

Gwadar and its Importance for Pakistan and China

Muhammad Salim¹ & Professor Dr. Summer Sultana²

Abstract

This research paper is a meticulous and thorough work to bring into light Gwadar's significance as well as its strategic deep-sea port, which is situated on the shores of the Arabian Sea. Gwadar, As it is known that it holds an all important position in the region, due to its deep blue water, geographical location and geo-strategic importance. This research paper elaborate in depth the importance of Gwadar port for the mutual interest of China and Pakistan with an aim to analyses various mega projects initiated by Pakistan and China to uplift theirs economic condition and search for extra and cheaper routes to the international markets. It also focuses on regional connectivity, transit trade and commercial and trade hub, besides, it also analysis the special economic zones intended to foster growth. In fact, the purpose of this study is to show how execution of mega projects opens up the new avenues for China and Pakistan's economy and bring prosperity to the entire region as well.

Keywords: Gwadar, Deep-sea port, Strategic significance, CPEC, Opportunities, Transit trade, Regional connectivity, Special Economic Zones

Introduction

Gwadar with its long blue coast-line, beautifully located beaches and fascinating bays has been blessed with great socio-economic, politico and strategic importance; it is situated in Mekran division, and is very close to Chabahar port. The latter is believed to be developed and structured as a competing port in the region. Apart from this, it holds border with warm water of Arabian Sea as it's located at neckline of the Straits of Hormuz, which is the main way and itinerary of oil supply from OPEC to the world, as a result that it can immensely improve logistic activities such as transportation imports and exports, besides linking the regional countries to

¹ Ph.D. Research Scholar, Department of Political Science, University of Karachi

² Chairperson at the Department of Political Science, University of Karachi

the rest of the world and deepening their strategic partnership in the field of trade and commerce. It has enormous capacity to dock colossal ships cargos and vessels. Though the upgradation and renovation of the neighboring port of Chabahar is considered to be an act of hostility to counter Gwadar port, but fostering an amicable relationship between both the countries can certainly bolster the economic growth and trade activities, not only for them but also for others in the region and beyond.

China Pakistan Economic Corridor that is actually a comprehensive and all-encompassing multi-billion mega project, which not only connects Gwadar with Kashgar in Xinjiang, a backward province of China, but also gives a boost to economic activities that will hugely yield a lasting economic impact in the shape of progress and prosperity. Moreover it not only contributes to the development of Pakistan and China but also expand their clout in the region. Moreover, Gwadar port provides substantive access to the regional countries linking them up to a vast regional markets from China to other Asian countries, the Middle East to the Europe and also African countries by transmuting region into an economic hub which in result accelerate the commercial markets and business activities, furthermore, deep blue water port will be available for working during whole year due to warm water and favorable weather bestowed upon the region. Its key strategic significance will never be dwindled rather will keep on growing and flourishing in this contemporary world.

Gwadar plays a key role of the pillars of China Pakistan Economic Corridor, because under CPEC various other projects are to be established, such as International Airport, power plant, economic zones, mineral economic processing zones, Industrial zones, and also East-Bay Expressway has been inaugurated by prime minister Shahid Khaqan Abbasi, to keep up the momentum of progress intact. So, all these development projects will indeed contribute to the development of both China and Pakistan. In addition, China is also eagerly planning to establish and spread a road network to connect the free economic zone to the newly constructing International Airport and to the sea port as well, the free zone that is mainstay of the CPEC economic trade and industrialization initiatives will serves as the commercial economic and industrial development of the region.

Literature Review

Gwadar deep sea port is being developed with the financial and technical assistance of China, which is part of China's long standing the One Built One Road Initiative (OBOR). For this purpose China needs a transit trade route

for its western region to maintain the pace of its economic growth. In addition, China also desires to set up an economic corridor and energy supply line. China also wants to have the hold of Arabian Sea in order to secure its supply line. Moreover Gwadar deep sea port also plays a pivotal role for Pakistan because China is pouring billions of dollars in this project. This Project is going to make Pakistan the gateway of Central Asia (Gichki, 2015).

