

**THE GWADAR PORT:
CHALLENGES AND OPPORTUNITIES FOR
PAKISTAN**

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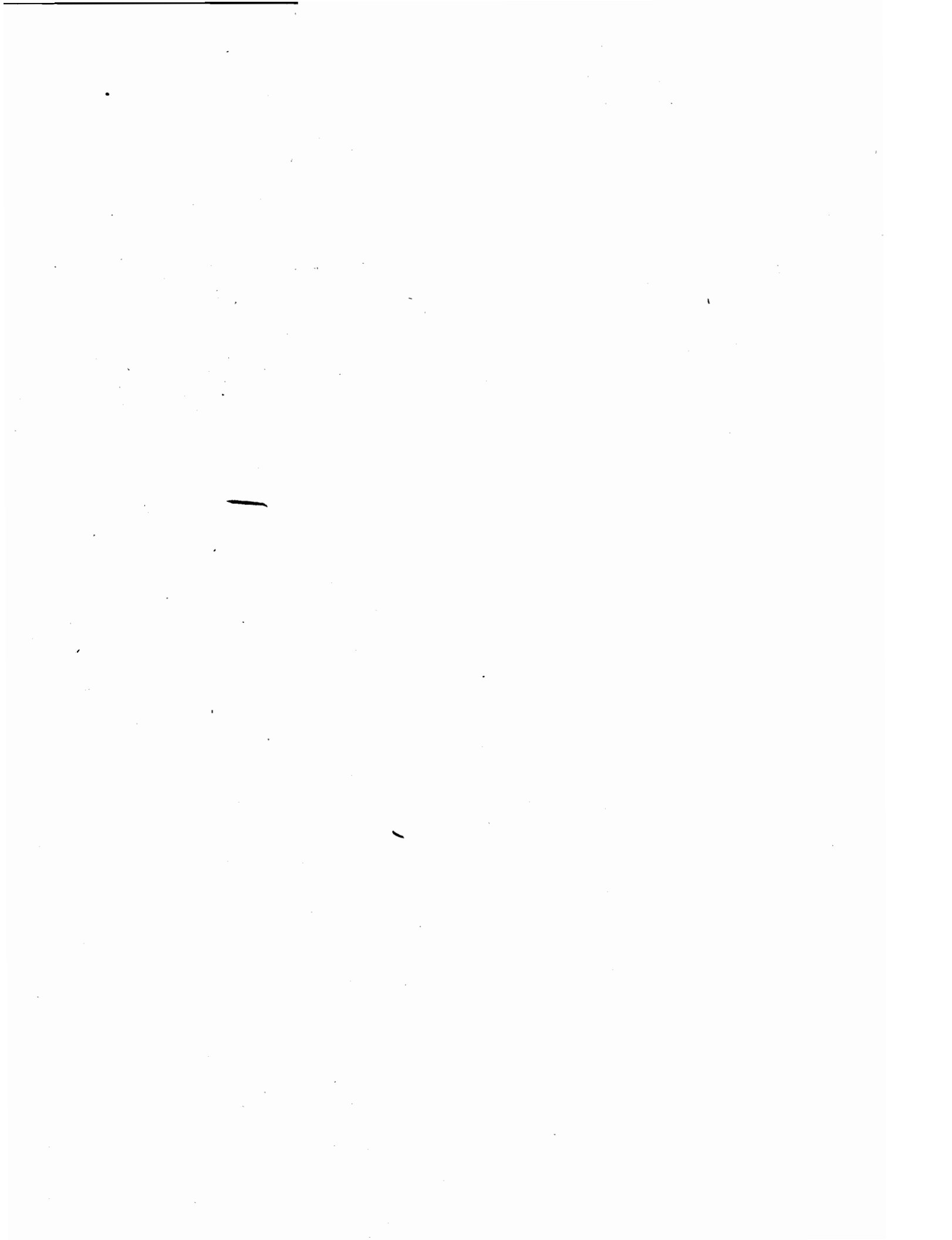


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2010



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2. Pakistan - Economic Policy -
Past Century

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Dedication

This study is dedicated to my beloved parents, caring brothers & sweet Sister Kashifa Alvi who passed on a love of reading and respect for education.

DECLARATION

I hereby declare that this thesis, neither as a whole nor as a part thereof, has been copied out from any source. It is further declared that I have prepared this thesis entirely on the basis of my personal effort made under the guidance of my supervisor.

No portion of the work, presented in this thesis, has been submitted in support of any application for any degree or qualification of this or any other university or institute of learning.

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ACKNOWLEDGEMENT

First and foremost my all acknowledgements go to imperious elevational help of Almighty **Allah**, Who guided me in the grisly and ordeal path of my life. I convey my heartiest tribute to paramount struggle of my beloved parents from the day I born to today in achieving this goal. . I would like to express my sincere thanks to my respectable supervisor **Dr. Syed Qandil Abbas** for his vigilance support and guidance to complete this research in time. At the end, I would like to express my gratitude to all of my friends and siblings for their love and good wishes which enabled me to complete this thesis.

Asifa Marium

Table of Contents

ABSTRACT.....	I
LIST OF ABBREVIATIONS	II
1. INTRODUCTION :BACKGROUND AND FRAMEWORK	1-12
1.1 Bakgraound.....	1
1.2 Statement of the Study	4
1.3 Literature Review	5
1.4 Hypothesis	9
1.5 Objectives of the Study	10
1.6 Methodology of Research	10
1.7 Detailed Outline	11
2. GEO-POLITICAL IMPORTANCE OF THE GWADAR PORT	13-43
2.1 Importance of Balochistan Coast In History	17
2.2 Importance of the Gwadar Port in the Contemporary Era	21
2.3 Gwadar Port An Important Choke Point of the Indian Ocean	25
2.4 Development of the Gwadar Port.....	28
2.5 Strategic Importance of the Gwadar Port for Pakistan	28
2.6 Strategic Importance of the Gwadar Port for Regional and Extra Regional States	30
2.6.1 Strategic Importance of the Gwadar Port for United States	31
2.6.2 Strategic Importance of the Gwadar Port for China	33

2.6.3	Strategic Importance of the Gwadar Port for Central Asia	38
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3. THE GWADAR PORT AND CHALLENGES FOR PAKISTAN 44-85

3.1	Political Instability In Baluchistan	45
3.1.1	Political Instability in Baluchistan:Foreign Involvement	50
3.2	Interplay Interests of Regional and Extra Regional Powers	61
3.2.1	United States' Concerns on the Gwadar Port	64
3.2.2	Iran's Concerns on the Gwadar Port.....	72
3.2.3	India's Concerns on the Gwadar Port	75
3.2.4	Indo-Iran Strategic Partnership and the Gwadar Port.....	81

4. THE GWADAR PORT AND OPPORTUNITIES FOR PAKISTAN 86-115

4.1	Political Opportunities.....	86
4.1.1	Political Stability in Baluchistan.....	88
4.1.2	Gwadar Port and Emergence of Pakistan as Regional Player	89
4.1.3	Gwadar Port As Boosting Factor in Pak-China Relations.....	91
4.1.4	Gwadar Port As Boosting Factor in Pak- Central Asian States Relations	94
4.1.5	Gwadar Port as an Important Factor in Pakistan's Foreign Policy	95
4.2	Military Opportunities.....	96
4.2.1	Gwadar Port: A Provider of Maritime Security to Pakistan	98
4.2.2	The Gwadar Port and Countering Unconventional Threats.....	100
4.3	Economic Opportunities.....	101
4.3.1	Economical Potential of the Gwadar Port For Pakistan.....	103
4.3.2	Economic Prosperity in Balochistan.....	104
4.3.3	Gwadar Port as Regional Hub of Economic Activities	106
4.3.4	Potential to Solve Energy Problem in the Region	109

4.3.5 Promoting Tourism	114
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5. FUTURE PROSPECTS OF THE GWADAR PORT	116-126
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5.1 Linked Projects of the Gwadar Port	117
5.1.1 Transportation of Crude Oil	117
5.1.2 Proposals of Gas Pipeline Projects	119
5.1.3 Saindak Copper Gold Project.....	120
5.1.4 Gwadar Industrial Estate Project	120
5.2 Gwadar Port: A Bright Prospect For Regional Integration....	121
5.3 Emerging Trends In International Maritime Trade	125

CONCLUSION	127 -133
-------------------	-----------------

RECOMMENDATIONS	134 -137
------------------------	-----------------

BIBLIOGRAPHY	138 -151
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Figures and Tables

Figure I.....	23
Figure II.....	123
Table I.....	103

Abstract

The world is changing with advent of new millennium. Nations and states are grasping new geopolitical and strategic realities. In this era of economic competition and dominance, nations must comprehend, adopt and integrate new technologies in their state policies to survive and prosper. They should assess their strengths and weaknesses on the basis of their geographical proximity, natural and human resources and exploit them to their fullest benefit. Pakistan with its geographic proximity to vital sea lanes, land access and future planned oil and gas pipe lines from central Asia, is emerging as new energy corridor and trade route on world map. Today there is more cargo in transit than on factory floors, ware houses or store shelves. Supply chain management (SCM) is new research trend in coming decades like 'IT' in the past. Pakistan is developing third deep sea port at Gwadar, on the tip of oil rich Persian Gulf with financial and technical assistance of China. Gwadar port can become an integral part of global SCM, and hub of regional trade. This thesis will discuss challenges, threats and opportunities from Gwadar port as well as its implications on geopolitical and regional scene. Research will especially study the concerns and interests of United States and India upon proactive Chinese involvement in Gwadar, its competitive impact on the seaports of Chahbahar and Bander Abbas and Iran's apprehensions. The terrorism problems and causes of political unrest in port hosting Province of Balochistan are also considered. The study encompasses peace dialogue between India and Pakistan and regional cooperation with special reference to IPI (Iran Pakistan India) and TAPI (Turkmenistan, Afghanistan, Pakistan, India) oil and gas pipeline projects. It will also project the re-establishment of the strategic links that have long existed among Persian Gulf, Arabian Sea and Central Asia, and focus on recommendations for Pakistan's state policies to ensure forecasted benefits from the Gwadar port project.

List of Abbreviations

ADB	Asian Development Bank's
BNF	Baloch National Front
BNP	Balochistan National Party
BRP	Baloch Republican Party
BRICK	Brazil, India, China, Korea
BSO	Baloch Students' Organization
CBMs	Confidence Building Measures
ECO	Economic Cooperation Organization
EEZ	Exclusive Economic Zone
GPA	Gwadar Port Authority
IDPs	Internally Displaced People
IPI	Iran Pakistan India Gas Pipeline
IPS	International Planetarium Society
ISAF	International Security Assistance Forces
IT	Information Technology
LOCs	Lines of Communication
LPG	Liquefied Petroleum Gas
mb/d	Millions of Barrels per Day
NATO	North Atlantic Treaty Organization
NESPAK	National Engineering Service of Pakistan

NFC	National Finance Commission
OGDCL	Oil and Gas Development Corporation Limited
PHDEB	Pakistan Horticultural Development & Export Board
PPL	Pakistan Petroleum limited
PTDC	Pakistan Tourism Development Corporation
SAARC	South Asian Association of Regional Cooperation
SCM	Supply Chain Management
SLOCs	Sea Lines of Communications
STOVL	Short Take Off and Vertical Landing (aircraft)
SCO	Shanghai Cooperation Organisation
TAPI	Turkmenistan, Afghanistan, Pakistan, India Gas Pipeline
TEUs	Twenty-Foot Equivalent Units
U.S.S.R	Union of Soviet Socialist Republics

CHAPTER 1

INTRODUCTION: BACKGROUND AND FRAMEWORK

1.1 Background

The development of a seaport at Gwadar would certainly have a positive impact on Pakistan's economy. It would also affect the geo political situation in general and especially influence neighbouring countries like China, Afghanistan and the former Soviet break -away states commonly known as the Central Asian Republics. Its development faces many internal and external challenges which were hard to ignore. Geographically, Gwadar Port was located at a strategic juncture on the shores of the Indian Ocean, positioned at the entrance of the Persian Gulf and about 250 kms away from the Strait of Hormuz; Gwadar had an immense geo-strategic significance in many dimensions.

The Government of Pakistan purchased Gwadar district from Sultanate of Oman in 1958, since then all previous governments have considered to develop the natural deep

sea port at Gwadar but proved unsuccessful, because of political, technical or economic difficulties. In 2002 Pakistan, with the financial and technical assistance of China, decided to build the sea port facilities at Gwadar, planned to function as hub port of the region.

The construction of Gwadar Port brought in a host of opportunities for Pakistan. It enhanced Pakistan's strategic depth, from defence point of view, against India .It would help Pakistan to avoid an absolute Indian naval blockade which India had already imposed on Pakistan in previous conflicts. It would greatly help to fulfill the growing economic needs of Pakistan. In addition to handling the domestic trade, that port was designed to handle transit trade in the future and to earn foreign revenue which was the primary objective of that project. Gwadar port would hopefully become a milestone in promoting regional trade among Pakistan, Afghanistan, the Central Asian States and China. This port would provide viable economic advantages and for the most parts of this region, a shorter access to the warm waters of the Arabian Sea. It could emerge as hub port of the region after the development of transit trade facilities, oil storage capabilities and export reprocessing facilities. Interests of many regional states in this port would provide an opportunity to Pakistan to play an effective role in south and central Asia.

China was a big stakeholder in the development of the Gwadar port. China had contributed a decent amount of money in the development of this port, which was a large investment of China in Pakistan. Active technical participation and capital investment portrayed the level of importance which China had given to Gwadar port. Gwadar port

would provide China the geographical advantage against India to cater to the Middle Eastern and African countries. This port would give China an edge to protect its vital Sea Lines of Communications (SLOCs) in the west of the Indian Ocean.

As the development of Gwadar Port brought many opportunities for Pakistan, there were also many challenges which were faced by Pakistan internally, as well as externally, while availing these opportunities. Internally, this mega project would not be able to give expected outcome in the situation of political instability in Baluchistan, the hosting province of the port. Baloch nationalist parties blamed the federal government of Pakistan for ignoring the People and the Baloch leadership and not taking them into confidence while it signed agreement with foreign firms for the Gwadar port. A good and balanced strategy could market the province's geographical location for international trade and business. The terrorism problems in the region and turmoil on the western borders of Pakistan were also major obstacles in achieving the forecasted economic goals from the Gwadar port.

Externally, the perceptions of some regional and global players would pose difficulties for Pakistan. The United States and India would consider Chinese involvement in the Gwadar port project as potential trade set back. The Gulf oil producing countries pump roughly half of the world's oil. Most of this oil was exported to the USA, Western European countries, India, Japan and China. Hundreds of oil tankers pass through the Strait of Hormuz every day bound for these countries. An interruption in the supply of oil would paralyze their economies; hence any possible Chinese military or

naval presence in the Indian Ocean through Gwadar Port would be a direct threat to the USA, European, Indian and Japanese interests in the region. Iran was also skeptical of the Gwadar port project, as it might affect Iranian ports of Chahbahar and Bander Abbas, and might the Central Asian States prefer Gwadar over Iranian ports. Iran had great influence in the Central Asian States due to ethnic affiliation and had larger interests than trade alone. In the wake of all these prevailing circumstances Pakistan had to make very diplomatic and thorough foreign policy and careful and dynamic marketing strategy to take all the stakeholders on board and protect this project from becoming a victim of international politics.

