, 2014).

It can be observed from statistics that in the past, the prosperity of Pakistan has been artificially maintained by foreign aid. Compared to its neighbors, India and Iran, Pakistan is hugely dependent on foreign aid which has increased from \$596 in 1997 to \$2019 million in 2012 as shown in the table below⁶⁰ :

Country	Total \$ millions		Aid Per Capita		Aid as % GNI		Aid as % of Gross Capital Formation	
	1997	2012	1997	2012	1997	2012	1997	2012
India	1648	1668	2	1	0.4	0.1	1.8	0.3
Iran	200	149	3	2	0.2	0.0	0.9	-
Pakistan	596	2019	5	11	1.0	0.9	5.3	6.0

Image 5: Pakistan's Aid Dependency

Source: World Bank Economic Indicators: <http://data.worldbank.org/indicator/IS.SHP.GOOD.TU>

This reliance makes our economy more vulnerable to unsteadiness and a consistent trade and economic relation with the rest of the world is required to reduce dependency. To reopen the economic artery, trade with Central Asia and China needs to be carried out. In the past, the trade between Central Asia and Pakistan has been insignificant, and in 2005, the total trade volume of US \$45 billion was recorded of Turkmenistan, Tajikistan and Uzbekistan which was roughly around half of Pakistan's total trade volume⁶¹ (US \$45 billion).

Trading with Central Asia will be highly advantageous to Pakistan's economic progress and reduce its dependence on foreign aid. This is because the Central Asian region is abundant in natural resources and Gwadar Port will improve access to these resources, resulting in economic prosperity. The table below shows the total oil, crude oil, natural gas and coal products produced daily in these Central Asian states. Kazakhstan is rich in oil and natural gas production and Uzbekistan is rich in coal production⁶² :

60. Ibid,

61. World Bank Economic Report. May 2008. <http://siteresources.worldbank.org/PAKISTANEXTN/Resources/293051-1241610364594/6097548->

62. U.S Energy Information Administration. May 30, 2013. <http://www.eia.gov/countries/country-data.cfm?fips=KG> (accessed August 1, 2014).

Country	Total Oil Production (Thousand Barrels per day)	Crude Oil Production (Thousand Barrels per day)	Natural Gas Production (Billion Cubic Feet)	Coal Product
Kazakhstan	1658.27	1572.90	416.26	3.407
Kyrgyzstan	0.00	1.00	0.31	1.285
Tajikistan	0.21	0.2	0.62	0.22
Turkmenistan	259.41	228.48	249.36	0.00
Uzbekistan	101.75	70.00	221.52	2492.36
Total	2019.64	1872.58	888.07	2497.27

Image 6: Amount of Natural Resources Present in Central Asian States
Source: US Energy Information Administration⁶³

Countries such as Kyrgyzstan, Kazakhstan, and Uzbekistan have these reserves but are landlocked and have limited access to foreign markets⁶⁴. Gazprom and Russian companies exploit the position of these states through virtual monopoly in the sale and purchase of gas and oil to outside markets⁶⁵. These companies exploit the position through practices such as buying gas at 1/4 or 1/3 of the market price⁶⁶. Hence an alternate and feasible route for their markets is needed. The importance of Gwadar port is not just limited to energy resources but trade in other cash crops such as cotton, to and from Central Asian markets would also be profitable to Pakistan. The port can even enhance transport of Russian goods to and from South Asia, East Asia and the Middle East.

The trade will not be limited to the Central Asian States but will include one of our most important trading partners, China.

63. Ibid.

64. Richard, Weitz. "Averting A New Great Game In Central Asia." *The Washington Quarterly*, 2006: 155-167

65. Ariel, Cohen. "U.S Interests and Central Asia Energy Security." *The Heritage Foundation*, 2006

66. Ibid.

Trade with China

China has played a significant role in the development of Gwadar port. It obtained control of Gwadar Port through an agreement signed on May 16, 2013, which transferred operational rights from Port of Singapore Authority (PSA) to China Overseas Ports Holding Company⁶⁷. China injected massive capital into this project including the expansion of the port and energy projects. China's importance is not just limited to development of the project, it is extremely significant in terms of offering trade opportunities for Pakistan. The dependable and durable Friendship between the Islamic Republic of Pakistan and People's Republic of China has spanned decades and has not experienced any sort of friction which they may have experienced with their other neighbors⁶⁸. The closeness has not been limited to political aspects but has spread to military and economic areas as well. The first step in this area was the signing of a bilateral trade agreement in 1963 which provided China with agricultural and raw material post the 1958-60 famine where food commodities and vital goods were the dire need⁶⁹. Until the end of the 1990s, the trade relationship between Pakistan and China was mostly driven by politics and was composed of military hardware transfers to Pakistan⁷⁰. To a lesser extent commercial exchanges were composed of Pakistan's trading in wool, rice, coal, iron, steel manufacturers, cement, cotton and hides⁷¹. It was in the late 1990s that an increase in trade was observed between the two countries from \$1 billion in 1998 to \$2.4 billion in 2002, and to a phenomenal boost of \$7 billion in 2007⁷². Chinese investment in commercial infrastructure projects has also augmented from that time. The economic relations between the two countries have flourished over the past decade but have not been proportionate to the other areas. The China-Pakistan Economic Corridor would open the economic artery that has been blocked for decades and will enhance our trade with our friendly neighbor, China. The benefits can be assessed from the fact that trade is expected to increase from \$12 billion to

67. Zafar, Bhutta. "Gwadar Port – a lifeline for regional economic link." June 23, 2014. <http://tribune.com.pk/story/725485/gwadar-port-a-lifeline-for-regional-economic-link/> (accessed July 1, 2014).