The port of Gwadar would enable Pakistan to advance its naval position in foreseeable conflict with its rival India. Thus India's naval activities in the region could be kept in check. The airfields, ports and harbors in Mekran coastline would be protected. Pakistan also glimpse over the movement of India in Arabian Sea (Ahmed, 1992).

Pakistan,s coastline will be a pivotal strategic position for Chinese naval which extends Chinese access from Indian Ocean to Persian Gulf and Mediterranean Sea. Gwadar will be the main source of Chinese transportation from China to different regions of glob, because Pakistan lies at the heart of China's plan for a network of ports pipelines, roads and railways connecting the oil and gas field of this region (Small, 2015).

Gwadar port is described as the future of Pakistan. The concept year 2000 was projected that Gwadar on the Mekran coastline, is an untapped treasure of Pakistan. Furthermore, it would connect Pakistan with Gulf Countries, and also become the economic and commercial hub of trade activities (Mir, 2010).

Research Methodology

This research paper follows a qualitative, analytical, emprical and descriptive methodology. In this research work the researchers glance over the strategic importance of Gwadar deep sea port. The researcher also has a comparative study of Pakistan and China's interests in Gwadar deep sea port project.

The Significance of Gwadar Strategic Deep-Sea Port

Gwadar is a small fishing town and a beautiful district that lies in the division of Mekran, the city is located on the shore of the Arabian Sea. It possesses geographically pivotal importance because of its strategic location in the region. It is situated on the west of Pakistan in Balochistan province, more significantly at the mouth of Straits of Hormuz. "from where 36000 ships pass every year"(Hassan, 2014).It is also very close to Iranian border nearly 120 km and holds 600 km long coastline sea along the Arabian sea (Farooq, 2012).

Gwadar due to its impressive economic importance and geo strategic location will serve as a vital source of attractions for the supply chain connectivity and growth and economical activities of the world. It is also visualized as a gate way to South Asia. That generates a massive inflow of money through commercial and transportation activities between Pakistan and china. The Chinese government has shown keen interests for enhancing the volume of trade and investment in the region, because it facilitates transportation to the land locked Central Asian Republics, provides crucial access to the Middle East, African and European countries that acts as a conduit to boost up their economy by flourishing the trade and commerce activities under the umbrella of one built one road initiative.

Even though the construction of Gwadar strategic port has been the initiative of China to shorten the trade route, it is extensively looking forward to augment its economic growth, while Pakistan wants to control its chronic energy crises through the projects which is parts and parcel of this mega envisioned project. In this regard Pakistan and Tajikistan have agreed to establish the joint business forum to increase business and commercial activities in the region, in which Tajikistan will supply natural gas to Pakistan through Gwadar port, supplying gas to Pakistan, will greatly overcome energy shortage of Pakistan to a great extent and relieve it of this menacing problem. Gwadar is known as a jewel in the crown of Pakistan's economy. Its deep-sea port has potential that can increasingly expand the strategic depth owing to its 460 km that is away from Indian border Malik, 2012). It is an obvious fact that Pakistan's glorious and bright future is attached to Gwadar port, it works like two edged sword, on one hand, there is huge possible economic benefits to reap and on the other hand it also provides a strategic depth in this regard to defend any act of aggression by enemy state. Furthermore, Asian giant China has many ambitions to build an oil refinery, gas pipeline, and naval base in Gwadar. It's crystal clear that establishing naval base in Gwadar will provide China a great strength to its defense mechanism. Moreover, it not only provides opportunity Pakistan and china to monitor the US military movements in Persian Gulf but also to have a check over the Indian and the US military maneuver in the Indian Ocean.

Historically China has been a key political and military ally to Pakistan that largely proves the notion that China and Pakistan not only have broader economic development interests in Gwadar but also both have extensive strategic and defense interests, whereby, they can easily advance their defense strategic designs to confront external aggression if any exist to their national interests, so the port has full-fledged power to increase their defense capability in the region.

The rapidly burgeoning economy of China needs the port facilities in the region, so that the port makes China capable to carry out trade from Gwadar port to Middle East, African and to Kashgar port in Xinjiang province. As China perceives that Gwadar port is the gateway to China for its western region access because it saves the millions of dollars for cutting down a long sea distance due to Gwadar to Kashgar land route that provides China an alternative instead of Malacca strait where China's huge oil imports flows.