1.2 Statement of Study

In the initial plans of Gwadar Port, a lot of expected outcomes regarding development of industries, roads, airports and other infrastructure for trade activities claimed by the government of Pakistan are not completed yet. Presently, there are neither industries at Gwadar nor any trade being routed through it. The volume of expected trade is, therefore, interpolated through economic trade trends of the areas surrounding the Gwadar Port and evaluation of its economic potential. The envisaged trade forecast of Gwadar Port is based on the potential transit cargo of Western China, Afghanistan and Central Asia in addition to flow of natural resources from Central Asia, trans-shipment cargo and the domestic cargo import/export. The development of industries, trade and business in adjoining areas are some of the spins-offs of the port, which require appropriate research and policies to accrue maximum benefits.

The internal political instability of Pakistan, and particularly in the Balochistan province which hosts the Gwadar port, is of great importance for achieving the economic targets of this port. There are also growing fears of strategic mistrust among the global powers due to potential military use of this port. This research answered the following questions:

1. What are the strategic interests and threats for the regional and extra regional powers related to the construction of the Gwadar Port?
2. What are the major challenges for Pakistan in the proper utilization and successful operation of the Gwadar Port?
3. What are the political and economic opportunities for Pakistan concerning with the construction of Gwadar Port?
4. How can Pakistan cope with those challenges?

1.3 Literature Review

This is not a unique issue, various writers have been discussed its different aspects in their books, articles and researches. The review of the work of the few writers is following:

Retired lieutenant colonel Syed Iqbal Ahmad in his book *Balochistan: It's Strategic Importance* unveils the strategic importance of Balochistan and especially of its coastal line. The writer believes that Balochistan and its coastal line are the power bases of Pakistan and they enhance Pakistan's strategic importance in this region. The writer

believes that Balochistan swung between murkiness and fame but in both these situations it never lost its strategic importance.¹ He discussed importance of Balochistan in detail while address importance of Gwadar Port concisely.

Professor Ahmad Hasan Dani is considered to be an authority on Central Asian historic and cultural affairs. He in his book, *Central Asia Today* has extensively written on the present changing conditions of the Central Asian region. He believes that Pakistan, China and Afghanistan were part of Central Asia which was known as Asia-i-Markazi. The warm waters of the Arabian Sea for which Russia desired for years, are now open to the friendly people of Central Asia. Due to its size and capabilities Gwadar port can become a hub port of this region and located at the historic trade route of this region this port can revive the historic boundaries of Central Asia.²

Farooq Sultan in his article “*Gwadar- The Harbor of Security And Prosperity*” is of the view that Gwadar Port is one of the biggest strategic assets of Pakistan. He finds military and economic opportunities of Gwadar Port for Pakistan. He believes that the development of Gwadar port will minimize vulnerabilities of Pakistan’s naval defense while providing strategic depth to Pakistan. The writer believes that Gwadar port will help the landlocked Central Asian states including Afghanistan to take their natural resources in to the international markets quickly and economically. He says that Gwadar

¹ Syed Iqbal Ahmad, *Balochistan: It's Strategic Importance*, (Karachi: Royal Book Company, 1992)

² Ahmad Hassan Dani, *Central Asia Today*, (Lahore: Sang-e-Meel Publications, 1996)

port can serve as the shortest and more economical route for China, CARs, Afghanistan and even the parts of Iran and India.³

Some analysts critically analyzed the Chinese needs to maintain balance of power in the Indian Ocean. They explored the importance of Gwadar port for China. One of their theses concentrates especially on the China's apparent intention to expand its maritime influence into the Western Pacific and the Indian Ocean by putting pressure on the security of SLOCs from the Gulf to the nations of East Asia via the Arabian Sea, the Bay of Bengal, the Straits of Malacca and Singapore and the South China Sea.⁴

They enlighten the growing maritime requirements of China after Chinese shift from continental power to maritime power. India is superior in naval power than China and the presence of United States in the Indian Ocean further strengthens Indian naval power. They believe that China feels a need to break out of the steel ring erected by the United States and its allies around Chinese seas. Gwadar port has the potential to give a hand to China to protect their interests in the Indian Ocean. Chinese presence at Gwadar port can bring back the balance of power in the western part of the Indian Ocean in favor of China. China can encircle India from all sides, and counter her huge naval power by having a friendly base at one of the most important choke points of the Indian Ocean. Located at the mouth of Strait of Hormuz, Gwadar port can help China to ensure the free flow of oil to their industrial base and use of Gwadar port by Central Asian States can

³ Farooq Sultan, "Gwadar the Harbinger of Security and Prosperity", *The Journal of Political Science*, Vol. XXIII, Issue 1.2 (Spring 2002)

⁴ Jae-Hyung, *China and the Asia-Pacific Region: Geostrategic Relations and a Naval Dimension*, (London: Oxford press, 2009)

lead to huge economic activities at Gwadar port which would consequently provide the sources of raw material and markets for Chinese industries.⁵

International Planetarium Society (IPS) conducted a study on Pakistan-China relations in the 21st century. This study discovered that in presence of enormous changes in world order it was in the interest of both Pakistan and China to keep an eye on the new and emerging regional and global scenario and come up with appropriate strategy to meet the challenges. The study discovered that September, 11 incident had brought new security challenges for the countries of this region. Presence of US and NATO forces in this region had disturbed the fragile balance of power and has brought new challenges for the major powers of this region. The Gwadar port provided a platform to the states of this region to have some sort of economic integration and safeguard their interests in this region.⁶

A famous Indian Professor Marie Lall analyzes the geopolitical and strategic interests of India in South Asia in his book *The Geopolitics of Energy in South Asia*. He focused on India's global and regional foreign policy in 21st century. He tried to give an answer to this question; "How changed security and energy needs were affecting the relationship on a global level between India and United States, as well as on a regional level between India and the other Asian countries".⁷ In contemporary world all nations are interested to find new ways and options to fulfill the future energy needs.

⁵ Harvir Sharma, "China's Interests in the Indian Ocean Rim Countries and India's Maritime Security", *India Quarterly*, vol. LVII, No. 4 (October-December 2001)

⁶ An IPS Study, "Pakistan-China relations in the 21st Century: Regional situation, security, economic & trade cooperation", *Policy Perspective*, vol.1, NO. 1 (April 2004)

⁷ Marie Lall, *The Geopolitics of Energy in South Asia*, (New York: Oxford, 2008)

Development of the Gwadar port could open new doors in energy field for India and China.

K. Warikoo gave an inclusive analysis of historical, geo-political and strategic perspectives on the Himalayan Frontiers of India in his famous book *Himalayan Frontiers of India: Historical, Geo-Political and Strategic Interests*. He explained the development of Gwadar Port in the Indian Ocean and its implications for India. He considered Gwadar as a greater threat for Indian naval supremacy in South Asia. He also discussed the topics such as religious extremism, international and cross border terrorism, insurgency, drugs and arms trafficking. The writer's point of view supported the researchers' assumption that India had great concerns on the development of the Gwadar port with the cooperation of China.⁸

Although above all writers address the Gwadar port and its impact on regional politics and balance of power in South Asia. Three of them agree that the Gwadar Port would be beneficial for emerging power China and hosting country Pakistan. One of them analyses the Indian intentions regarding Gwadar Port.

1.4 Hypothesis

The political stability in Pakistan particularly in Balochistan and to establish appropriate relations with India, Iran and United States are very important for forecasted utilization of the Gwadar Port.

⁸ K. Warikoo, *Himalayan Frontiers of India: Historical, Geo-Political and Strategic Interests*(New Dhali: Indian Press,2009)

1.5 Objectives of Study

The purpose of this research is to address the challenges regarding the development of the Gwadar Port, whose suitable solution could provide better grounds for beneficial opportunities for Pakistan. It will also analyze the historical, political and strategic perspectives of Balochistan and its coastal areas, specifically Gwadar. This study examines the potential political and economic benefits for Pakistan through the future Gwadar hub port. This study critically analyzes the geopolitical and strategic interests and reservations of some external powers on the development of the Gwadar Port with the collaboration of China. Particularly, research will address reservation of India, Iran and the super power United States. It also examines the regional and global scenario of security in the context of new maritime resources of Pakistan.

1.6 Methodology of Research

Research type adopting in this thesis is qualitative. It depends upon secondary sources. Besides available secondary sources which directly deal with importance of Gwadar Port there are other secondary sources which indirectly explore the hidden potentials of the Gwadar Port.

1.7 Detailed Outline

First Chapter titled as “Introduction: Background and Framework” of this study illustrates the background, problem statement, research question and research objectives. It also gives brief review, importance and scheme of study.

Second Chapter titled as “Geo- political importance of the Gwadar Port” describes the historical importance of Makran Coast. It highlights the geographical importance of Gwadar port for regional and extra regional powers.

Third Chapter of research “The Gwadar Port and Challenges for Pakistan” will identify obstacles and challenges in the way of availing opportunities. This Chapter deals internal instability of Baluchistan in first half and its other half will analyze reservations and interests of regional and extra regional powers specifically India, Iran and the United States on Gwadar port.

Fourth Chapter of thesis “The Gwadar Port and Opportunities for Pakistan” will discover possible opportunities for port host state Pakistan through the development of Gwadar port. This chapter reveals the economic, political and military benefits of Gwadar port which it offers to Pakistan.

Fifth Chapter is” Future prospects of Gwadar Port” discusses the sister projects of Gwadar Port which will enhance the economic and strategic potential of the Port.

Conclusion of this thesis presents findings of this research.

Recommendations are the last part of the study. It gives some policy suggestions for Pakistan to take concrete steps to fully operationaliz the port.

CHAPTER 2

GEO-POLITICAL IMPORTANCE OF

THE GWADAR PORT

The East India Trading Company made India the crown jewel of the British Empire after the demise of Muslim empire of the Indian subcontinent of eight hundred years. The British Raj ruled India for more than 150 years. The heavy losses and economic burdens of the Second World War forced Great Britain to let go of most of their colonies. Great Britain, while leaving India in a hurry made very haphazard arrangements for Indian self rule and partition, dividing India in to several parts and effectively dividing the Muslim population in three, depriving them of numerical advantage in the region forever.⁹ Pakistan enjoyed a very special strategic geographical location. It could not be said with any certainty, that that was an intended British design, or mere coincidence that the current Pakistan was in a very convenient and alluring

⁹ Agnes Korn, *The Country of Balochistan: Its Geography, Topography, Ethnology, and History*, (London :Routledge press, 1986) pp.67-82.

location on the modern world trade map, effectively severing India from Central Asia and the Middle East through land access, which had been the traditional trading partner of Indian subcontinent for centuries. The Mughal throne of Delhi was a part of larger Muslim empire stretching from Nile to Kashghar. India was a major trading country of the world due to its land access and warm water seaports of the Indian Ocean.

Central Asian and Indian trades were the major trades in the world for centuries and there were three famous trade routes catering known to world at that time.

- 1) The famous silk route, from mainland China through Urumqi, Fergana, Kashghar, Tashkand, Samarkand, Nishapur, Ray to Baghdad and then to Damascus in Syria. Needless to mention that almost this entire region was Muslim empire except mainland China.

- 2) The spice route, also stemming from the same geographic origins, taking two different paths, one from Gilgit to Delhi through Kashmir, and other from world famous Khyber Pass through Peshawar, Lahore, and Delhi ending at the Indian port of Kali Cut (Kolkata) and then sea bound to different world destinations. Columbus discovered United States trying to find alternative sea passage to Calicut, traveling west wards instead of southeast in the Atlantic Ocean. He hoped that he would reach China then India, if the world is round; instead he discovered a new world.

- 3) The third route was not that famous or frequent, nonetheless remained an important passage throughout history. It was the sea route along the shores of the Indian

Ocean, Arabian Sea and Makran coast into the Persian Gulf, it started from Bombay touching the busy trading seaports of Karachi Bandar Abbas and Basra. The specialty of that route was safety at sea as it ran along the coast and non turbulent waters.¹⁰

Early 20th century witnessed dramatic political and demographic changes in the world map which totally shattered the old civilization and trade patterns. The fall of the Muslim Empire, Western neo colonialism, the Great War and the spread of socialism. Soviet Russia annexed the whole Central Asian Muslim region as Germans and their allies' Ottomans lost, reducing Ottoman Empire to present day Turkey. After the Second World War, the Russian iron curtain even erased the memory of Tashkand and Bokhara, once famous Muslim cities and center of civilization.¹¹ After the Second World War the British lost half of Europe to comrade Stalin on the bargaining table, the war expenses and economic compulsions brought, the once mighty British Empire to its knees.¹² In an effort to get rid of its economic burdens the British were forced to give independence to its Asian colonies. In the haste of pulling out from these colonies, the British left behind a legacy of land disputes, Kashmir was a prime example. Southern Chinese provinces were a part of Muslim India; Pakistan could only get its hands on Gilgit and Baltistan.

With the advent of 21st century and changed world scenario, disintegration of USSR and astounding growth of Chinese and Indian economies, Pakistan had become the center piece of the puzzle of the new world trade map, with borders shared with Iran,

¹⁰ Ibid.

¹¹ Ahmad Hassan Dani, *Central Asia Today* (Lahore: Sang-e-Meel Publications, 1996) p.10.

¹² Hedley Bull, *The anarchical Society: the Study of order in World Politics* (New York: Columbia University Press, 1977) p.19.

Afghanistan on the west and northwest, China to the north, India in the east and in south and with several hundred miles of shoreline right from the mouth of Persian gulf to Indian ocean. Pakistan's geographical location put it on the crossroads of trade among several nations and effectively half of the world's population. New demographics and changed world scenarios had once again got attentions of many powers , revival of old trade routes and old trade alliances were inevitable once again, and a modern silk route was shaping up.¹³

Baluchistan was the largest of the four provinces of Pakistan, having area of 3, 47,190 Square kilo meters.¹⁴ For a long time it swung between murkiness and fame, but it had never lost its geo-strategic importance. Its importance depended on its geographical location. Its close proximity to the Middle East, 470 miles of coastline, 520 miles long border with Iran and on the north 720 miles border with Afghanistan, made it very important geographically. Its extended sea-board running along the Sistan region of Iran ended up at the mouth of the Persian Gulf. Balochistan coast laid in a commanding position vis-à-vis the Strait of Hormuz one of the most important choke points of the Indian Ocean.¹⁵

Historically Balochistan always remained the place of attraction for travelers, historians, politicians, and military men. In their own peak of success, the

¹³ Farooq Sultan, "Gwadar the Harbinger of Security and Prosperity", *The Journal of Political Science*; Vol. XXIII, Issue 1.2 (Spring 2002) p.45.