68. Jamal, Afridi. "China–Pakistan Relations." Council on Foreign Relations, 2009.

69. Barry, Naughton. "The Chinese Economy: Transitions and Growth" Massachusetts Institute of Technology 2007: 73

70. Atul, Kumar. "China–Pakistan Economic Relations." IPCS Special Report (2006): 4

71. Ibid.

72. Mathias, Hartpence. "The Economic Dimension of Sino-Pakistan Relations: An Overview." (2011): 581-599

\$20 billion due to this project⁷³. The diagram below shows a significant pattern of increase of the mutual trade between the two countries⁷⁴:

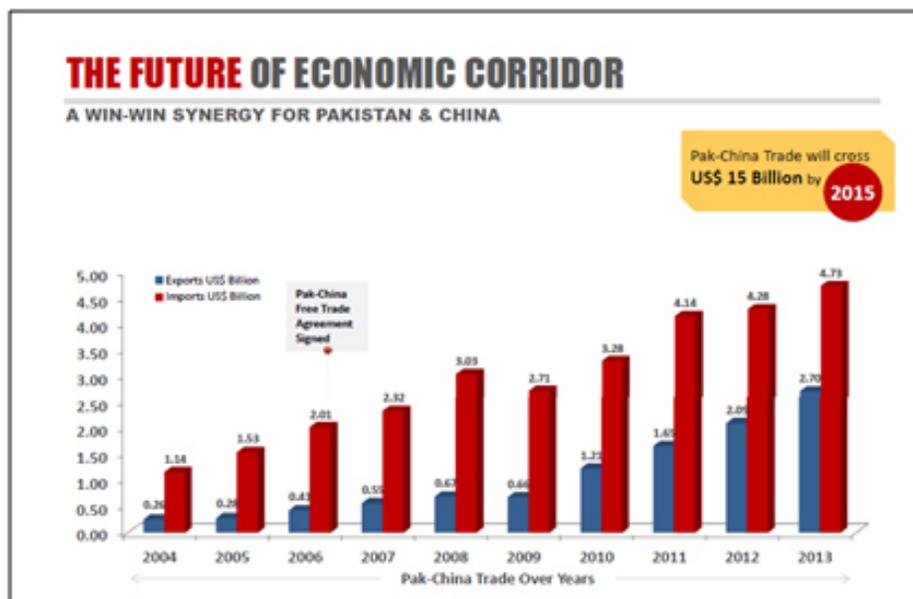


Image 7: Trade Pattern of Pakistan-China (2004-2013)

Source: Siddiqui, Aasim. "Understanding Economic Benefits of Trade-Corridor Between Gwadar-Kashgar Intermodal Network"

27

China's vision is to bring economic stability and prosperity to the underdeveloped province of Balochistan as well as assist the development of its Xinjiang province. China supports Pakistan's integration into the world market as it believes that this is the prime way to tackle the issue of underdevelopment because it also deals with a similar problem in its Xinjiang province⁷⁵. Post 9-11 attacks, President Jiang Zemin renewed a promise of economic support for Pakistan, stating, "China is willing to assist Pakistan within its means, facilitate cooperation between the entrepreneurs of the two countries and encourage them to increase contacts. China will continue to support competent Chinese corporations in investment or contracting projects in Pakistan"⁷⁶.

73. *Associated Press of Pakistan*. (2013). http://www.app.com.pk/en/_/index.php?option=com_content&task=view&id=241501&Itemid=2 Accessed July 16, 2014

74. Aasim, Siddiqui. "Understanding Economic Benefits of Trade-Corridor Between Gwadar-Kashgar Intermodal Network." 2013. http://www.intermodal-asia.com/files/aasim_siddiqui__apsa.pdf (accessed August 1, 2014).

75. Hartpence, Mathias. "The Economic Dimension of Sino-Pakistan Relations: An Overview." July 15, 2011: 581-599.

76. China, Embassy Of The People's Republic Of. "President Jiang Zemin Holds Talks with Visiting Pakistani President Pervez Musharraf." December 21, 2001.