Gwadar being located on top of shipping lane through which nearly 60 per cent of the world oil passes and whereas Dubai is 500 nautical miles from it. It is also Gwadar port which holds strength to handle traffic from parts of Bangladesh, Sri Lanka, East African, Central Asian countries and the Middle East (Haider, 2008; The National, 2018).

Gwadar port's 40 years operational rights has been given to Chinese government (The Express Tribune, 2015). It has been striving to utilize the port as being part of the Gulf Persian trade transportation because 40% of the world's oil is being extracted from the Gulf region (Crisis Group, 2018). Furthermore, Gwadar can tremendously be used for communication and transportation which has long coastline gifted by God, all seasons of the transit trade, on March 22, 2002 an outstanding ceremony of \$ 248 million deep-water port made Gwadar the focus of attraction (Sarfraz, 1997).

Gwadar port would become a regional hub of transit trade activities and to be backbone of Pakistan's imploding economy, as it brings great revolution into life of Pakistan's people in context of economic prosperity. It believes to be safe passage and the shortest route in terms of oil transportation from Central Asian countries to the rest of the world.

As Central Asian Oil Pipeline Project (CAOPP) imagined a 1,050 miles 1,323 km oil pipeline from Turkmenistan to an oil terminal at Gwadar (Rashid, 2000, p. 160). An oil terminal will be constructed in Gwadar despite this, Pakistan State Oil (PSO) will install pipeline from Gwadar port to Karachi, even though Gwadar port would enable Pakistan and China to take control over the world energy in Indian Ocean.

The deep-sea port of Gwadar will be working during entire year because of hot water and favorable climate of the region, which can be used all over the year for trading, the Shanghai port is nearly 16,000 km away from Chinese industrial areas and sea journey takes an additional two three months this costs a lot in form of taxes and duties as compared to Gwadar port which is only at a distance of almost 2,500 from China, the distance from Kashgar to

Chinese east coast is 3,500 km where is the distance from Kashgar to Gwadar is only 1,500 km(Ghazali, 2009).

China Pakistan Economic Corridor (CPEC)

China Pakistan Economic Corridor is of a great importance and mammoth economic plan, which stimulates economic growth and provide economic platform, that has far-reaching impact on both China and Pakistan's national economy. As it greatly makes Pakistan a strategic hub for trade commerce and strengthens its fragile economic condition. While bringing Pakistan and China greatly closer to each other to foster greater regional trade and cooperation and increasingly play a pivotal role in bolstering their trade ties, China being the second largest economic country on the world map has a crucial role in promoting Pakistan's tottering economy under CPEC's project.

CPEC is a game changer and will change the fate of the people of Pakistan in economic perspective and open the doors of prosperity and business opportunities for the regional trades, similarly it improve the infrastructures of the state to create enormous opportunities of development for the people in the country. It not only changes the destiny of the people of Pakistan rather it is believed to improve the lives of about three billion people around the region as for Pakistan. it is a win-win situation. Moreover, it is a part of the China's grand one built one road initiative, therefore China and Pakistan have been enjoying a greater friendship but the CPEC has strengthened Pakistan and China's collaboration more vigorously.

CPEC connects China and Pakistan by land route and expedites their economic activities. It consists of highway, railway networks, fiber optic and pipeline that will connect China's backward Xinjiang province to the rest of the world through strategic Gwadar deep-sea port in province of Balochistan. CPEC has much potential to bring Pakistan on a par with other developing countries and elevate its economic position as well as its sovereign integrity in the region. CPEC initiatives will meet Pakistan's energy needs and it will facilitate its neighboring countries through its strategic Gwadar port by CPEC.

Over and above, Pakistan and China have joined hands together and have pledged to eradicate threats of extremist and militancy in the region affecting CPEC its progress. Pakistan and China have been showing keen interests in materializing CPEC, because CPEC is a mega project, its construction is underway if it is once functional then it will bring massive money to Pakistan and China and their people get overwhelming benefit from this, it also brings

the two countries people very close to each other and such interaction and exchanging views and will bring more and more advantages to both sides.