¹⁴ <http://www.balochistan.gov.pk/index.php?option=com_content&task=view&id=819&Itemid=1105> (accessed on Feb 6,2010)

¹⁵ Carina Jahani, *The Baloch and Others: Linguistic, Historical and Socio-Political Perspectives on Pluralism in Balochistan*, (np: Reichert Verlag,2008) p.73.

Persians, Greeks, Sassanids, Arabs, Mughals and British all came to Balochistan. All of these great powers were aware of geo-strategic importance of Balochistan and its coast line. Mostly these powers used Balochistan and its coast as a transit route from sea to mainland. Recent developments along Balochistan coast had increased its significance as a viable future trade route in the region. One of the most important developments was the construction of multi-purpose Gwadar port with the financial and technical assistance of China. This port when completely functional would certainly offer economical, political, military and social reimbursements not only to Pakistan and China but also to other countries of this region. Besides Gwadar port project there were other developments such as gas pipeline projects, Saindak project and ISAF military forces presence in Afghanistan and in the Gulf region had further prompted the geo-strategic importance of Balochistan coastal line.¹⁶

2.1 Importance of Balochistan Coast in History

The armies of Alexander the Great on the way back home from India passed through Balochistan. Near Patala, about 30 miles southeast of Hyderabad, Alexander split his army into three divisions and dispatched each of them through a different route ultimately to assemble at the port of Hormuz in Persia.¹⁷ Alexander himself chose the most tactical and difficult route along the Makran coast. Alexander had followed what

¹⁶ Khaleeq Kiani, "40-Year tax relief for Gwadar port operators", *Dawn* (Islamabad), 2 February 2007.

¹⁷ T. Holdich, *The Gates of India* (Quetta: Gosha-E-Adab, 1977) pp. 86-145.

seemed to be new land routes between South Asia and the Middle East. These routes over time proved to be of great strategic importance to invaders coming from the north and going towards the Arabian Sea, or conversely moving upward from southern shores or those passing through east to west. Since then those routes had not lost their significance and they had been in constant use.

During the period of Arab monarchs in Balochistan, the Makran coast route was the most significant communication channel in the region. It was frequently used for three centuries from 7th to 10th centuries AD.¹⁸ Arabs developed many military bases in towns along with coastal route of Makran. This area provided marshalling facilities to invading armies to recoup and re-equip before proceeding further east and elsewhere. Mohammad Bin Qasim, the young and brilliant Muslim general, first came to Makran and established a firm base there.¹⁹ He re-equipped his mission and secured the lines of communication by occupying Panjgur and Lasbela before attacking Debal. Mohammad Bin Qasim did not follow the beaten route to India which was the northern route. He rather followed the Makran route which had the advantage of running parallel to the Indian Ocean. As a good military strategist he assessed the advantage that parallel land and sea routes would protect his army by employing land and maritime forces at the same time. He laid the foundation of the first Islamic state in the Subcontinent in 712 AD.

¹⁸Noor ul Haq, "Balochistan: Changing Politico-Economic Paradigm", <<http://ipripak.org/factfiles/ff61.shtml>> (accessed on Feb 6,2010)

¹⁹ *Encyclopedia of Islam* "Balochistan" Vol. 1 (1936)p.634.

The British controlled Balochistan guarded their Lines of Communication (LOCs), between their bases in India and Afghanistan especially to counter Russian expansion towards its colonies in the Indian Ocean. They never exploited natural resources because of the harsh climate of that area, but they did wonders in establishing the long and amazing communication network. They developed one of the biggest railway networks of those times. The British were not expecting any competitor from the Arabian Sea and the Persian Gulf. So, they did not give much importance to the protection of Balochistan coastal line by establishing any port for their navy.

Prior to the partition of India in 1947, Balochistan was not a single geographic entity rather it consisted of princely states Lasbela, Kalat, Kharan and Makran loyal to the British Empire.²⁰ According to the 3rd June plan of 1947; these states had to decide their future by acceding either to India or Pakistan. All of these states signed the treaty of accession with Pakistan. Gwadar district, at that time was the part of *Sultanate* of Oman, since the last quarter of the eighteenth century.²¹ After the independence, it seemed necessary for the sovereignty of Pakistan to eliminate the foreign authority from its Makran coast. On September 6, 1958, Pakistan through the British Government, with which Prime Minister Feroz Khan Noon had long and friendly relations purchased the area of Gwadar from Oman and included it in Tehsil of Makran.²²

²⁰ Qazi Shakil Ahmad, "Balochistan: Overview of Internal and External Dimensions", *Pakistan Horizon*, Vol 58, No 2 (April 2005) : 31.

²¹ "Gwadar: Historical Perspective", Board of Investment, Government of Pakistan. <<http://www.boi.gov.pk>> (accessed on Feb 9,2010)

²² <<http://www.globalsecurity.org/military/world/pakistan/pns-gwadar.htm>>(accessed on Feb 6,2010)

Pakistan's coastline was of great importance for both of the superpowers during the Cold War, especially for the Soviet Union because the control of Balochistan through Afghanistan would help them in maturing their long practiced Eastern Policy, with incalculable economic, political and military possibilities, spilling over beyond the region to Africa, Australia and Pacific Ocean. The Soviet Union had the largest number of sea ports in the world but most of those remained frozen in long winters. The Soviets had to find a short route to warm waters of the world and that seemed to be through Afghanistan to the Balochistan coast and ultimately to the Indian Ocean. Lt.Col.Syed Iqbal Ahmad in his book *Balochistan: It's strategic Importance* narrates the advantages for the Soviets if they could have got control of the Balochistan coastal line and those advantages were of great importance for Soviet Russia. Geo strategically, Soviet occupation of Balochistan would help it to control the supply of Gulf oil, constituting sixty percent of the world's largest reserves. In addition it would bolster the strategic oil reserves for the Soviet Union.²³ The Makran Coast with port facilities at Chahbahar, Gwadar, Pasni and Karachi can provide firm bases for a Soviet Naval fleet in the Indian Ocean. It would enhance its capability to control the Cape of Good Hope in South Africa. That also increased the ability to interfere with sea and communication lanes going round the peninsula. Naval base facilities at Makran coast would help the Soviet Union to gain easy access through the shortest route to the world's largest untapped mineral resources of Antarctica.²⁴

²³ Syed Iqbal Ahmad, *Balochistan: It's Strategic Importance*, Karachi, (Royal Book Company, 1992) p. 255.

²⁴ Ibid. 255-256.

Soviet leaders were well aware of the geo-strategic importance of Pakistan's coastal line; they tried both friendly and coercive means to persuade Pakistani authorities to let her establish a naval base at Gwadar. In early 1977, the Soviet government approached Pakistani Prime Minister Z.A. Bhutto to have a deal with USSR on Gwadar and in return, the Soviet Union agreed to help Pakistan in resolving the Pakhtoonistan and Kashmir issues. It also offered financial assistance for development of the project and to equip the Pakistan Army with Russian weapons.²⁵ Pakistan never bought the Soviet deal because at that time Pakistan was aligned with the United States, and it could not afford to lose that alliance. Ultimately, the Soviet Union tried coercive means, they launched an attack on Afghanistan in 1979 to reach the warm waters of the Indian Ocean, but the Soviets were denied of their dreams by stiff resistance of the Afghans with the help of Pakistan and the US backing.

2.2 Importance of Gwadar Port in the Contemporary Era

Pakistan had always been aware of its geo-strategic locations and their utility to make itself one of the important players in regional politics and Gwadar was one of them. Since Pakistan purchased Gwadar from Oman in 1958, the proposals of a port construction

²⁵ Mohammad Monir Alam, *Pakistan and the geo-politics of Central Asia*, "Pakistan in a Changing Strategic Context", ed. Ajay Darshan Behera and Mathew Joseph C (New Delhi: Knowledge World, 2002) p.112.

remained moving in decision making circles of Pakistan but no practical work started until 2002.²⁶

Gwadar had a geo-strategic significance on many accounts. Geographically it was situated, as many scholars gave title at the “mouth of the Persian Gulf”. It was located about 460 kms from Karachi and about 250 kms away from the Strait of Hormuz. The Gulf oil which was substantial portion of world’s total production had been traded through that sea passage, with hundreds of tankers hauling black gold daily. The continued regional instability in the Persian Gulf especially after the Iran/Iraq war, the Gulf war and disintegration of Soviet Russia and the emergence of the Central Asian Republics, the US led War against Terrorism and subsequent Afghan occupation had increased the geo-political importance of the Gwadar port.

²⁶ “Gwadar: Historical Perspective”, Board of Investment, Government of Pakistan. <www.boi.gov.pk> (accessed on Feb 10,2010)

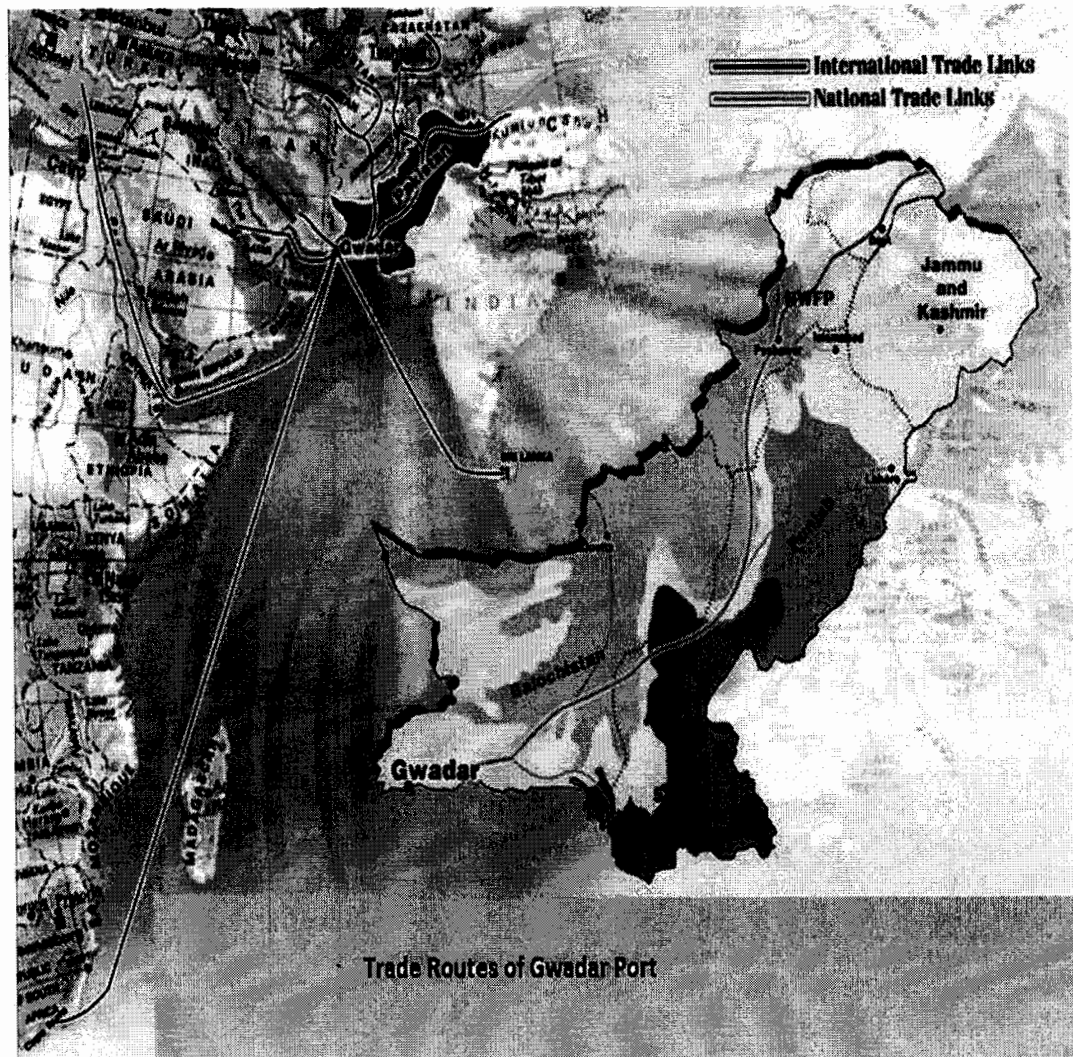


Figure 1: Source: Faysal Al Zarooni Group of Companies – UAE

<http://www.broadwayresidencia.com/images/download/Broadway.pdf>

Over the time several countries including Britain, Germany and Japan offered technical help and financial assistance to develop the Gwadar deep seaport. In the 1970s, serious proposals came from different countries for building the port but all were turned down. In 1972, Bhutto and the Governor of Balochistan, Ghous Bux Bizenjo visited

location on the modern world trade map, effectively severing India from Central Asia and the Middle East through land access, which had been the traditional trading partner of Indian subcontinent for centuries. The Mughal throne of Delhi was a part of larger Muslim empire stretching from Nile to Kashghar. India was a major trading country of the world due to its land access and warm water seaports of the Indian Ocean.

Central Asian and Indian trades were the major trades in the world for centuries and there were three famous trade routes catering known to world at that time.

1) The famous silk route, from mainland China through Urumqi, Fergana, Kashghar, Tashkand, Samarkand, Nishapur, Ray to Baghdad and then to Damascus in Syria. Needless to mention that almost this entire region was Muslim empire except mainland China.

2) The spice route, also stemming from the same geographic origins, taking two different paths, one from Gilgit to Delhi through Kashmir, and other from world famous Khyber Pass through Peshawar, Lahore, and Delhi ending at the Indian port of Kali Cut (Kolkata) and then sea bound to different world destinations. Columbus discovered United States trying to find alternative sea passage to Calicut, traveling west wards instead of southeast in the Atlantic Ocean. He hoped that he would reach China then India, if the world is round; instead he discovered a new world.

3) The third route was not that famous or frequent, nonetheless remained an important passage throughout history. It was the sea route along the shores of the Indian

Ocean, Arabian Sea and Makran coast into the Persian Gulf, it started from Bombay touching the busy trading seaports of Karachi Bandar Abbas and Basra. The specialty of that route was safety at sea as it ran along the coast and non turbulent waters.¹⁰

Early 20th century witnessed dramatic political and demographic changes in the world map which totally shattered the old civilization and trade patterns. The fall of the Muslim Empire, Western neo colonialism, the Great War and the spread of socialism. Soviet Russia annexed the whole Central Asian Muslim region as Germans and their allies' Ottomans lost, reducing Ottoman Empire to present day Turkey. After the Second World War, the Russian iron curtain even erased the memory of Tashkand and Bokhara, once famous Muslim cities and center of civilization.¹¹ After the Second World War the British lost half of Europe to comrade Stalin on the bargaining table, the war expenses and economic compulsions brought, the once mighty British Empire to its knees.¹² In an effort to get rid of its economic burdens the British were forced to give independence to its Asian colonies. In the haste of pulling out from these colonies, the British left behind a legacy of land disputes, Kashmir was a prime example. Southern Chinese provinces were a part of Muslim India; Pakistan could only get its hands on Gilgit and Baltistan.

With the advent of 21st century and changed world scenario, disintegration of USSR and astounding growth of Chinese and Indian economies, Pakistan had become the center piece of the puzzle of the new world trade map, with borders shared with Iran,

¹⁰ Ibid.