As a result of the project, market access will enhance significantly as most products of China pass through the Chinese eastern coastal port and Straits of Malacca⁷⁷. The route of China's Xinjiang region to Gwadar is 2,500 km in length, in comparison to the oil route of 4,500 km from China's eastern border, making the former more viable for trade⁷⁸. The short distance and low cost of trade will be beneficial to both countries as shown by the map below:

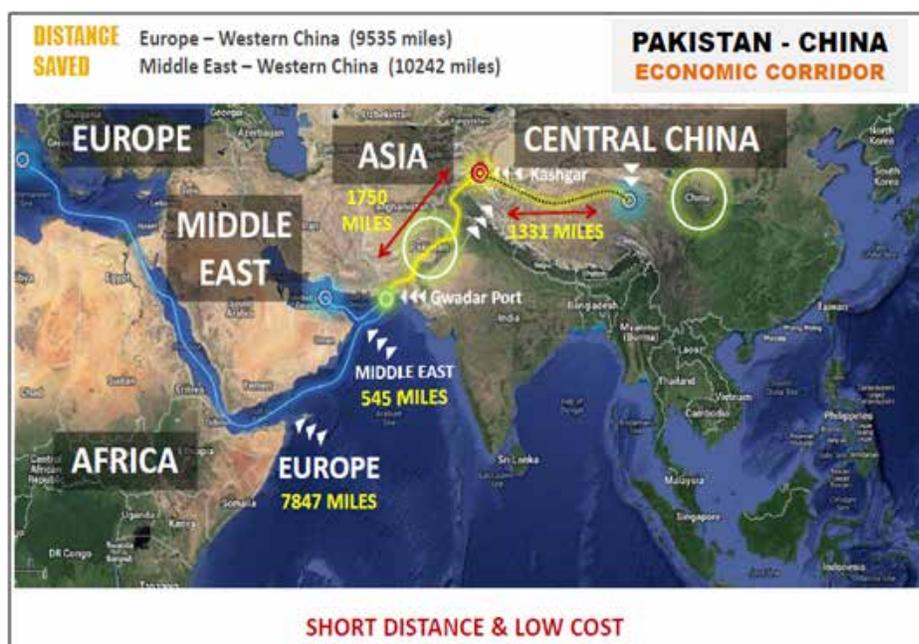


Image 8: Map of the trading route of Pak-China Economic Corridor
Siddiqui, Aasim. "Understanding Economic Benefits of Trade-Corridor Between Gwadar-Kashgar Intermodal Network

While external trade connectivity will be enhanced due to the port, it will also enhance domestic trade connectivity.

Trade Prospects (Domestic)

The provinces of Punjab and Khyber Pakhtunkhwa are rich in resources and the port will create opportunities for trade connections for them. The port will provide

77. Mathias, Hartpence. "The Economic Dimension of Sino-Pakistan Relations: An Overview." July 15, 2011: 581-599.

78. Khalid, Mehmood. "Pakistan-China Strategic Relations." Institute of Strategic Studies Islamabad, 2011: 9-15

backward linkages for export and import and will have multiplier effects from the road and railway linkages that will connect it to the various regions within and outside Balochistan. This will not only enhance economic development but will also increase population aggregation across large portions of the province. The spatial growth will be more inclusive when this will be combined with fiscal rearrangement of a share of the provincial own-source revenue in support of local services.

The sustainability of this project will be brought by a comprehensive long-term vision.

Gwadar's Long Term Vision

The development of Gwadar will address a number of shortcomings of Pakistan's economy⁷⁹.

Pakistan's growth has been inclined towards domestic consumption. This problem has been exacerbated by low export growth. Petroleum is the one of the most important imports of Pakistan due to the lack of exploitation of Pakistan's own energy resources. Furthermore, textile related products contribute to 3/5 overall exports; domination of one sector is disadvantageous to the economy as there is competitiveness and global market shares in the textile sector. Gwadar can play a key role in moving Pakistan towards industrialisation. The master plan includes:

29

Industry

1. Gwadar as a primer for integration and industry-education partnerships
2. Gwadar as a catalyst for Balochistan's infrastructure development
3. Increase industrial variegation and manufacturing share of GDP
4. Enhance the utilization of Balochistan's mineral resources

Agriculture

1. Improve the fisheries industry and enhance the contribution of exports

79. Ibid

Export Development

1. Enhance export share, especially to the Middle East
2. Gwadar as a role model for effective trade policies and procedures

The trade potential of Gwadar is extraordinary and according to the Federal Bureau of Statistics this figure will increase enormously in the coming years⁸⁰. The dry cargo is expected to reach 300 million tonnes, while liquid cargo is expected to reach 295 million tonnes by 2015 as shown in the figure below:

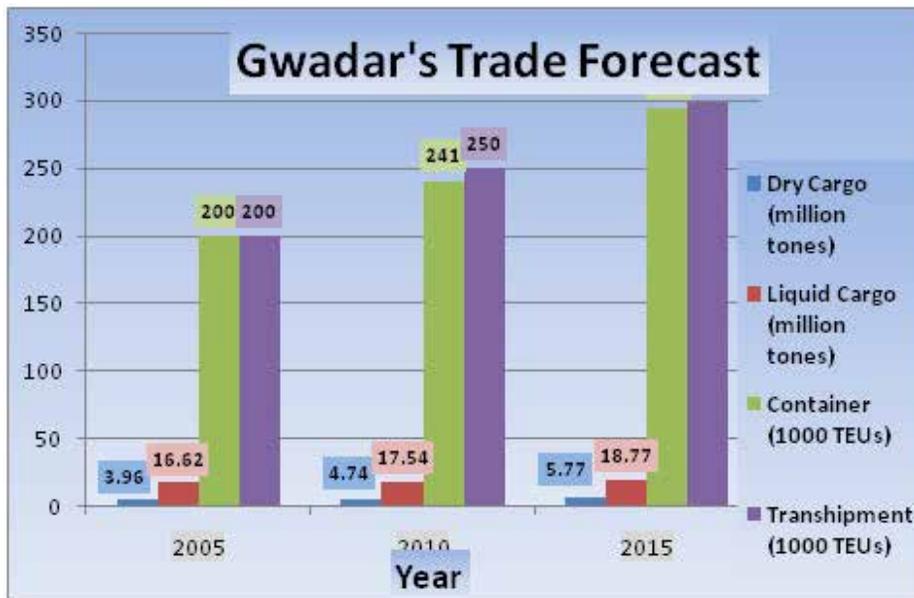


Figure 2: Gwadar's Trade Forecast 2005-2015

Source: Pakistan Bureau of Statistics. 2011. <http://www.pbs.gov.pk/>

The economic development must be coupled with the social progress of Balochistan. The advantage of Gwadar port is that it aims to address the social conditions of Balochistan by tackling two problems: migration and lack of employment.

80. Pakistan Bureau of Statistics. 2011. <http://www.pbs.gov.pk/> (accessed August 1, 2014).

Social Development

In Balochistan, there is a high percentage of migration out of the province due to security reasons and lack of jobs. This has increased from 38.3% (2010-2011) to 42.3 % (2012-2013) and is the highest as compared to the provinces of Punjab, Sindh and Khyber Pakhtunkhwa as displayed in the chart below⁸¹ :

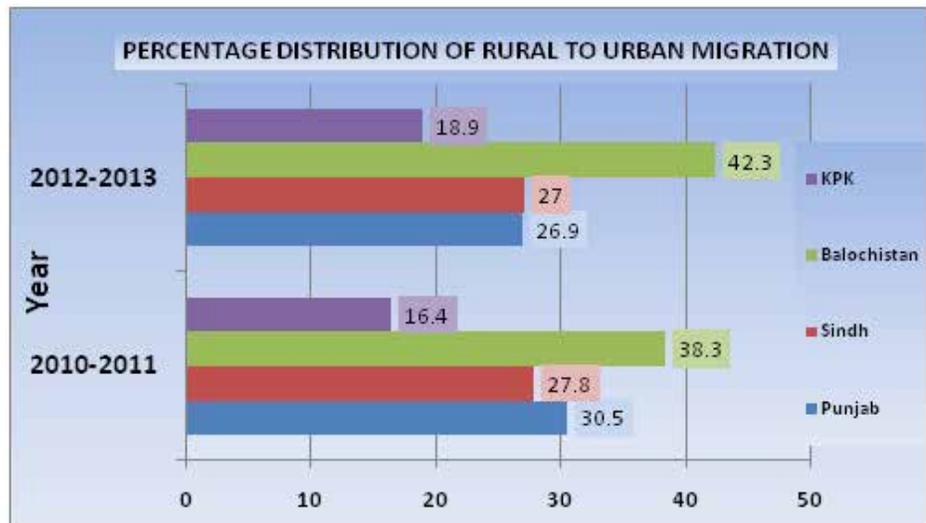


Figure 3: Graph of Percentage Distribution of Rural to Urban Migration

Source: Annual Labor Force Survey 2012-2013 (Bajwa 2013)

81. Asif, Bajwa. "Annual Labor Force Survey 2012-13" Survey, Islamabad: Government of Pakistan, Stastics Division, 2013.

The labor force survey 2012 outlines that Balochistan has the lowest number of employed people in Pakistan as can be observed from the statistics below



Figure 4: Graph of Total Employed in Pakistan and Provinces
Source: Annual Labor Force Survey 2012-2013 (Bajwa 2013)

32

Balochistan's labor productivity is lesser in comparison with other provinces⁸². The standard of living in Balochistan is low and this reflects the dearth of well-paying jobs. The most common grievance of the Baloch people is the absence of a decent wage offered at work⁸³. In November 2005, a Balochistan Committee was set up to address the objections of the Baloch, and recommendations were made on various matters, including employment⁸⁴. According to the report, it was suggested that the people of Gwadar should be given first preference in employment and the second preference was to be given to the people of Makran, and then to the rest of Balochistan. The committee proposed that all appointments from BS 1-16 should be reserved for people of Makran and the Province of Balochistan, and there should be a relaxation of conditions of qualifications to ensure maximum induction of locals into employment at Gwadar. While it was a brilliant initiative, much of it is yet to be implemented.