CPEC is a multi-billion-dollar project which notably facilitates oil transit from the Middle East to be offloaded at Gwadar and transported to China which can cut down China's long distance from the Indian ocean in Malacca strait if we compare to Malacca strait transit trade then CPEC tremendously be safer route for Chinese goods and commodities where China confronting pirates in the Malacca, bad weather and political rival, but CPEC will provide a huge boost in transforming China's economic landscape by linking the oil rich Middle East and other parts of the world in the juncture of the world trade.

The 7th Joint Cooperation Committee meeting (JCC) of the China Pakistan Economic Corridor (CPEC) on 21, 2017 approved the long-Term Plan (LTP), former minister for interior and Planning Development "Ahsan Iqbal said". The Long Term Plan have been finalized to broaden framework for bilateral cooperation especially towards industrialization, furthermore he said that the CPEC first phase is associated with reducing energy and infrastructure bottleneck in Pakistan and make them capable to stimulate economic growth as \$ 35 billion out of \$ 46 billion portfolio given to the energy sector (Kiani, 2017).

CPEC from Kashgar to Gwadar would be energy and telecommunication corridor. "Chinese president Xi Jinping in his visit to Pakistan launched a plan on 20 April 2015 with Pakistan for energy and infrastructure projects worth \$ 46 billion (Hourel, 2015). As part of the broaden plan, The Government of Balochistan has earmarked 4000 acres for the construction of International Airport and worth \$230 million will be granted by China for the construction of Gwadar International Airport(Siddiqui, 2017).

However, CPEC is multi-dimensional project that will be a game changer for Pakistan's and to bring fortune to increase the geopolitics to geo-economics of the region and bring Pakistan and China into global economic mainstream so Pakistan is doing all-out efforts to convert this golden opportunity into an economic reality. Because it has numerous economic benefits for Pakistan to kick off economic activities and bring economic progress and prosperity for both countries. In addition to that, the CPEC mega projects integrate regional connectivity in the form of road network connectivity and partnerships.

Special Economic Zones

Industries play an important role for development of any country bringing on a par with other developed countries, hence the Governments become very energetic for establishing various kinds of industries to put the country on the path of progress and intensify the wheel of economic growth. In the same way Pakistan and China envisages industrial cooperation in various sectors, in order to make special economic zones to meet the demands of Pakistani local markets as well as Chinese industrial companies as China wants its industries to expand into international markets, which provides exclusive access to Chinese companies with foreign companies. so these projects are also the part of the China Pakistan Economic Corridor in the first phase under this mega projects there will be nine special industrial economic zones by 2020.

The major financier of these projects is China Development Bank, in which many special economic zones will be established across the country under the CPEC project, the special economic zones and development incentive take place side by side to revamp the Pakistan's socio-economic condition particularly in the energy and transportation infrastructures, these will be met through Gwadar strategic port, that has the capacity to generate tremendous economic benefits and the estimated revenue would be of \$ 40 billion, besides, generation of two million employments which will give stimulus to Pakistan's nascent economy (Nabi, 2016; Nizamani, 2016).

As CPEC becomes cornerstone of Pakistan's development, a large tract was handed over to the China's overseas port holding company on lease, an area will incorporate unique zones distribution centers. Except that, there will be produced electricity in Gwadar by development of a 300mw local power plant. Pakistan exchange views with the China National Petroleum Cooperation to build a pipeline from Gwadar to Nawabshah of Sindh. Such projects will adequately meet the requirements of the commercial, industrial and the domestic sector. Industrial cooperation between Pakistan and China will make Pakistan and China a manufacturing hub and nucleus for substantial connectivity in the region. However Chinese side provided its experiences relating to planning, energy, infrastructural projects and development of special economic zones, although the Chinese side agree in the initial phase to set up first phase of development of provincial special economic zones.

Thus, Gwadar has been declared as special economic zone (Dawn, 2005). 2.281 acres of land in Gwadar has been obtained to be given to China for

setting up there an export processing zone said by Kamran Michael Federal Minister for Ports and Shipping (Shahid, 2015).