¹¹ Ahmad Hassan Dani, *Central Asia Today* (Lahore: Sang-e-Meel Publications, 1996) p.10.

¹² Hedley Bull, *The anarchical Society: the Study of order in World Politics* (New York: Columbia University Press, 1977) p.19.

Afghanistan on the west and northwest, China to the north, India in the east and in south and with several hundred miles of shoreline right from the mouth of Persian gulf to Indian ocean. Pakistan's geographical location put it on the crossroads of trade among several nations and effectively half of the world's population. New demographics and changed world scenarios had once again got attentions of many powers , revival of old trade routes and old trade alliances were inevitable once again, and a modern silk route was shaping up.¹³

Baluchistan was the largest of the four provinces of Pakistan, having area of 3, 47,190 Square kilo meters.¹⁴ For a long time it swung between murkiness and fame, but it had never lost its geo-strategic importance. Its importance depended on its geographical location. Its close proximity to the Middle East, 470 miles of coastline, 520 miles long border with Iran and on the north 720 miles border with Afghanistan, made it very important geographically. Its extended sea-board running along the Sistan region of Iran ended up at the mouth of the Persian Gulf. Balochistan coast laid in a commanding position vis-à-vis the Strait of Hormuz one of the most important choke points of the Indian Ocean.¹⁵

Historically Balochistan always remained the place of attraction for travelers, historians, politicians, and military men. In their own peak of success, the

¹³ Farooq Sultan, "Gwadar the Harbinger of Security and Prosperity", *The Journal of Political Science*; Vol. XXIII, Issue 1.2 (Spring 2002) p.45.

¹⁴ <http://www.balochistan.gov.pk/index.php?option=com_content&task=view&id=819&Itemid=1105> (accessed on Feb 6,2010)

¹⁵ Carina Jahani, *The Baloch and Others: Linguistic, Historical and Socio-Political Perspectives on Pluralism in Balochistan*, (np: Reichert Verlag,2008) p.73.

Persians, Greeks, Sassanids, Arabs, Mughals and British all came to Balochistan. All of these great powers were aware of geo-strategic importance of Balochistan and its coast line. Mostly these powers used Balochistan and its coast as a transit route from sea to mainland. Recent developments along Balochistan coast had increased its significance as a viable future trade route in the region. One of the most important developments was the construction of multi-purpose Gwadar port with the financial and technical assistance of China. This port when completely functional would certainly offer economical, political, military and social reimbursements not only to Pakistan and China but also to other countries of this region. Besides Gwadar port project there were other developments such as gas pipeline projects, Saindak project and ISAF military forces presence in Afghanistan and in the Gulf region had further prompted the geo-strategic importance of Balochistan coastal line.¹⁶

2.1 Importance of Balochistan Coast in History

The armies of Alexander the Great on the way back home from India passed through Balochistan. Near Patala, about 30 miles southeast of Hyderabad, Alexander split his army into three divisions and dispatched each of them through a different route ultimately to assemble at the port of Hormuz in Persia.¹⁷ Alexander himself chose the most tactical and difficult route along the Makran coast. Alexander had followed what

¹⁶ Khaleeq Kiani, "40-Year tax relief for Gwadar port operators", *Dawn* (Islamabad), 2 February 2007.

¹⁷ T. Holdich, *The Gates of India* (Quetta: Gosha-E-Adab, 1977) pp. 86-145.

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Over the time several countries including Britain, Germany and Japan offered technical help and financial assistance to develop the Gwadar deep seaport. In the 1970s, serious proposals came from different countries for building the port but all were turned down. In 1972, Bhutto and the Governor of Balochistan, Ghous Bux Bizenjo visited

Iran.²⁷ The Iranian government assured financial assistance for the project, but that project was delayed due to some political reasons. Considering the geo-economic imperative of the regional changes after the demise of Soviet Union, the Asian Development Bank's (ADB) Ports Master Plan studies considered an alternate to the Persian Gulf Ports to capture the transit trade of the Central Asia as well as the trans-shipment trade of the region. Both Karachi and Port Qasim were considered for such development but were found unattractive to major shipping lines due to the remoteness from the main shipping routes, the limitations of draft for mother ships and large bulk oil carriers and the comparative long turnaround times.²⁸ A research done by ADB, declared Gwadar Port, the most advantageous for an alternative port in the region, which could handle mother ships and large oil tankers in due course²⁹.

The proposal of building a port at Gwadar was first included in 7th five year plan and 326 million rupees were allocated to it but no practical work could start due to economic and political constraints. This project remained alive in principle due to its economic and strategic importance. The mega project of the development of Gwadar was included in the transport plan of the 8th Five Year Plan 1993-94 of Pakistan through the private sector. Again this project was shelved for the same old reasons; however technical and financial feasibility studies were engaged ensuring the decisions for the development of Gwadar Port.

²⁷ Imtiaz Ali, "Balochistan Problem", *Pakistan Horizon*, vol. 58. No. 2 (April 2005): 54.

²⁸ Ahmed Rashid, "Explosive mix in gas province", *The Nation*, (Islamabad), February 3, 2005.

²⁹ <http://www.globalsecurity.org/military/world/pakistan/pns-gwadar.htm> (accessed on Feb 6, 2010)

In 2002, the president of Pakistan General Pervez Musharaf finally took a courageous step; he performed the groundbreaking ceremony of the first commercial port on the Makran coast. Islamabad was optimistic that the completion of the Gwadar port project would be a major step towards realizing Pakistan's potential as a regional hub of trade and economic activities. The government of Pakistan's vision was for Gwadar to be a link between the East and West that would change the national economy as well as the fate of the region.³⁰

2.3 Gwadar Port an Important Choke Point of the Indian Ocean

The importance of the Indian Ocean could be judged by the words of great strategic thinker Alfred Mahan. He wrote in his book *The Influence of Sea Power upon History 1660-1783*:

“Whoever controls the Indian Ocean will dominate Asia ; the destiny of the world would be decided on its waters.”³¹

The Indian Ocean was geographically important because it provided access to the oil rich Gulf from many regions of the world. The important choke points of that vast ocean were the Arabian Sea, Persian Gulf, Red Sea, Bay of Bengal and the Strait of

³⁰President of Pakistan's Address at the Ground-Breaking Ceremony of Gwadar Deep-Sea Port, March 22, 2002, <http://www.infopak.gov.pk/CE_Addresses/ce_gwadar.html> (accessed on April 02, 2010).

³¹ G.S. Khurana, “Maritime Security in the Indian Ocean: Convergence Plus Cooperation Equals Resonance”, *Strategic Analysis*, Vol. 28, No.3 (July-September, 2004): 412. (Alfred Thayer Mahan, “The influence of Sea Power Upon History 1660-1783” New York, Scrivener, 1890).

Malacca. It further extended to the eastern limits of Indonesia and Australia, including the vast coast of India. There were 36 littoral and 11 hinterland states including the gas rich region of Central Asia around this Ocean, all of them had varying maritime interests.³²

The strategic and economic importance of the Indian Ocean enhanced from the fact that 72% of the worlds' oil from the Gulf flowed through that Ocean. That amounted to around US \$300 billion worth of oil flow annually. Additionally, 65% of the worlds' oil reserves were located in the Indian Ocean region.³³ This ocean also provided the shortest outlet to the hydrocarbon resources of Central Asian Republics to the world that were likely to come into sharper focus once the political situation in the region stabilized.

The most important Asian energy sea-lane was the contemporary 'Silk Route' of Persian Gulf- East Asia through Hormuz, passed the Arabian Sea and Bay of Bengal and then through the Strait of Malacca to the South China Sea and the most important countries of this route were India and China. More than 50,000 tankers transport 10.3 mb/d of oil through the year, which included almost 70 percent of Japan's and 60 percent of China's oil supplies.³⁴ With Chinese import from the Middle East increasing significantly, the volumes of oil and gas being shipped eastward was forecasted to increase substantially further increasing its economic and strategic importance. Gwadar

³² Amjad Noor Bhatti , "Indian Naval Expansion-Concerns Of Littorals", *Pakistan Navy War College Review* (2003-2004): 10.

³³ Ibid.13.

³⁴ Rakesh Chopra, "The Maritime Dimension of Energy Security", *USI Journal*, (Jul-Sep 2004): 377.

port was built at mouth of Strait of Hormuz which had been the only out-route for Persian Gulf oil to the world markets.

2.4 Development of the Gwadar Port

The work on that tremendous project started quite late, the early governments failed to follow the Dubai, Singapore and Hong Kong models, which earned billions of dollars in transit and trans-shipment charges from the Asian, European and other countries. Pakistan would be benefited immensely once the Gwadar port and other complementary projects were completed. Gwadar was also very important with its characteristics and potential for developments of trade links with East Africa, the United Arab Emirates, India , Sri Lanka and many other countries of the world that wanted access to Afghanistan and Central Asian countries. The port complex provided facilities of warehousing, trans-shipment, transit and coastal trade, commercial and industrial openings for the international import-export trade.

The infrastructure facilities including roads and airport, connecting Gwadar to the national highway and other areas of the country, would give access for trade from landlocked countries of Central Asia. It would serve as the hub port at the crossroads of long-established trade routes opposite Strait of Hormuz which lied so close to that base and at the entrance of the Persian Gulf.

2.5 Strategic Importance of the Gwadar Port for Pakistan

In international politics, most of the time, small powers played a vital role in achieving objectives of big players. Great powers could not turn a blind eye towards the importance of regional powers because they provided great inputs to accomplish their economic, political and military goals. They needed political consent, military and economic assistance of these small powers to exert their own political, military and economic agendas in order to achieve objectives in their own region or globally at large. Small and medium powers were often the pawns of big players in their global strategy; even then those small powers could guard their own national interests to a certain degree.

They could also bargain with the great powers on the issues on which they were being exploited. Experience showed that if psychological, political, economic and strategic conditions were favorable, it would be difficult for great powers to coerce smaller powers.³⁵ Smaller countries or nations had different strategic importance depending on their geographical location, proximity to strategic choke points on major sea routes especially on SLOCs, or on the junction point of great powers. It might be also enhanced due to natural resources or human resource.

Every state has a power base, small or big, to make use of their capability in domestic and world politics. The elements of geography and politics, or the geo-politics deeply influence the policy-making and actions of a state in international affairs. The geo-politics and geo-strategy were best applied to evaluate the strategic importance of a

³⁵ Syed Iqbal Ahmad, *op.cit.*, xiii.

state.³⁶ The geo-strategic location of Gwadar port would enable Pakistan to emerge tactically, as an important player in regional and international politics. That port would permit Pakistan to deal with great powers of international politics such as the United States and China. More over this port could also provide Pakistan with an opportunity to emerge as potential player in the region and the Islamic world. It did not imply that Pakistan would be the sole player to steer both regional and Islamic affairs, in the wake of inflexible competition from India, Saudi Arabia, and Iran and also from the extra-regional powers.

Prakash Nanda had pointed out the political advantage which Pakistan could dig up by offering transit facilities to the West to get into the Central Asian region. He said:

After the emergence of the newly independent Central Asian Republics following the disintegration of the Soviet Union, Pakistan wanted to fill the vacuum created in Central Asia as it saw itself as the main player in the region. That was another way to enhance Pakistan's geo-political standing with the west in shaping the future evolution of Central Asia. It could then quietly fit into United States's political and strategic objective in the Central Asian region, which provided a vantage ground for preventing Russian hegemony in the region. Control over the Pakistan-Afghanistan corridor and creating an opening from the south would also

³⁶ Ibid. xvi.

have been vital for the West in gaining access to the oil and natural gas resources of the region.³⁷

The above strategic scenario offer's Pakistan to become an important regional player economically and political with strong and rational diplomacy, and ensuring a safe communication and transportation network for neighbouring landlocked states. This strategy, if successful, would result in international acceptance of Pakistan's dominance over the southern approaches to Central Asia.

2.6 Strategic Importance of the Gwadar Port for regional and Extra-Regional States

The location of Gwadar port compelled China, United States and other industrialized nations to see Pakistan as inevitable partner to achieve their political, economic and military interests in this region. Pakistan could maximize its benefits from Gwadar port by keeping alive the interests of all competing powers especially of extra regional power United States and regional power China.³⁸ Absence of super power's interests and apprehensions regarding Gwadar port would certainly lessen the Chinese interests in Gwadar port and the absence of Chinese interests in development of the Gwadar port would decrease the US' interests in the Gwadar port.

³⁷ Prakash Nanda, *Pakistan in Changing Strategic Context*, "Between the US and China: Pakistan's Uncertain Strategic Maneuvers Since 9/11", (New Delhi: Knowledge World, 2002)pp. 108-109.

³⁸ Ajay Behera, Pakistan's Strategic Vision: With and Without the Taliban, *Asia Times*, March 22, 2002<http://www.brookings.edu/opinions/2002/pakistan_behera.aspx> (accessed on January 7,2010)

Since her creation Pakistan had been mere proxy of superpowers to achieve their goals in this region but the Gwadar port would enable Pakistan to emerge as a potential player in regional politics and could facilitate her to undependably maneuver her own political, military and economic strategies. Status of deep sea port and the construction of huge communication network would make Gwadar as a hub port of the region, and interests of the different nations in that port would make it geo-strategically, one of most important ports of Asia. There had been many stakeholders in the Gwadar port project with varying interests. The Gwadar port offered them great opportunities which would help them to open new chapters in regional economic activity. Along with Pakistan there were many countries such as China, the Central Asian Republics, Afghanistan and industrialized nations which could be directly benefited from the development of the Gwadar port.

2.6.1 Strategic Importance of the Gwadar Port for United States

Pakistan and the United States had been allies for over sixty years. In fact, their relations had been described as disenchanted allies.³⁹ The history of the Pakistan- US relationship tells us that it had always been based on the United States' interests. The United States always viewed Pakistan according to its utilization for the fulfillment of their strategic interests in a specific period of time. That was exactly the case after the Afghan War and the signing of the Geneva Accord; Washington ignored Pakistan because there were no apparent immediate interests left in Pakistan. The United States

³⁹ Ibid

rather raised the nuclear issue with Pakistan and imposed military and economic sanctions on it through the Prestler Amendments.⁴⁰ Pakistan had to face the United States' anger over their nuclear program and consequently all economic and military assistance from the United States was suspended. The country again came into the spotlight of super power foreign policy when the United States needed its all-out support in the war against terrorism especially during the invasion of Afghanistan. Even with ongoing war on terror and its complications, the super power turned against Pakistan's nuclear program and put pressure on it to banish one of their most respected scientists, Dr. Abdul Qadeer Khan (A.Q.Khan).