82. Ibid

83. Ibid

84. *Senate of Pakistan*. "Report of the Parliamentary Committee on Balochistan." November 2005. http://www.senate.gov.pk/uploads/documents/1308267066_685.pdf (accessed July 1, 2014)

One of the major aims of projects such as the China-Pakistan Economic Corridor is to offer workers paid employment, achieve realistic income security for workers and have satisfactory efficiency levels that are fairly rewarded. To enhance economic recovery, the generation of jobs is essential. The well-being of families and self-esteem of workers is dependent on the job. If employment trends in Gwadar are observed over the years, a positive growth pattern can be noticed. The various sectors, including community, social and personal services sector, construction sector, wholesale sector, transport sector, finance sector and mining sector have all experienced a growth in offering jobs. The community and social service has seen the highest growth whereas the mining sector has seen the lowest. This figure is expected to increase further when the Economic Corridor is completed.

The graph below highlights the sector-wise employment in various sectors of Gwadar:

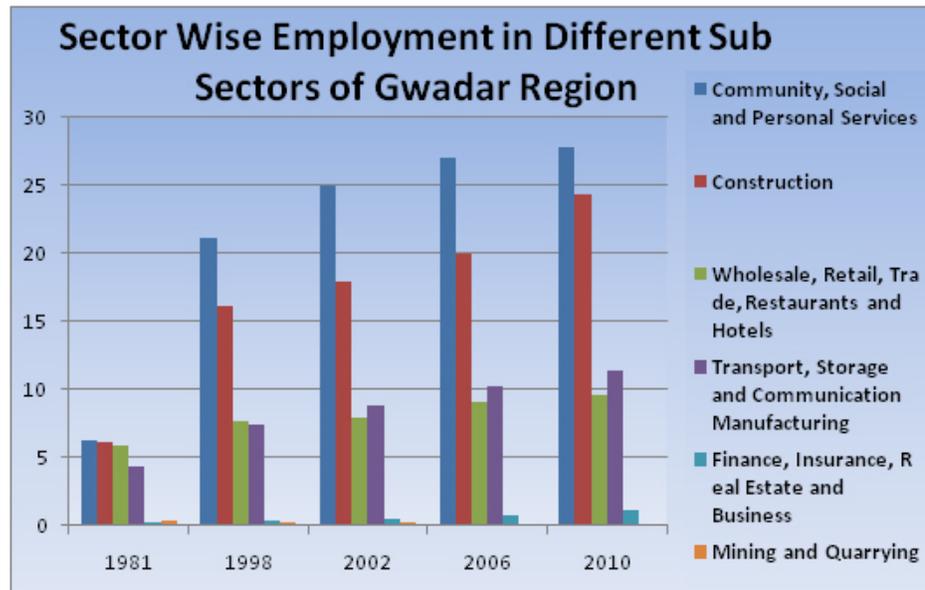


Figure 5: Sector Wise Employment in Different Sub Sectors of Gwadar Region
Source: Federal Bureau of Statistics, 2011⁸⁵

This project is of immense value to the economic and social development of the province of Balochistan, but for it to be successful it must address the challenges that could arise in the future regarding security or road/rail/port effectiveness.

85. Pakistan Bureau of Statistics. 2011. <http://www.pbs.gov.pk/> (accessed August 1, 2014).

FUTURE CHALLENGES

Security Challenges

The problem of insurgency is a pressing issue that hampers the security situation of Balochistan. For the Economic Corridor to be successful, it must address the challenges of security in a comprehensive manner to prevent risks in the future. This could be carried out by bringing all the relevant stakeholders together, including those who oppose development, to reach a compromise. If the problem of the deteriorating situation is assessed, it reveals that it was fuelled by Dr. Shazia's rape incident in 2005⁸⁶. During that time when the tensions of the region increased, a parliamentary committee was sent along with members of opposition to talk to Nawab Akbar Bugti, the chief of the Bugti tribe⁸⁷. This was followed by the visit of Mushahid Hussain and Shujaat Hussain, the leaders of Muslim League (Q), to ameliorate the tension and to reach a fair compromise⁸⁸. The complaints of the Baloch people were numerous; they included economic and social neglect, rates of gas and mineral revenue and violation of provincial autonomy⁸⁹. While that visit was a positive development, future visits by members of leading government officials need to be carried out to enhance confidence building.

34

Unfortunately these problems have persisted and the underdevelopment of the province has contributed to grievances of the Baloch people. Additionally, the problem of religious and sectarian groups has aggravated the situation, which has become highly volatile and presents a challenge towards the development of the province.

Target killing has become common and the province has become an 'epicenter' of regional warfare, threatening the stability of Pakistan and neighboring provinces⁹⁰. This further fuels resentment among various ethnic and linguistic groups, leading to violence and disruption. Resultantly, many professionals from various fields

86. Declan, Walsh. "Pakistan's gas fields blaze as rape sparks threat of civil war." *Guardian*. February 21, 2005. <http://www.theguardian.com/world/2005/feb/21/pakistan.declanwalsh> (accessed July 2014, 1).

87. Umbreen, Javaid. "Concerns of Balochistan: Effects and Implications on Federation of Pakistan." *Journal of Political Studies* 113-125.