China encourages its enterprises for initiation of industries in special economic zones, China and Pakistan were agreed to enhance cooperation in different field including textile steel and petrochemical as the energy and infrastructural projects beef up the industrial development. Besides, industrial, fisheries market magnanimously be led by Gwadar port because Gwadar is blessed with ample sea food products, similarly the fishing industries will strikingly be much valuable and worthy, abundant fish to be exported to the Middle East, European States and other states in Asia, thereby attracting a lots of foreign cash inflow in shape of revenue, intrinsically establishing major industrial infrastructure in Gwadar will generate economic opportunities and sufficient jobs to change the current socio-economic scenario.

Minister of State and Board of Investment Chairman Miftah while addressing the business community at the regional office of Federal of Pakistan Chamber of Commerce and Industry said that local and foreign companies who want to make investment and establish industries in the Special Economic Zones will be exempted from taxes (PCJCCI, 2018).

Joint Working Group has been created regarding agriculture, it will work on drip irrigation technologies and transfer of technology from china to Gwadar under LTP framework, investment will come to the Special Economic Zones, Pakistan will be capable of building up industrial parks and economic zones along with Kashgar Gwadar trade corridor. Likewise industrial zones, warehouses and storage, the tourism industry and an export processing zone will be established.

As for as security is concerned, the Government of Pakistan is poised to provide all out security to the investors who desires to set up fish processing units, cold storage houses, crab processing, fawn farming, Ice factories, crab processing, restaurants, port management centers, fisheries training services and so on. Regarding security assurances, the China's fishing company agreed to come Pakistan to invest in fishing sector, because the Government of Pakistan has declared to make Gwadara Special Economic Zone likewise Export Promotion Bureau also announced to establish its regional office at Gwadar, is also wants to build its network in the industrial city of Gwadar to earn a great number of profits. In addition, Pakistan State Oil Company also will have installation in Gwadar and lay down an Oil Pipeline to link Karachi with Gwadar and so Gwadar port will indeed open new door for the growth

of oil business in the region. The deep-water port has the capability to handle the berth of 100000 to 200000 Dead Weight of Tonnage (BWT) oil tankers and large chunk of carriers at a moment(Jamaldini,Shafiq,Inayatullah,2004).

Conclusion

Once upon a time Dubai port was a small fishing port, with the passage of time huge development projects and myriad business investment made it enormous and attractive bringing it into limelight on world map and changing its status into International city. Likewise billions of trade and completion of many mega projects will turn the small fishing town of Gwadar into a global shipping port and make it commercial hub and international city on the world map, so this magnificent water port significantly connects China and Pakistan with global trade through strait of Hormuz where according to sources nearly 40% of the world oil passes in a year, it just not only connect them with strait of Hormuz but also connects with three very importantly regional land locked Central Asian Countries specially Caspian sea, where a number of mineral resources are reserved, South Asian Countries and Oil-Rich Middle East countries as well as African and European countries.

On top of that, CPEC facilitates transit trade by route and rail network to link Gwadar port with Kashgar and specially reduce China's larger distance from Malacca strait in Indian Ocean where China travels for months which lead to heavy duties on China. In contrary to Malacca strait China considers Gwadar port will be safer for its transit trade. China's lasting strategy plan CPEC could enable China to establish its politico-economic leverage among the regional states and the new ways for spreading China's rising power against its competitors.

The CPEC is a joint venture of Pakistan and China which makes Pakistan stronger and turns it strategically significance country in the region and brings multifarious development projects and prosperity for Pakistan it also helps Pakistan coping with energy crises. Furthermore, CPEC will assist strengthening China Pakistan's economy and put them on the track of progress to improve the lives of their people and to augment their position in the region. Moreover, another important thing is that China and Pakistan will be able to use the port for naval patrols and to look after the US and Indian maritime activities in the Indian Ocean and the Persian gulf and to advance their defense system as well.

As part of the CPEC remarkable projects, establishing special economic zones in Gwadar will greatly encourage Chinese Industrialists, investors and

Pakistani local entrepreneurs for investing in Gwadar that will also bolster International, local investors business and expedite Industrial activities which will ultimately have positive impact on both countries. In term of prosperity and stability, besides, Gwadar port will help China to have economic control over the world to a great extent.

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