Pakistan has a tactical advantage over the United States' on and off foreign relations and that is the Gwadar port. The United States and other industrialized states required an easy access route to Afghanistan and Central Asian Republics to import oil, gas and other raw materials for their massive industrial structure and also a route to export their finished products to these countries. The Central Asian states would be a big consumer market in the future and the United States would definitely look for their share of that market.⁴¹ The Oil passionate United States could not ignore Pakistan for next few decades because they would have to use Gwadar port in absence of any alternative route for three compelling reasons, one was: Gwadar port was the shortest route to Central Asia, secondly, the United States was trying to isolate Iran in international and regional trade and politics, functioning of the Iranian Chahbahar port as regional hub port would

⁴⁰ Maleha lodhi , "The Pakistan - US Relationship"

<<http://www.defencejournal.com/april98/pakistanus.htm>>(accessed on March 23)

⁴¹ Anoushiravan Ehteshami , Emma C. Murphy, "The Non-Arab Middle East States and the Caucassian/Central Asian states: Iran and Israel", *International Relations*, vol. 12, no.1 (April 1994):103.

impair the super power's efforts to isolate Iran. Lastly, in the aftermath of September 11, 2001 incidents and so called war against terrorism and flawed US policy to handle the situation with brute force.⁴² Public opinion in Asian states had turned against the United States. China and Russia were extending their political and military influence in the region; Russia had already an alliance with these countries known as the Commonwealth of Independent States due to strategic interests in the area. The United States required a base in close proximity of the Persian Gulf because in future if the United States decided to pull out their forces from the Middle East she would be still in the position to protect her interests. In that context, one could not rule out the her desire to have military basing rights at the Gwadar port, as there had been abundant occasions of extending such facilities by Islamabad in the past. Gwadar port would enable Pakistan to keep alive the United States' interests in Pakistan.

2.6.2 Strategic Importance of the Gwadar Port for China

China was providing huge economic and technical assistance to Pakistan to build the Gwadar port. China's position was very interesting in helping Pakistan to build this project for her own interests. China's eastern coastline ports were 3500 kms away from her western province Kashghar, whereas Gwadar port was 1500 kms away from Kashghar.⁴³ China was also aware of the need to guard her SLOCs in the Indian Ocean in

⁴² Irfan Ghauri, "Pakistan, China considering oil pipeline from Gwadar", *Daily Times* (Islamabad), May 24, 2006.

⁴³ Ni Yanshuo, "Corridor of Co-operation", *Beijing Review*, No. 13, (March 30, 2006), <www.bjreview.com>(accessed on March 12,2010)

order to sustain the free flow of oil for her vast and growing industrial complex, a naval base at one of the important choke points would help China to ensure the security of her oil imports. China was also emerging as a strong political and military power along with booming economy in the Asian region. Presence of huge military forces of the United States in Chinese neighbours was alarming for the Chinese rise. China needed to create a buffer around her to keep the United States at a distance and that could only be possible through regional integration under Chinese leadership. It explained China's newfound interest in helping Pakistan to develop Gwadar as full-fledged commercial port and naval base. China had granted \$198 million for the construction of Phase-1 of Gwadar port and was interested to build Phase-2 of this project too.⁴⁴

China was an emerging global player with significant influence in the region. With the present remarkable growth rate, China was expected to reach world's largest economy of the United States by 2020. China needed consumer markets to sustain her annual growth rate in order to keep her economy strong. Chinese authorities were aware of the fact that they needed proactive policies in order to maintain economic, political and military growth.⁴⁵

Chinese economic and political progress depended on many factors which were: containment of American expansionism in her neighbours, containment of India's growing hegemony in the Indian Ocean as well as in Central Asia and in South Asia,

⁴⁴ Sultan , op.cit., 41.

⁴⁵ Om Gupta, *Encyclopedia of India, Pakistan and Bangladesh*, (New Delhi: Gyan Publishing House,2006)875.

protection of her important SLOCs, increased in the numbers of friends in her neighbouring states and peaceful environment within and outside her boundaries. China had invested a huge amount in the Gwadar port project, that amount was the biggest ever investment of China in Pakistan. That enthusiasm of China for the Gwadar port showed that China expected that the port to help her in protecting her vital interest in that region.

Since the revolution China had adopted a policy of peaceful coexistence with its neighbours, enjoyed being a continental power in Asian continent. The national interests and national defence were limited both in her borders and reach. Since the 1980s, the Chinese economy and its ambitions had grown beyond the borders and shores.⁴⁶ Astonishing economic growth, a large merchant marine, growing ship-building industry and maritime trade showed China's emergence as an important maritime power on the international scene. The primary Chinese interest was to guarantee the uninterrupted flow of energy requirements to fuel the growing economy as well as an unhampered access to sources of raw materials and markets for products in different parts of the world.⁴⁷ The enhanced economic enthusiasm in China, primarily based on maritime activity, had resulted in an increased sensitivity to the SLOCs. Geo-strategic realities such as choke points, long running SLOCs and naval developments in the region were indeed important for China. She wanted to increase her influence in the region for the safety of her marine trade. Gwadar port could help China to increase her maritime power and keep an eye on her important SLOCs in one of world's most important ocean.

⁴⁶ Christopher J. Pehrson, "String of Pearls: Meeting the challenges of China's rising power across the Asian littoral", *Strategic Studies Institute*, (July 2006), < www.StrategicStudiesInstitute.army.mil/ > (accessed on March 3, 2010)

China planned to have access to the Indian Ocean and Karachi port a long time ago. The construction of Karakorum highway, also dubbed as new Silk Road, through the great Himalayas, a wonder of road engineering by China was a part of that plan. An access on the coast of Makran provided China with numerous trading probabilities. It would recuperate long awaited Chinese investment in Karakorum highway. The Gwadar port would provide China with the shortest, safest and economical route to the Middle East through the Persian Gulf. More over a direct approach to East Africa, Europe and North Africa through the Red sea and the Suez Canal into the Mediterranean sea. In sea transport that was a huge advantage as the whole passage was non turbulent calmer water. China could also access east coast of the United States through this channel.⁴⁸

China had always been a trade power house of the world with marine trade as its hall mark, in old times, Chinese silk fabrics and pottery was a major trade of the world. In fact, it was such a big trade that word pottery became synonymous with China and the trade route was known as the Silk Road. Renaissance of the Chinese economy in last few decades had stunned present power houses of the west. They seemed too dwarfed against the new emerging giant. To keep its powerful economy growing China needed to chart out new markets and hence new routes. Geographical and engineering limitations of 19th and early 20th century would not have let anyone imagine that someday trade caravans could pass the great Himalayas and vast arid and rough terrain of Balochistan to the

⁴⁷ Syed Fazl-e-Haider, "Gwadar: An Emerging Centre of the Great Game", *ISPI-Policy Brief*, (Oct, 2009):33.

⁴⁸ David Zweig and Bi Jianhai, "China's Global Hunt for Energy", *Foreign Affairs*, Vol. 84, No. 5, (Sep-Oct 2005):45.

shores of the Arabian Sea.⁴⁹ Technological advances and human endurance had made it possible. There could not be two opinions about the fact that China would never let go of that contemporary silk route.

Relations between China and Pakistan had been regarded as an all weather friendship but nothing had been stable in international politics but instability itself, not even that all weather friendship. In reality relations between Pakistan and China were based on the needs and interests which both states fulfill for each others. Former ambassador Dr Maqbool Ahmad Bhatti had pointed out that reality in one of his articles and he said that:

Recalling the vital role played by China in safeguarding its security and in facilitation its development, the people of Pakistan derived great reassurance from the country's friendship with the great neighbour to the north. However, the very fact that China was emerging as a superpower by virtue of its remarkable economic and technical progress over the past 25 years, had tended to raise doubts whether this intimacy could be maintained. Pakistan-China friendship had developed when both felt isolated. China no longer faced the problems and constraints that made the friendship with Pakistan critically important. It had diplomatic relations with most of the world and no longer needed Pakistan as an intermediary to deal with countries that did not recognize it.⁵⁰

For Pakistan the need of the time was to become the partner of the Chinese economic, political, technological and military developments that was the only approach

⁴⁹ Ibid

⁵⁰ Dr. Maqbool Ahmad Bhatti, "Future of Pakistan-China Relations, Asia Pacific", *A research journal of Far East & South East Asia*, Vol 23 (Area Study Centre Far East & South East Asia University of Sindh, Jamshoro, 2005): 2-3.

through which Pakistan can keep her “all weather friend” interested in her. Gwadar port offered enormous opportunities to China to project her as politically, militarily and be financially superior on a global horizon. The Chinese economic, military and political advancement was dependent upon the security of her SLOCs. Gwadar port had the potential to fulfill these Chinese ambitions. This project and spin offs of trade would keep her old friend Pakistan happy, which had been a win-win situation for China.

2.6.3 Strategic Importance of the Gwadar Port for Central Asian Republics

The most phenomenal geographic and geopolitical change of last century was the disintegration of the USSR. There was no doubt that after the establishment of the Muslim empire and end of the Persian and Roman empires by Islam, the Red revolution changed the geography of the world on that scale. In the present age the Central Asian republics were fast becoming the hot bed of geostrategic and economic activities once again.

The sea was a blessing bestowed by nature upon those countries which had a coastline. Landlocked countries were deprived of this natural advantage. Ports and harbours on the coastline, merchant shipping on the surface, economic resources from the sea-bed and the naval forces present at sea, all contributed greatly towards the economic, political and military potential of a country.⁵¹ Landlocked countries like the Central Asian Republics and Afghanistan were not among the prosperous and developed nations

⁵¹Muhammad Anwar, *Role of Smaller Navies: A Focus on Pakistan's Maritime Interests* (Rawalpindi: The Army Press, 1999)p.167.

regardless of the fact that they had abundance of natural resources. Central Asia was rich in oil and natural gas reserves. According to an estimate, 200 billion barrels of crude oil, i.e. one fourth of the world's total, were present in countries lying on the coast of Caspian Sea.⁵² There were also huge natural gas reserves present in the Central Asia Republics and their neighbouring Iran.⁵³ According to the estimates of Western experts and researchers, the real hydrocarbon reserves in Central Asia were in vast quantity, perhaps equal to those of Saudi Arabia and Kuwait combined if both the onshore and offshore Caspian Sea resources are included⁵⁴.

Newly independent republics of Central Asia had limited options for resolving their economic and ethnic problems due to geographical limitations for being landlocked states. For a sustainable development, options before them were either to follow Russia and build friendly relations with European countries or develop a community of interests with the neighbouring Muslim countries.⁵⁵ Central Asian states were the members of Economic Cooperation Organization (ECO) which had not been an Islamic organization but ironically all member states were Muslims. Perhaps the single greatest economic incentive in joining this organization for the Central Asian states was the access to the sea offered to these landlocked states by the three founding members of this organization, Turkey to the Black Sea, Iran to the Gulf and Pakistan to the Arabian Sea. Of the three,

⁵² Ahmed Hassan Dani, *New Light On Central Asia*, (Lahore: Sang-e-Meel Publications, 1997) p. 12

⁵³ Sharif Shuja, *Warming Sino-Iranian Relations: Will China Trade Nuclear Technology For Oil?* <http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=3865>(accessed on March 12, 2010)

⁵⁴ Devendra Kaushik, "India and Central Asia: Renewing Traditional Relationship", *South Asian Survey*, Vol. 3 . No. 2, (1999):235.

⁵⁵ Surendra Chopra, "Pakistan and Central Asian Republics", *Central Asia Emerging New Order*, ed. K. Warikoo (New Delhi: Har,Anand Publication, 1996)p. 299.

the shortest route was provided by Pakistan. More specifically, calculated from the Tajik capital of Dushanbe, Vladivostok on the Pacific Ocean was some 9500 km away; Rostov-ON-Don on the Black Sea, 4200 km; Abadan and Bandar Abbas on the Gulf, around 3200 km and Karachi on the Arabian Sea, about 2700 km. Estimates of other routes put the distance between Muslim Central Asia and the Arabian Sea at barely 2000 km,⁵⁶ that distance further decreased when it came to the Gwadar port.

The port of Gwadar once completely operational would serve as gateway to the region operating over an area of more than seven million square kilometers with a total population of over 300 million people consisting of Pakistan, Iran, Turkey, Afghanistan, and the Central Asian states. Thus Gwadar would be a gain to ECO countries, as it had vast hinterland stretching up to several breakaway states of the former Soviet Union in the North, to Iran, the Gulf, the Middle East, Egypt and Africa in the West, to India and Sri Lanka in the South.⁵⁷

At present, apart from being a potential external market, Central Asia with its large hydrocarbon reserves and natural gas resources had undoubtedly become a region of critical strategic importance and an object of intensified regional and international interests. Global powers had always been attracted by natural and energy resources in Central Asia, but the balance of power during the Cold War enforced peace in that region. Though there had been no direct security issue, but the extraordinary interest of

⁵⁶ Tahir Amin, "Pakistan, Afghanistan and Central Asian States", *The New Geopolitics of Central Asia and its Borderlands*, ed Ali Banuazizi and Myron Weiner (London, I.B. Tauris & Co Ltd, 1994). 222.

⁵⁷ Anwar, op.cit., 137.

local and global powers in the region gave rise to strife that, in turn, plunged the whole region into instability. That had also been an important factor behind Afghan imbroglio for most of the last decade.⁵⁸ To exploit the energy resources in Central Asia, particularly in Kazakhstan and Turkmenistan, developed countries were not only strengthening the network of their multinational companies for exploration of these resources. They were also trying to make such routes for easy access to these resources which could serve their long-term goals as well.⁵⁹

In the past all those countries depended entirely on mother Moscow for their socio-economic needs. With the USSR out of the picture their economies had almost collapsed. Poverty rate in Kyrgyzstan, Tajikistan and Azerbaijan is 55, 60 and 49% respectively; all these countries were considered poor by per capita income standards too.⁶⁰ As former socialist states, infrastructure for market economy, commerce and trade was nonexistent in this region. Fortunately they had abundant natural resources, and as Muslim countries they are a welcome addition to the neighbours in the south. Gwadar port offered them an out let into the Arabian Sea, the best market place on the face of the earth to market their oil and gas independently. Trade through Russia was the existing alternative, which had never proved anything more than exploitation and plunders for them. Central Asian republics could become future oil rich economies like those of the

⁵⁸ An IPS Study, "Pakistan-China relations in the 21st Century: Regional situation, security, economic & trade cooperation", *Policy Perspective*, vol.1, NO. 1 (April 2004). 70.

⁵⁹ *Ibid*, 80.

⁶⁰ Bushra Hamid, "Pakistan's Trade and Economic Relations with Central Asian Republics", *Strategic Perspective Central Asia*, No 48, (Summer 2001): 141.

Mideast if they utilize the Gwadar port and exploit the combined potential of their natural resources and market place available to them.

There was a dire need to improve the existing land and air travel facilities between China, Pakistan, Central Asia and other countries of the region in order to revive the historic cultural, economic and social bonds between the states of this region. Their need was to fully use the historical Silk Route.⁶¹ The Gwadar port compelled those nations to reopen the historic trade route for outlet of their trade and for the economic integration of that region.