88. Ibid

89. Ibid

90. Rashid, Ahmed. 2011. "Why We Should Worry About Balochistan." *BBC*. January 20. Accessed July 2014, 1. <http://www.bbc.com/news/world-south-asia-12215145>.

have started migrating from Balochistan to other parts of Pakistan⁹¹, which has had further adverse effects. According to a Human Rights Watch Report, a large number of teachers have also left Balochistan⁹². Furthermore, the critical issue of missing persons has led to severe protests by relatives and human right activists and has made the general discontent of the Balochi people prominent⁹³. Due to security threats, the officials from other provinces and federal government are reluctant to serve there. As a result of insecurity, the administrative machinery of the provincial government is negatively affected.

Currently, the province is embroiled in the problems of rising religious extremism and the feuds between various tribes. This issue of extremism began in the 1980s during the Afghan war against the Soviet Union⁹⁴. The location of Balochistan stoked the problem as it has close proximity to Iran and Afghanistan, allowing the Taliban easy access to these countries. The situation of Balochistan deteriorated with the formation of the Baloch Liberation Army, a militant organization that targets the security forces in Balochistan⁹⁵. The BLA have targeted the gas pipeline from Sui to the rest of the country⁹⁶. In 1950, large natural gas reservoirs were discovered in Sui, Balochistan; however, their main concern was that the whole country consumed the gas but its due share was not given to Balochistan⁹⁷. Initial talks of the development of Gwadar immediately followed, with the Balochistan government less interested in foreign intervention and more in favor of local management and control. In the past, the government of Balochistan has held reservations against the project and rather than welcoming the developments, they have considered it as a matter of pride, honor and unfavorable to their sovereignty⁹⁸. This negativity can be seen as an attempt to maintain status quo and hinder progress of the region.

91. Umbreen, Javaid. "Concerns of Balochistan: Effects and Implications on Federation of Pakistan." *Journal of Political Studies* 113-125.

92. Bede, Sheppard. "Their Future Is At Stake." *Human Rights Watch*. December 13, 2010. <http://www.hrw.org/en/reports/2010/12/13/their-future-stake-0> (accessed July 2014, 1)

93. Malik Siraj, Akbar. "Why Pakistan Is Embarrassed to Talk About Balochistan." *Huffington Post*. March 12, 2014. http://www.huffingtonpost.com/malik-siraj-akbar/why-pakistan-is-embarrass_b_4937159.html (accessed July 2014, 1)

94. Ibid

95. Reuters. "<http://tribune.com.pk/story/563531/one-official-killed-in-attack-on-quaid-e-azam-residency-in-balochistan/>" *Express Tribune*. June 15, 2013. <http://tribune.com.pk/story/563531/one-official-killed-in-attack-on-quaid-e-azam-residency-in-balochistan/> (accessed August 1, 2014)

96. Syed Ali Shah. 2013. "Militants blow up gas pipeline in Balochistan." *Dawn.com*. June 14. Accessed July 1, 2014. <http://www.dawn.com/news/1018226>.

97. *WorldBank*. May 2008. <http://siteresources.worldbank.org/PAKISTANEXTN/Resources/293051-1241610364594/6097548-1257441952102/balochistaneconomicreportvol2.pdf> (accessed July 1, 2014)

98. Sanaullah, Baloch. "Gwadar, China and Baloch Apprehensions." September 8, 2013. <http://tribune.com.pk/story/601604/gwadar-china-and-baloch-apprehensions/> (accessed August 1, 2014).

One of the major problems that has prevented the development of Balochistan is the feuds between various tribes⁹⁹. Balochistan has always been a tribal society with a lot of power and influence held by these tribes. The tribal Sardars have their own personal interest which has delayed the development of the region. They believe that anti-state elements have exploited the innocent Baloch and blame the government for the prevalent poverty in the province¹⁰⁰. However, in reality this draconian law can wear down if mega projects such as the China-Pakistan Economic Corridor are accepted. The prosperity in the region will be unprecedented and it will strengthen Balochistan economically and socially.

The future challenges that could arise regarding the road, railway and port network must also be addressed for the project to be effective.

The Rail Network

There are constraints related to capacity that can decrease the efficiency of the system¹⁰¹. A research that compared the nature of the terrain in northwestern Pakistan and China with the U.S. claimed that the throughput decreased to 25%¹⁰². The trains that pass China would carry 8.75 tonnes of cargo yearly and to address this issue, parallel tracks would have to be laid down. One of the major hindrances is the gauge size: The different gauge sizes of various countries are: China, 1,435 mm; Iran, 1,435 mm; Kazakhstan, 1,524 mm; Kyrgyzstan, 1,524 mm; Pakistan, 1,676 mm; and Uzbekistan, 1,524 mm¹⁰³. To adjust the rail network to the corresponding gauge size is a difficult task. Gauge size is a calculated measurement of various factors including terrain type, type of carriage and the load it carries, and requires expenditure¹⁰⁴. The effective cooperation from the railway sector needs to be enhanced and a committee that can effectively tackle the issue of gauge size must be formulated. Furthermore, the railway department is mostly neglected in Pakistan and its maintenance should be carried out with a corruption free approach.

99. Saleem, Shahid. "Tribal feud claims seven lives in Balochistan." *Dawn*. November 27, 2013. <http://www.dawn.com/news/1058843> (accessed July 2014, 1).

100. Umbreen, Javaid. "Concerns of Balochistan: Effects and Implications on Federation of Pakistan." *Journal of Political Studies* 113-125.

101. Gabe Collins and Andrew Erickson. "Still a Pipe Dream: A Pakistan-to-China rail corridor is not a substitute for maritime transport." *China Sign Post*. December 22, 2010. <http://www.chinasignpost.com/2010/12/22/still-a-pipedream-a-pakistan-to-china-rail-corridor-is-not-a-substitute-for-maritime-transport/> (accessed January 1, 2014).

102. Ibid.

103. Tousif Ali Yousaf. "Is Gwadar Port an Economic Haven for Balochistan and Pakistan?" *Masters Thesis, Lund: Lund University School of Economics and Management*, 2012

104. Ibid.

Intense Competition

The future challenges to the port will be the rising competition from the existing ports. Furthermore, Gwadar port will face intense competition from existing and upcoming trade and also in handling the regional transshipment transit trade. Port Salalah¹⁰⁵ is one of them as it outperforms the two existing ports of Pakistan: Port Karachi¹⁰⁶ and Bin Qasim¹⁰⁷. It also faces competition from the Iranian ports of Bandar Abbas¹⁰⁸, Chahbahar¹⁰⁹ and the port of Jebel Ali¹¹⁰ in U.A.E. The table below shows the statistics of the various competing ports regionally and globally taken from the official port websites.

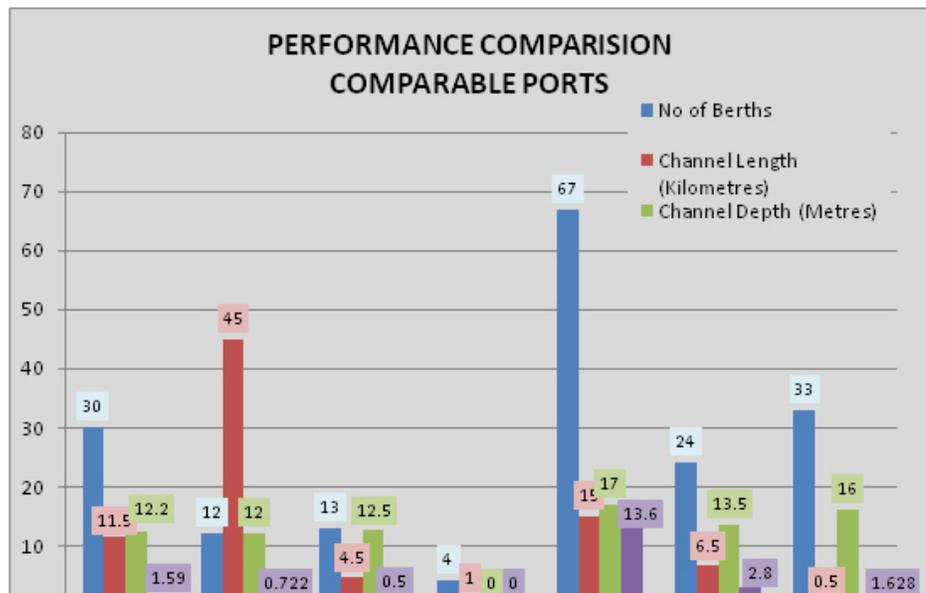


Figure 6: Performance Comparison of Regional and Global Ports

Source: Official Port Websites

Port of Salalah. http://www.salalahport.com/vessel_schedule.aspx?id=9355, Karachi Port Trust. <http://kpt.gov.pk/pages/default.aspx?id=43>, Port Qasim Authority. http://www.pqa.gov.pk/navigation_channel.php, World Port Source: http://www.worldportsource.com/ports/commerce/IRN_Port_of_Bandar_Abbas_3514.php Arian Sea Scent: <http://www.arianseascent.com/ports/chabahar.htm>, Ship-technology: <http://www.ship-technology.com/projects/jebel-ali-port-dubai/>

105. Port of Salalah. http://www.salalahport.com/vessel_schedule.aspx?id=9355 (accessed August 18, 2014).

106. Karachi Port Trust. <http://kpt.gov.pk/pages/default.aspx?id=43> (accessed August 18, 2014)

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Gwadar has to prove that it is more efficient than its competitors in order to be successful. To achieve this, it should offer efficient management, attractive port access parameters such as depth and competitive fees.

RECOMMENDATIONS

The Baloch are a tribal society headed by a Sardar who holds the prime authority of tribes and sub tribes as he symbolizes customs and tribal traditions with essential traits of honor, hospitality and bravery¹¹¹. Despite existing inter-tribal rivalry there haven't been major incidences of it reaching the extent of fracturing the entire society, mainly because there is an intense loyalty to Sardars who are significant for any compromise or dialogue with the government. The "movement theory" makes a significant contribution in this regard as it explains that identity, political ideologies and goals are all centered on the magnetic leader who can organize and assemble the system¹¹². The theory contends that the leader is dedicated to the cause of the group and support for a particular cause is retained even if the control of the group is passed on to a new leader. In the case of Balochistan, the cause has been nationalism. The negative feelings regarding the project are related to the fears related to its negative impact on the traditional culture of Balochistan. For successful implementation of the China-Pakistan Economic Corridor project, the importance of Sardars must not be overlooked. Furthermore, they must be given the assurance that their culture will not be adversely affected and they will receive the benefits of the project.