According to the view of known historian Professor Ahmed Hassan Dani the significance of the opening of that route connected Kazakhstan, Kyrgyzstan and Xingjian directly to the sea and opened prospects for the outflow of their products and also for the inflow of world goods through the ports of Karachi and those on the Makran coast. The warm waters of the Arabian Sea for which Russia longed and fought for years were now open to the friendly people of Central Asia. The gateway of Pakistan was now wide open to break the isolation of Central Asia. The dream of the British traveler Moorcraft to bring down the goods of Central Asia along the Indus had now a chance of fulfillment with the added charm that this gateway is also open to world trade goods. In the twenty first century Pakistan became the quickest and safest channel for trade between the outside world and the countries of Central Asia.⁶²

⁶¹ Ibid. 79.

⁶² Ahmad Hassan Dani, *op.cit.*, 26.

The nations living in different parts of the world had been enhancing their relations with their neighbours in a way in which they could not only learn from one another's experiences but where benefits of economic development could also be transferred and result in overall regional development. European Union had significant achievements in that regard. Pakistan, the Central Asian states and Afghanistan were China's neighbours. So, she desired stability and peace in those areas. China, Central Asia, Afghanistan and Pakistan were linked by the traditional trade route. Revitalization of that route in the wake of peace and stability in the region would be extremely beneficial for all these countries.⁶³ The Gwadar port and other adjacent projects were the part of an effort to revitalize traditional routes. This port would help states of this region to have substantial economic cooperation which could ultimately lead to regional integration.

⁶³ An IPS Study, op.cit., 75.

CHAPTER 3

GWADAR PORT AND CHALLENGES FOR PAKISTAN

Pakistan expected to extract economical, military and political gains out of the Gwadar port. Besides these expected fruits, Pakistan expected the countermeasures of other nations which could create problems for proper utilization of Gwadar hub port. There were some regional and extra regional states those had some vital interests in that region and because of the construction of the Gwadar port their interests were at stake, such as Iran, the United States and India. They were closely monitoring the developments in Balochistan and especially in Gwadar. The interplay of interests of nation's increased the strategic importance of the Gwadar port. This chapter covers the building situations in this region which are mainly caused by interplay of interests in the Gwadar port. These situations brought with themselves many complications for Pakistan. Gwadar port had not yet been completed so the outcome of interplay of interests could

only be predicted. Besides those predictions some ongoing developments such as the present turmoil in Balochistan is also included in this chapter as it is an effect to the construction of the Gwadar port.

3.1 Political Instability in Baluchistan

In terms of area, Balochistan is the largest province of Pakistan. It is located towards the South West of the country and shares borders with Khyber Pakhtonkhaw, Punjab, Sindh, Afghanistan, Iran and the Arabian Sea.⁶⁴ The terrain of the province is mostly hilly and covered by deserts. This territory was rich in natural resources. Its excellent strategic location, resources and recent developments attracts different regional and extra regional powers in this region. After the independence, Balochistan has been a troubler region. The conflict between the Baloch people and the Pakistani government was over the distribution of province's resources. Increased terrorism in Balochistan also became a major factor in political instability of the province.⁶⁵ A protracted conflict could also destabilise the surrounding region, politically and economically. Balochistan was rich with gas, natural resources and mineral reserves. Large portions of two proposed gas pipelines one between Iran and Pakistan and another between Turkmenistan, Afghanistan and Pakistan would pass through Balochistan. International powers like the United States, China, Iran and India were already looking to this region for increased access to gas and

⁶⁴ Qazi Shakil Ahmad, "Balochistan: Overview of Internal and Internal Dimensions", *Pakistan Horizon*, Vol 58, No 2 (April 2005): 31.

⁶⁵ Ibid.

use of Balochistan's Gwadar port, at the entrance of the Persian Gulf, for international trade.

The interests of regional and extra regional powers in Pakistan's power bases had created opportunities as well as challenges for it. Among many states, Afghanistan and Pakistan were the states where the potential aggressor found the local population politically disunited, oppositely polarized, economically unstable and militarily weak. When people lacked commitment towards the central authority, it prepared a stage for external military intervention, the beginning of a new phase of long-standing involvement of the intervener in the target country, for instance India's intervention in East Pakistan, Soviet intervention in Afghanistan and United States involvement in El-Salvador.⁶⁶ Afghanistan and the province of Balochistan had attracted many expansionist powers in past and present, and had been involved in exploiting the discontentment disparity among local people.

Since its accession to Pakistan, Balochistan had seen many phases of internal conflicts but from the 1990s to 2003 there came relatively passive period where there was no significant security lapse found. Since the last seven years the province of Balochistan had been once again in headlines because of the construction of mega projects and deteriorating security situation in many parts of the province where militant groups and anti-federation tribal leaders are once again active and they are trying to

⁶⁶ Syed Sallahudin Ahmed, "Regional Economic Cooperation and Central Asian Republics", *Pakistan, Central Asia and The Region: Prospects of Regional Cooperation*, (Karachi:Progressive Publisher A Friends Publications, 2003): xvi

sabotage the ongoing developments in Balochistan. Pakistani authorities alleged foreign hand involvement in Balochistan crisis. Many Baloch nationalist parties and *Sardars* saw the construction of the Gwadar port with suspicion and were found involved in many security incidents. The Jamhoori Watan Party, Balochistan National Party (Mengal) and Balochistan National Movement launched the movement called “save Gwadar movement” and they hold protests at Sui and Gwadar.⁶⁷ Those states that were against the construction of Gwadar port, they provided those nationalist parties and *Sardars* the weapons and financial assistance. Since 2003, there had been many security incidents seen in adjacent areas of the Gwadar port such as killing of more than one dozen Chinese engineers and damage to communication systems. Former prime minister of Pakistan Mir Zafar Ullah Jmali who also belonged to Balochistan believed that there was foreign hand in the Balochistan strife, he termed those security incidents as an act of terrorism and did not rule out a foreign hand behind those incidents.⁶⁸

Islamabad had repeatedly said that India was involved in financing the Baloch nationalists and enticing them to create unrest in Balochistan. On their part, the Baloch nationalists, who were seeking greater share in the national resources and administrative autonomy, dispelled such allegations. Rather, they believed that Pakistan used the old formula of foreign involvement in the affairs of Balochistan mainly with the objective to divert attention from the actual Baloch problem.⁶⁹

⁶⁷ *Dawn(Islamabad)*, September 7, 2003.

⁶⁸ *Dawn(Islamabad)*, July 3, 2003.

⁶⁹ Yousuf Aziz, “Victims of ‘development’”, *The News (Islamabad)* April 26, 2009.

The Baloch leadership had a very clear response to that attitude. According to a senior Baloch political leader Atta Ullah Mengal, “Each time Islamabad accuses the Baloch of getting external assistance; it amounts to questioning the Baloch loyalties to the state.” He further stated that the Pakistani establishment had always been given the impression that those coming from the largest province and only Punjabies were the true patriots and loyal to Pakistan. Anyone who dared demand his just constitutional rights had to face the wrath of being declared as an anti-national, traitor and foreign agent.⁷⁰ The Baloch were reminded that they are not patriots of Pakistan. Thus, the challenge ahead of them was to either prove their loyalty to the land or prepare to be declared as anti-nationals.

Baloch leaders and people had suspicious view regarding the Gwadar and other developmental projects in Balochistan. The perceptions developed in their minds were that the new Gwadar port and city had turned out to be a major land grab for investors from outside the province. Initially, the federal authorities envisaged 2.5 million people being inducted from outside the province. That had been climbed to 5 million where as the total population of the entire province is 6-7 million, the people of Balochistan had raised protest that that massive influx would swamp them; deprive them of a share in the opportunities created by those mega-projects, and wiped out their identity.⁷¹ The government believed that those were the work of elements opposed to the exploration instead of removing their doubts.

⁷⁰ *Friday Times(Lahore)*, 7 July 2007.

⁷¹“BalochistanInsurgency”, <<http://www.globalsecurity.org/military/world/war/balochistan-2004.htm>> (accessed on Feb 4, 2010)

Chief Minister Nawab Aslam Raisani said that Gwadar port was the asset of the Baloch people and we would never let the Baloch majority converted into a minority in Gwadar. He said the agreement signed with a Singapore company for operating the port would be reviewed and amended if necessary. The agreement must be to the benefit of Balochistan and its people. He directed the Gwadar Port Authority to provide jobs to unemployed locals because it was their right and they must be given priority.⁷² Lack of economic progress and a deep sense of disaffection had contributed to the distrust between the federal government and the Baloch people.

There were two major reasons which forced Baloch people and inhabitants of Gwadar to oppose the construction of Gwadar port.

Firstly, politically the Baloch people felt that the heavy influx of outsiders and investors on their land would convert them into an ethnic minority on a land they had inhabited for centuries. They looked the development of new housing societies with suspicion eye where Balochis had no place due to their poverty. And mostly people from Islamabad and Punjab got ownership of land.⁷³

Secondly, economically they felt, that due to the investment by the people of other provinces they would ignored in availing job opportunities because of low standard education. They demanded the top priority for job opportunities created at the Gwadar

⁷² *The News(Islamabad)*, Feb 4, 2010.

⁷³ *Polotical turmoil in Baluchistan*, <<http://pr.hec.gov.pk/Chapters/627-6.pdf>> (accessed on March 10, 2010)

Port.⁷⁴ The economic benefits of the port project should be trickled down to the local population. The displaced people from the area of the Gwadar port should be properly compensated. To overcome the standard of education for the requirement of Jobs, the Baloch leadership demanded that the government should open technical training centers for the Baloch youths, so that would be able to get jobs and run their port effectively in future.

A well known Baloch nationalist leader, Sardar Attaullah Mengal, explained the Baloch stance on Gwadar Port in an interview with Lahore-based English weekly, The Friday Times: “We have never opposed the idea of developing Gwadar or any other port of Balochistan. We apprised the Mushahid Hussain-led Parliamentary Sub-Committee about our reservations. Since Gwadar had been a small coastal town, the influx of a large number of outsiders when the Port became operational would result in serious demographic changes. The total population of Balochistan was half of Karachi’s population. The government was planning to set up another Karachi at Gwadar.”⁷⁵

3.1.1 Political Instability in Baluchistan: Foreign Involvement

The interplay interests forced regional and extra regional powers to take keen interests in Balochistan. Their intelligence agencies tried to destabilise Balochistan. United States issued a map in 2008 where in future Pakistan Balochistan was shown as

⁷⁴ Zaid Haider, “Baluch, Beijing, and Pakistan’s Gwadar Port”, *Georgetown Journal of International Affairs*, (Winter/Spring 2005):14.

⁷⁵ *Friday Times(Lahore)*, 7 July 2007, Malik Siraj Akbar, “ Gwadar Port: Reactions from India, Pakistan and Balochistan”, <<http://gmcmisning.wordpress.com/2008/01/26/gwadar-port-reactions-from-india-pakistan-and-balochistan/> Dr Ayesha Jalal’s Interview.htm> (accessed on May 3,2010)

separate part struggling for freedom.⁷⁶ Indian intelligence agencies also supported greater Balochistan. They gave all support to those leaders who worked for greater Balochistan. Pakistan's former Interior minister Aftab Ahmed Khan Sherpao said in a news conference that security agencies of Pakistan had solid evidences of involvement of neighbouring countries from Pakistan's western and eastern borders.⁷⁷ His statement indicated clearly the involvement of Afghanistan and India. Foreign involvement also traced out through the weapons which had been used in different blasts and assassination attempts. They were not made in Pakistan they were Russian manufactured and were so expensive which could not be bought with *Sardars'* budget only, it needed a huge amount of money which should be provided consistently. Former Balochistan's Governor Owais Ahmed Ghani explained the international and national media that government was effectively dealing with trained insurgents, saboteurs and terrorist using most sophisticated weaponry in district of Bughti and Marri tribal area of the province with foreign involvement.⁷⁸ It was very clear that with economical and military assistance of a few countries and a few leaders of Balochistan were busy in sabotaging the on going developments and exploiting the nationalist feelings of locals and also highlighting the economical and political deprivation and discontentment of the people. Former President Pervaiz Mushraf raised a valid point when he said that "People of the province could not

⁷⁶ "Greater Balochistan: U.S. Military Agenda"< <http://metaexistence.org/usagenda.htm>> (accessed on March 10,2010).

⁷⁷*Dawn*, (Islamabad) March 8 2006.

⁷⁸*Dawn*, (Islamabad) February 7 2006.

harm their own as well as national interests. The people of Balochistan could not destroy power towers and railway tracks which were laid for their prosperity and progress.”⁷⁹

It was clear that there was foreign hand behind security lapses of Balochistan. Few countries could be found guilty of such crimes against Pakistan those states were: India, Afghanistan, Russia, Iran, UAE and the United States. On the eastern border of Pakistan there was India and it was not contented with the construction of the Gwadar port and felt that the Gwadar port could endanger its interests in this region and it was a part of Chinese strategy to encircle Indian in Indian Ocean.⁸⁰ Since the Sino-Pak agreement on the construction of Gwadar port India had been trying to offset the Sino-Pak master plan. On the Western border there was Afghanistan, which was the strategic partner of India and Iran; those three countries had signed the trilateral agreement on the transit facilities. Iran was a competitor of Pakistan and it also had offered transit facilities to Central Asia, Afghanistan and to India. Iran would maximize the chances of success of her port if there was security problems in Balochistan, so one could not rule out Iranian involvement.⁸¹ Russia could also be found involved in Balochistan turmoil as it was the strategic partner of India and Iran and they were working on the North South Transit Corridor plan. Russia would not like to see a country getting influence in the Central Asian republics which was not Russian friendly and to minimize Pakistan’s involvement in the newly independent states of Central Asia. Russia needed to offset Pakistani efforts

⁷⁹ *Dawn*, (Islamabad) February 10 2005.