Based on the in-depth study carried out, the following recommendations have been formulated:

- All stake holders (Sardars, Government authorities etc.) should develop a joint consensus on the project and address any outstanding issue related to the project immediately.

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- Leading experts in economics, social development and think tanks from all over Pakistan should unite to formulate strategies that can enhance confidence building measures with the indigenous population of Balochistan and the tribal chiefs.
- The Government should assure the locals that their rights will not be undermined and significant employment opportunities to the locals would be provided.
- Contribution in health, literacy, sports and culture sectors should be enhanced in Gwadar and scholarships to deserving students must be given.
- Development of institutions in Balochistan must be increased to enhance national solidarity and develop friendly relations with its neighboring countries.
- China needs to adjust its economic policy by making more investments in Pakistani enterprises.
- The projects should be completed on a timely basis as any delay would increase the cost of development and infrastructure.
- A comprehensive business plan for Gwadar must be outlined which would include a marketing plan and associated traffic forecast to make it a viable destination.
- Build the mass of vessel traffic and cargo handling volumes needed for the port operator to break even.

CONCLUSION

40

The China-Pakistan Economic Corridor is considered as a game changer for Pakistan. It will be the source of progress and prosperity for the largest and most underdeveloped province of Pakistan: Balochistan. The abundant resources present in this region remain unused while the province suffers from an acute case of poverty and underemployment. Worsening social conditions causes Balochistan to be embroiled in problems as hundreds of pregnant mothers lose their life during pregnancy due to lack of health resources available. Additionally, children are unable to attain education in marginalized areas of the province due to lack of educational infrastructure. It is not just the social conditions that need assistance; economically the province has failed to achieve its true potential due to poor road and rail network connectivity. The energy crisis that has affected the whole country is hampering the effective operating of the ship-breaking and mining industry as the Gwadar port has raised concerns in the indigenous population.

In this scenario, a comprehensive project like the China-Pakistan Economic Corridor has aroused hope and is a blessing for the development of Balochistan. This project aims to develop the rail infrastructure, address the energy problem and transform

Gwadar Port for enhanced regional and global trade connectivity. These projects offer development and will lead towards collective positive change in the society.

The energy crisis has deeply affected the economy of Pakistan. The crisis is due to the lack of equilibrium between low supply and high demand for energy. The energy projects constituting part of the China-Pakistan Economic Corridor will also provide the industries in Balochistan consistent supply of electricity for their effective and uninterrupted operation. Resultantly the productivity of these industries will increase and more jobs will be available.

The existing railway system has been unable to rejuvenate itself in Pakistan. A coordinated and sequenced railway network is part of the project that links the remote regions of Balochistan and will facilitate trade with the various regions. Similarly, a coordinated and sequenced railway network is part of the project that links the remote regions of Balochistan and will facilitate trade with the various regions. The profit generation for the local farmers will be enhanced and they will not incur transportation losses. The development of road and railway infrastructure through the China-Pakistan Economic Corridor will increase the citizens' access to education, health, water and energy, which is absent in many areas of Balochistan. This progress will also enhance the social development of Balochistan. The network improvement will be coupled with the up-gradation of Gwadar Port.

Gwadar enjoys three distinct advantages over other ports. Firstly, it lies on the main route where the majority of vessels can come in instead of entering the State of Hormuz where 40% of the world's traded oil passes. Secondly it has a large hinterland, giving it the advantage of carrying out trade with the Middle East and Central Asia. Thirdly, it offers a direct conduit to western China, which is advantageous because if at any point the Straits of Malacca is blocked, Gwadar's economic artery will be open and functional for trade. Resultantly, trade between the Central Asian Republics and China will reduce dependency on one market. Gwadar port will act as a catalyst for infrastructure development in Balochistan and will be the primer for education and industry partnerships. The economic success will directly benefit the well-being of the society as stability in Balochistan can only be achieved through the integration of different groups. By reducing migration and increasing employment opportunities, the region can become the center of progress and development and become a role model for Pakistan.

While there are various advantages of the port, the challenges must not be overlooked. These include the law and order situation, competition from other ports, and the effective management of the connectivity network.

For Gwadar to be successful, it needs an ambitious commercial strategy. A viable marketing plan that clearly highlights the importance of this destination. This marketing plan will convince investors to choose Gwadar over other competitive ports in the region and lead them to switch from their traditional preference.

The enhanced rail and pipeline connectivity, a cargo break bulk-area, a processing zone and a comprehensive marketing strategy will attract operators from neighboring ports to relocate to Gwadar.

In the rapidly changing geo-strategic and security environment, the China-Pakistan Economic Corridor aims to bring economic and social prosperity to Balochistan. This project will strengthen the strong existing ties between China and Pakistan and will facilitate them in facing regional and global challenges together.

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