⁸⁰ Abdus Sattar Ghazali, “India Alarmed As Chinese Built Gwadar Port Of Pakistan Becomes Operational” <<http://www.worldproutassembly.org/2008/02/.html>> (accessed on March 10,2010)

⁸¹ Shireen Hunter, “Iran Pragmatic Regional Policy”, *Journal Of International Affairs*, Vol. 56. NO.2 (Spring 2003): 143.

to persuade the Central Asian States to use the Gwadar port for outlet of their trade. The involvement of the United Arab Emirates in the security turmoil of Balochistan could also be not ruled out because they believed that the Gwadar port would lessen the importance and activities of their own ports at Gulf Sea.⁸² They could not see their interests being put in danger by the Gwadar port, so their involvement in insecurity of Balochistan could not be ignored. There were also likely chances of the United States' involvement in Balochistan strife. The Super Power saw the Pak- China joint construction of Gwadar port with suspicion because the Gwadar port could help China to increase its influence in Central Asia and maximize its economic and strategic gains which was not acceptable for the United States. So, it would try to hamper the peaceful Chinese rise in this region and would try to endanger Chinese opportunities and interests through that port. The United States was the strategic partner of India and it would try to help its partner against China. These interests had increased the chances of United States involvement in Balochistan insecurity.⁸³

Besides involvement of countries in creating insurgency in Balochistan, there were non conventional military groups active in sabotaging the mega projects of Balochistan. One could not neglect the possible involvement of terrorist groups such as Al-Qaida in terrorist incidents in Balochistan. Taliban and Al-Qaida were against the

⁸² "US Policy in Central Asia," House of Representatives of the 107th Congress, 6 June 2001, serial no.107-201. < http://commdocs.house.gov/committees/intlrel/hfa72975.000/hfa72975_0.HTM#2> (accessed on February 3, 2010)

⁸³ David Montero, "A new China-financed port on Pakistan's coast ups the ante in the new Great Game for energy resources in the Middle East", *Christian Science Monitor*, <www.csmonitor.com> (accessed on April 13, 2010)

interference and presence of non Muslims in Muslims countries and they believed that their presence was to control the wealth which belonged to the Muslims. The Gwadar port had been constructed to provide the transit facilities to many Muslim and non Muslim countries. Al-Qaida and the Taliban had got the opportunity to widen the scope of their activities in Balochistan which was the remotest part of Pakistan. With the United States concentrating on Iraq, its fight against terrorism in Afghanistan and Pakistan's tribal areas had slackened considerably. That had allowed the Taliban to regroup in that region. Reports suggested that in Balochistan and Khyber Pakhtonkhaw, the Taliban writ had been running comfortably.⁸⁴

Six decades of complaints had been passed away, political instability remained constant. Foreign involvement and rescue military operations were the main cause of creating instability in Balochistan, which was neither good for Pakistan nor for development of Balochistan. The present government had resorted to all repressive measures to muzzle the Baloch demand for greater autonomy and right of ownership of its natural resources through constitutional and political reforms named as Aghaz Haqooq e Balochistan.⁸⁵

The construction of the Gwadar Port and the Makran coastal highway had been accelerated by the Army in order to complete the projects according to the schedule. Those projects had resulted in the displacement of thousands of Baloch from their

⁸⁴ Nanda, op.cit. 111.

⁸⁵ "Aghaz-E-Huqooq-E-Balochistan Package: An Analysis", *Pakistan institute of legislative development and transparency* <www.pildat.org> (accessed on April 25,2010)

ancestral land and the forcible acquisition of their land by the Government without paying them adequate compensation and without giving them suitable land in return. Moreover, fearing Indian attempts to sabotage the projects, the Government had forcibly removed the Hindus and many of the Baloch, whose loyalty was suspected, from the area, which had been declared a sensitive defence zone.

While the Hindus had been forced to migrate to Sindh, the Baloch, who were suspected of being sympathetic to India, had been removed far away from the site of the port. A large number of Punjabi and Pashtun ex-servicemen, whose loyalty to Islamabad was beyond doubt, had been re-settled in the Makran coastal area to work in these projects.

Allegations that the military authorities had bought most of the prime land at throw-away prices are rife. According to local officials, over 80 per cent of the plots in the Gwadar Singhar Housing Scheme had been arbitrarily allotted to outsiders, many of them senior military and civilian officials.⁸⁶

The Gwadar Port Authority (GPA) ignored the local people. The city's Master Plan, prepared by the National Engineering Service of Pakistan (NESPAK), was another no-go area for the local authorities. Even provincial authorities were virtually bypassed in its formulation.⁸⁷

⁸⁶ Ibid.

⁸⁷ M. Ziauddin, "Gwadar seaport — still a long way to go", *Dawn*(Islamabad), August 14, 2006.

The government should take solid steps to meet the needs of people, educational institutions and vocational training centers must be established across Balochistan. Development could not be limited only to building infrastructure or setting up giant projects. Development plans must focus on building civil society, including establishing press clubs, bar associations and community radio and television networks. This would connect the population of Balochistan to the rest of the country and enhance the cultural environment within which they could lead their lives. In this explosive situation in Balochistan, the more vulnerable members of society, such as children, members of minority communities and unemployed youth not only deserved special protection, their social and economic advancement must be guaranteed through appropriate plans of action. Therefore, it was necessary to treat them very carefully on the issue of Balochistan. The national interests demanded that patience, negotiation and compromise should be the hallmark of federal policy rather than knee-jerk army operations and detentions. At the same time, the federal government should make serious efforts to clinch the new development conditions of resource sharing with local tribes and ethnic nationalism in Pakistan. Those all were possible when all elements like government, leaders of tribes, regional political parties as well as nationalist movements would take serious attention to solve the problems.

Gwadar had the potential to become a major domestic, regional and even international port providing Pakistan with increased trade activity and strategic importance, especially in the energy sector. However developing the necessary

infrastructure of roads and railways linking Gwadar with the rest of the country and further out into Central Asia and China had been sorely lacking.

To fully extract the economic, political and military gains from the development of the Gwadar port Pakistan had to tackle carefully the emerging security situation in Balochistan. Pakistan at the same time needed to apply stick and carrot policy in order to counter insecurity; the use of only one element could further exaggerate the uncertainty of the Gwadar port and Balochistan. The poor people of Balochistan desperately needed to overcome decades of neglect and deprivation of rights by bringing the nationalists on board through a fair distribution of the benefits of development and modernization.

Both Islamabad and the provincial government needed to make effort if Gwadar had to become a significant player in the Asian energy corridor. The two players must work together and try to resolve the tensions between Islamabad and the local population. The stakes had been high for Pakistan; to be an important player in the global energy trade; it must both manage instability in a critical province and advance its international goals. Although the “Aghaz-e-Haqooq-e-Balochistan package” presented in the joint sitting of both Houses of parliament, had been termed as “eye wash” by radical Baloch element, yet the empowerment package would go a long way in redressing the grievances of the people of the province. As the title of the package suggested the “starting of the rights of Balochistan, it was unlikely to resolve all outstanding issue of Balochistan overnight, but held the promise of a better tomorrow for Balochistan. The package contained a series of constitutional reforms, economic measures and administrative steps

to placate the hurt feelings of the people of Balochistan. Undeniably, Balochistan had suffered long years of neglect. In terms of literacy, higher education, technological development, healthcare, infrastructure development and industrialization, the province was far behind rest of the country.⁹⁰ The economic experts indicated that lack of financial resources, inefficiency, corruption and a weak approach of the economic planners and managers, had been the main hurdles that retarded the process of economic development. The NFC Award failed to provide enough resources for that least developed province, under the distribution formula based on population.⁹¹

Presently, a paradigm shift was visible in the form of Balochistan Empowerment Package that would remove the qualms of disgruntled Baloch feudal lords as well the hurt feelings of the people of Balochistan.⁹² The package promised a judicial inquiry into the allotment of land in Gwadar to accommodate the local population. Besides, a free economic zone would be established in that port city and all jobs would be offered to the local population. The chief minister would be the ex-officio chairperson of the Gwadar Development Authority. There would be a special development package for the Sui area where 5,000 additional provincial cadre jobs would be created. The province would be able to purchase up to 20 per cent of the shares of the PPL, the OGDCL and the Sui Southern when offered in the open market. The Saindak project would be exclusively

⁹⁰ W. R. Brock , “Economic Development and Infrastructure: The Case of Balochistan Province”, *The Pakistan Development Review*, (Spring 2006) : 85- 93.

⁹¹ I.A. Rehman , “NFC award and after”, *The News* (Islamabad) January 7, 2010.

⁹² Noor Ul Haq, “Aghaz-E-Huqooq-E-Balochistan” <[Http://Iripak.Org/Factfiles/Ff118.Pdf](http://Iripak.Org/Factfiles/Ff118.Pdf)> (accessed on February 10, 2010).

handed over to the province. Similarly, Rs1 billion would be spent on the rehabilitation of Internally Displaced People (IDPs) from Dera Bhugti.⁹³

The contrary perceptions about the “Balochistan Empowerment Package-2009” had created hopes as well as frustrations in the minds of politician of Balochistan. There were two schools of thoughts in Balochistan, one was radical nationalists and other was the progressives. Both had divergent views of the package. The nationalist groups consisted of annoyed feudal *sardars* and radical Baloch youth, those were demanding more autonomy within the federation of Pakistan. Whereas the progressives were liberal and open minded people, they took the Balochistan Empowerment Package in a pragmatic way and fully supported Federation’s policy. They considered that package as a compensation for the injustices done to the province in the past. Balochistan was an extremely important province of Pakistan. A number of forces had served to draw Pakistan together into nationhood. The common bond tying people of Pakistan together had been Islamic culture and regional folkways.⁹⁴

The political and economic problems needed to be addressed through a policy of tolerance, reconciliation and mutual understanding. The attitude of the present federal government from the very beginning had been appeasing and compromising. The government, on behalf of the people of Pakistan had already apologized to the people of Balochistan for the violence and injustices committed against them. The peaceful

⁹³ Ibid.

⁹⁴ Usman Zahid “Aghaz-e-Haqooq-e-Balochistan”, *The News*, (Islamabad), November 30, 2009.

dialogue process with all parties would bring perpetual peace in the province. The dialogue process should include four political parties of Balochistan who had come into power in 2008 election; the Balochistan National Party (BNP), National Party (NP), and Baloch Republican Party (BRP), all factions of the Baloch Students' Organization (BSO) and other components of the Baloch National Front (BNF). This process would never successful without inclusion of Baloch representatives like Nawab Marri, Sardar Mengal, Brahamdag Bhugti and Khan of Kalat, Mir Suleiman Daud.⁹⁵

Balochistan Chief Minister Nawab Aslam Raisani said that consensus on NFC Award was a proof of the political maturity of national leadership. He declared the holding of NFC signing ceremony in Gwadar as a milestone in the national.⁹⁶ These statement and friendly gesture by provincial leadership would be helpful in political stability.

3.2 Interplays Interests of Regional and Extra Regional Powers

Small powers could not play the crucial role in international affairs but they could indirectly affect the role and strategies of great powers. Their geography played an important role in attracting one or two great powers. Due to its location, Gwadar port attracted both United States and China. Both great powers saw it as a tool to achieve their

⁹⁵ http://thenews.jang.com.pk/top_story_detail.asp?Id=26374(accessed on Feb 16, 2010).

⁹⁶ *The News*, (Islamabad), March 17, 2010.

vital interests in this region. China needed Gwadar port for political, military and economic interests in this region. Gwadar port was considered to be the Chinese pearl in Pakistani waters; China would need Gwadar port to ensure the security of the important sea lines of communications in the Gulf Sea which were life lines of Chinese economy. The Gwadar port could play a key role in Sino-Indian conflict in the Indian Ocean in future, before such eventuality China would need substantial naval presence at the Gwadar port. China was a time tested friend of Pakistan and had helped her in difficult situations against international pressure and against Indian aggression, thus China could ask basing rights from Pakistan. China was heavily investing in the Gwadar port project; it would not be difficult for her to persuade Pakistan to give her basing rights there.⁹⁷

Since the Iraq War public opinion in Arab countries was getting worst against United States. The Gwadar port presented an alternative naval base for United States' forces in absence of Arab port facilities. In the military conflict with Iran, the Gwadar port had been strategically an ideal location to monitor Iranian military movements in the Persian Gulf and in Sistan province. The United States case was also very strong to get basing rights at Gwadar port. Pakistan had been non-NATO ally of United States and it was Pakistan's responsibility to provide logistic support to NATO members, United States had been the sole superpower of the world and increasingly believes in unilateral

⁹⁷ Fazal-Ur-Rahman , "Prospects Of Pakistan Becoming A Trade And Energy Corridor For China"
<[Http://Www.Issi.Org.Pk/Journal/2007/Article/A3.htm](http://www.issi.org.pk/journal/2007/article/A3.htm)> (Accessed On Feb 18, 2010)

action, so it would not be difficult for her to intimidate or kindly persuade Pakistan to provide her basing rights to her.⁹⁸

Interests of both powers and pressure on Pakistan for attainment of basing rights at Gwadar port could put Pakistan in a very difficult situation, because it had to choose between times tested friend and an ally as it could not render basing rights to both at the same time. Pakistan could not deny one of them or both of them as Pakistan had not been fully non-aligned. Pakistan needed both United States and China for its survival against Indian aggression and against other conventional and non-conventional military aggression, and also for economical and political prosperity. In the past Pakistan had been able to create balance in relations with these two powers, but in the Gwadar case Pakistan had a very little room for an independent decision.⁹⁹ If Pakistan gave basing rights to United States then it would have to lose its friend and would have to face Chinese counter measures. If Pakistan denied United States the basing rights then it would face United States' pressure on its nuclear program, stance on terrorism issue etc.¹⁰⁰ If China could persuade Pakistan for basing rights then Pakistan would have to face United States' discontentment and pressure. If Pakistan denied China of basing rights then China could in response deny all its military assistance to Pakistan and it was something which Pakistan could not afford because the Pakistan military and energy sector heavily depended on Chinese assistance. There was only one way in which

⁹⁸ Asma Shakir Khawaja , "Pakistan and the 'New Great Game" , *IPRI Journal*,(2003):57.

⁹⁹ Zhang Guihong , "U.S. Security Policy Toward South Asia After September 11,2001" ,
< <http://www.stimson.org/china/pdf/secpolsouthasia.pdf>>(accessed on March 12,2010)

¹⁰⁰Shireen Hunter, "Iran Pragmatic Regional Policy", *Journal Of International Affairs*, Vol. 56. NO.2 (Spring 2003): 143.

Pakistan could mitigate their wrath and that was not offering basing rights to both against each other, and in a situation where security interest of one power was endangered by rendering basing rights to other. In case of using that port against any other nation Pakistan could not deny them the basing rights.

In the near future Pakistan could face the challenging dilemma if one or both states asked her for basing rights at the Gwadar port against each other's interests. Pakistan could not stay neutral because of her geographical, military and economical compulsions and Pakistan needs these two powers to help her through military, economic and political assistance. To gain something small powers tended to lose something more than greater powers.

3.2.1 United States' Concerns on Gwadar Port

The United States had been one extra-regional power whose interests were affected by the construction of Gwadar port. Any significant development could endanger her interests in that region, and it was closely monitoring the ongoing developments in this region. The Construction of the Gwadar port had brought new challenges for her as this project was a joint venture of Pakistan and China. China was an emerging superpower of world which was a threatening sign for the United States and it could not afford another Cold War situation. The United States was facing stiff competition with China to acquire new markets for her goods and to get control of energy resources. Central Asia and Gulf were the regions where that competition was at its peak as both countries had a vital interest in that region and they competed with each other to

maximize their gain. After the super power's attack on Afghanistan, she got an opportunity to position herself in an area which was the richest in natural resources, at the southwest of Afghanistan there was Middle East and on the north there was Central Asia. Sensing the danger of the United States' presence for Chinese interests in this region, China hastened to sign an agreement with Pakistan to construct the Gwadar port as a joint venture. Gwadar port had given China a chance to increase her presence at Gulf Sea and to maximize her gains in Central Asian region. Such an emerging situation in that region had created new challenges for United States, and it needed to protect her interests in this region. United States could put pressure on Pakistan to deny the basing rights to China.¹⁰¹ To counter Chinese presence at Gwadar port, United States would have to ask Pakistan to let her use the transit facilities for her trade with the Central Asian Republics and Afghanistan.

Gwadar port could help United States to isolate Iran, it could encourage the Central Asian states to prefer Gwadar port on Chahbahar port, United States could also persuade India to break up her strategic partnership with Iran and prefer Gwadar port on Chahbahar port. For such an eventuality United States would need to provide a few incentives to India, such as protection of her vital interests in Gulf Sea and Indian Ocean, United States had recently made a nuclear deal with India to full her energy needs just to

¹⁰¹ Jeffrey T. Richelson, *China and the United States: From Hostility to Engagement*,(Beijing: Princeton University Press,2000)p.117.

keep India away from the gas pipeline project. Gwadar port was a source of concern for United States and it needed to change those concerns into opportunities.¹⁰²

China had turned its attention and energies to the seas. It had become a staple of Western commentary on East Asian international relations. And, indeed, China was pursuing sea power measured by the Mahanian indices of commerce, bases and ships and it was building up a powerful navy with dispatch. The paramount concern animating Chinese interests in the Indian Ocean was energy security, an imperative that had been widely debated in media and academic studies. The nation's energy use had more than doubled over the past two decades, exacerbating its dependency on energy imports. Industries seemingly insatiable appetite for energy resources had brought tremendous domestic political pressure on the communist regime to assure an uninterrupted flow of energy, sustaining economic development and, in turn, its own legitimacy. Chinese officials had sought out supplies of oil and gas as far away as the Persian Gulf and the Horn of Africa. Energy security had compelled Beijing to cast anxious eyes on the sea lines of communication.¹⁰³ The Chinese had also devoted substantial attention to the security dilemma posed by the United States' Navy's dominance of the high seas stretching from the Persian Gulf to the Indian Ocean to the South China Sea. They worried that United States' naval powers would hold China's sea-dependent economy

¹⁰² Stephen Larrabee, *Troubled Partnership U.S.Iran Relations in an Era of Global Geopolitical Change*, (London:Oxford Press,2008)p.135.

¹⁰³ Andrew Hadson, *Energy in China: Transportation, Electric Power and Fuel Markets* (Tokyo: Asian Pacific Research Centre, 2004)p. 5.

hostage in times of crisis. In particular, the Malacca Strait, the maritime portal for virtually all of China's Persian Gulf oil, preoccupied Chinese thinking.¹⁰⁴

The Indian Ocean was plainly one maritime expanse in which the United States might hypothetically interrupt Chinese oil supplies. An editorial in *Ming Pao* portrayed recent United States' overtures toward India as part of a diplomatic strategy animated by the calculation that "whichever country controls the Indian Ocean controls East Asia."¹⁰⁵ Oil was shipped from the Gulf via the Indian Ocean and the Straits of Malacca to China, Korea, and Japan. If another power held the lifeline, the three oil-importing countries would suffer severe blows. Because the United States' strategy was to hold sway over the oil route, the United States had in recent years showered attentions on India, Vietnam and Singapore all of which lied on that route.¹⁰⁶ Some Chinese strategists considered the Indian Ocean an arena in which the United States would strive to contain Beijing's broader aspirations. They appraised Washington's military realignment in the Asia-Pacific region in stark geopolitical terms.¹⁰⁷

However Gwadar is a more useful asset in peacetime than wartime, conditions remain unfavourable unless the Pakistan Liberation Army managed to a mass enough military power in its vicinity to defend it from the United States or Indian forces which are present in Indian Ocean. Strategically located near the Strait of Hormuz, the new seaport represented both a new economic gateway and a military opportunity for Beijing.

¹⁰⁴ Ibid.

¹⁰⁵ Ming Pao ,Editorial, "US-Indian Alliance Against China," *Asian Times*, (August , 2005).

¹⁰⁶ Amy Myers Jaffe, Steven W. Lewis, "Beijing's Oil Diplomacy", *Survival*, volume 44, No. 1 (Spring 2002): 118.

¹⁰⁷ Ming Pao, op.cit.

In terms of energy security, Gwadar could act as a strategic edge; giving Beijing a workaround should the United States blockade the Malacca Strait during a Taiwan contingency or some other Sino-US clash. Persian Gulf oil could be offloaded at the port and transported overland to China. Beijing might find the high price of such an alternative worth paying for assured energy supplies in the face of a United States-imposed embargo.¹⁰⁸

From a military standpoint, Gwadar already offered a useful installation for monitoring commercial and military traffic passing through the critical chokepoint at Hormuz. Over the longer term, should China develop a navy robust enough to project credible power into the Indian Ocean? In that case the port promised to allow Beijing for the first time to directly shape events in the Persian Gulf. All of that said that Gwadar by no means represented a trump card for China, either in energy security or military terms. Gwadar's geographic position near the Strait of Hormuz had evidently excited Beijing's attention, but geography had not been everything.

Beijing's effort to outflank the United States' naval operations using an overland route might itself be outflanked in wartime. If Washington directed the United States' Navy to interdict Chinese petroleum shipments, it would probably do so within the confines of the Persian Gulf, where tracking and intercepting shipments bound for Hormuz was a relatively simple matter for the United States' warships and aircraft. Cargoes bound for Gwadar, and then for transshipment to China, might never reach the

¹⁰⁸ Anoushiravan Ehteshami, *op.cit.* 38.

Pakistani seaport in the first place. This would severely degrade its strategic value to Beijing.¹⁰⁹

After the disintegration of the USSR, the United States saw China as a potential competitor. Both the United States and China tried to out play each other in every contest. The United States was very much agitated with growing Chinese political, military and economic power, and China was concerned with American efforts to put halt to her peaceful rise.¹¹⁰ The United States got the chance to threaten Chinese rise when she found the reason to launch an attack on Afghanistan. China could foresee the challenges coming in front of her and the role which a port near Gulf could play to secure her interests in this region and beyond. That was the reason why China hastened to build the Gwadar port and the decision to assist Pakistan in constructing the Gwadar port came soon after the United States launched attack on Afghanistan.

Although China had supported the United States' war against terrorism but it was not comfortable with United States intentions behind her military presence in this region. The US military presence in Afghanistan and Central Asia had been a matter of concern for China. Many Chinese analysts believed that besides the pretext of war against terrorism, Washington had a political agenda- containing China.¹¹¹ That eventuality of the United States intention could not be ruled out because China is a communist state which was politically, militarily, and economically getting stronger day by day and it was

¹⁰⁹ Rizwan Zeb, "Gwadar-China Oil Pipeline Study Underway," *Pakistan Observer*, (Islamabad), September 4, 2006.

¹¹⁰ Robert Brad, "1995 and the End of the Post Cold War Era", *Washington quarterly*-1,(2008): 18.

¹¹¹ Fazal-ur-Rahman, "China-Pakistan Relations", *Proceedings of the International Conference on China and the Emerging Asian Century* (Islamabad: Institute of Strategic Studies ,September 27-28, 2005):80.

also predicted that with persistent growth rate China would catch-up the United States in 2020.¹¹²

The neo-cons, in the United States, had introduced a new concept of pre-emptive strike against the perceived enemy or threat. By that they, in fact, wanted to maintain their domination and obliterate any challenge to it. Obviously, such posturing had jeopardized world peace and security especially in the region where they found enemies. The neo-cons had embarked upon a policy to establish a new imperial system in the world, which would allow using of force for ensuring the US control of the existing and known natural resources and their transportation routes in the world.¹¹³ Growing American expansionism in South and West Asia was a big challenge for Chinese peace and stability.

The United States wanted to stay for a long time in that region and she had been trying to increase Chinese vulnerabilities. Many of her next door neighbours had extended the unconditional assistance to the United States in global war on terrorism. The Republic of Kyrgyzstan permitted the United States to set up a military base at Manas International Airport. From mid December 2001, up to 40 planes reportedly arrived in Kyrgyzstan. Those planes had brought the US and French troops. Kazakhstan provided support to the US-led international struggle against terrorism in Afghanistan in the form of over flights through its air space as well as emergency landing facilities. But Turkmenistan had avoided associating with the US because of its policy of neutrality.

¹¹² Ibid.

¹¹³ An IPS Study, op.cit, 77.

Tajikistan had offered three air bases, namely, Kulyab, Khojand and Kurgan-Tyube. Tajikistan was the first Central Asian state to provide an available inland base for launching of the US air strikes for offensive operations against the Taliban.¹¹⁴ Pakistan also had to offer full fledged and unconditional support. That was a deliberate effort of the United States to reduce Chinese allies in any foreseeable conflict with China in future.¹¹⁵

The Super Power presence in the Central Asia had threatened Chinese interests in that region as she required her neighbours and their natural resources for her stable growth. Central Asia had become main target of many industrialized nations because of loads of natural resources. The United States could not keep herself away from power game in Central Asia; she wanted to have firm base in this region in order to maximize her gains. Taking advantage of the so-called war on terrorism in Afghanistan, the United States had established several military bases in Pakistan and in the Central Asian States which had added a new dimension in the Central Asian geo-politics.¹¹⁶

For stable and sustained economic growth China needed security within and outside her borders, whereas presence of American forces had brought new security concerns for China. The United States perceived China as big threat for her interests in

¹¹⁴ Alam, op.cit., 126.

¹¹⁵ James Holmes, Testimony before the United States-China Economic and Security, *Review Commission*, United States Naval War College (June 2007):3.

¹¹⁶ Ibid, 6.

the region. China's borders were common with three Central Asian states, and along with its relations with them, China wanted to ensure peace in the region.¹¹⁷

China imported a large share of her crude oil from the Middle East and of which huge quantity passed through Strait of Hormuz. American presence near the Strait of Hormuz and at other important SLOCs in the Indian Ocean could generate great economic problems for China because of China's growing dependency on imported crude oil. China felt a need to break out of the steel ring erected by the United States and its allies around the Chinese seas routes.¹¹⁸

To hamper American expansionism in this region China needed to counter United States' political and military manoeuvres, China needed to integrate this region under her stewardship. By providing huge economic and technical assistance to Pakistan to build Gwadar port, China meant to amplify her political, economic, and military influence in this region. The Gwadar port would allow China to create a buffer around it and would help it to make more friends within her neighbours. Their reasons for supporting; Free Baluchistan would be to cut off this strategic region from Pakistan.

3.2.2 Iran's Concerns on the Gwadar Port

Interests and reasons behind building a port at important choke points of the Indian Ocean for Pakistan and Iran were more or less the same. However, for Pakistan,

¹¹⁷ An IPS Study, op.cit., 73.

¹¹⁸ Harvir Sharma, "China's Interests in the Indian Ocean Rim Countries and India's Maritime Security", *India Quarterly*, Vol. LVII, No. 4 (Oct-Dec 2001): 82.

building a port was more of an economic and military matter whereas for Iran building a port at Chahbahar had been a matter of survival and key to break-away from being isolated in that region. Pakistan was building that mega project with financial and technological assistance of China whereas India was helping Iran through financial and technological assistance to build Chahbahar port. Iran, with assistance from India, plans to channel and monopolize trade from Tajikistan, Kyrgyzstan, Kazakhstan and the other Central Asian Republics destined for the East and the Gulf via Chahbahar. Chahbahar was an Iranian city and a port on the coast of the Sea of Oman. Chahbahar was situated in the Sistan and Balochistan province of Iran and had a large free trade and industrial zone. Due to its free trade zone, the city had got the attention of international trade. With an area of 14,000 hectares, Chahbahar's Free Trade Zone is located in the south eastern part of Iran along the blue waters of the Gulf of Oman. That region was connected by a land and air transportation network in the north to the Central Asian countries and Afghanistan, in the east to Pakistan and in the south to the Indian Ocean. Direct access to the free waters being away from the Persian Gulf, at times of crisis provided a strategic situation for a corridor between the Central Asian as well as other countries throughout the world.¹¹⁹ To the south, Iran shared 2,000 km. of the coastlines of the Sea of Oman and the Persian Gulf, one of the most vital transit points in the world, as a larger part of Gulf oil passed through that sea route. Chahbahar was the closest and best access point of Iran to the Indian Ocean. For this reason, Chahbahar was the focal point of Iran for the development of the east of Iran through expansion and enhancement of the transit among

¹¹⁹“Iran ready to offer trade corridor for transit”, *Middle East Logistics*, www.middleeastlogistics.com/topnews.asp?id=2877 (accessed on April 2,2010)

countries situated in the northern part of the Indian Ocean and Central Asia.¹²⁰ Iran hoped that with the development of the transit routes, better security and providing transit services, she would be able to attract the Central Asian Republics to use her port as an outlet for their natural resources to the world markets.

Iran had been trying to build a port at Chahbahar since the 1990s when the Central Asian Republics decided to get out of Russian dependency and looked for neighbours to provide them the fastest and economic trade outlet to warm waters of the Indian Ocean. In the early 1990s Iran signed a treaty with India to provide her with transit facilities towards the Central Asian states. This treaty played a crucial role in signing the MOU between Iran and India in 2003, in which both states decided to build a port at Chahbahar port with Indian financial assistance. India promised \$150 million as an economic assistance to Iran to build the Chahbahar port and link road between Iran and Afghanistan consequently Iran has granted India exclusive rights to use this port.¹²¹

There had been a stated tug of war in that region, many states in that region and beyond, wanted to get a larger share in the natural resources of the region. Iran and Pakistan had got the world's attention as these both states had started working on communication projects to provide the world and the Central Asian Republics with transit facilities. Pakistan and Iran were both competitors in a competition which could be understood from Zero Sum phenomenon in which gain for one, meant the loss for other,

¹²⁰ Ibid.

¹²¹ Asma Shakir, "Indo-Russian and Iranian Collaboration in Central Asia", *Pakistan Observer*(Islamabad), (August 22, 2002).

and looking at the present international efforts to isolate Iran. There was very much likelihood that Iran would be at the losing end.¹²² This phenomenon had given the rise to Iranian reservations about Gwadar port and she perceived that Gwadar port was the part of international efforts to isolate her and create security challenges for her. The Iranian efforts to counter international efforts which were mainly to encircle and isolate her and she believed that Gwadar port was one of biggest hurdles in her way to achieve her objectives. In this context Indo-Iran strategic partnership was very important as it was the counter measure of Iran to deal with challenges of being encircled, isolated and as to counter mega project of Gwadar port.

3.2.3 Indian Concerns on the Gwadar Port

Analysts all over the world were discussing growing Indo-Chinese economic ties and some of them were predicting the resolution of many bilateral differences between them but in reality is India and China were both natural competitors at many levels. They achieved their interests by overwhelming each other. China and India wanted to become major players in the Indian Ocean, South Asia and in Central Asia. Chinese efforts to use the Gwadar port for military and economic purposes were mainly to isolate and engulf India from all sides because India had been a big competitor and threat for China in the Indian Ocean and in Central Asia.

¹²² Shirine Akiner, "Relations Between Iran and Central Asia", *Central Asia Emerging New Order*, ed. K. Warikoo, (New Delhi:,Har-Anand Publications, 1996)pp. 263-264.

India felt that the Indian Ocean was “Indian” and that India should be the dominant power in this region.¹²³ This Indian philosophy was the alarming sign for China because it had many interests in the Indian Ocean and its SLOCs were vital for her economic growth. Indian military thinkers nurtured that philosophy because India was one of the important littoral states of the Indian Ocean and its EEZ covered a vast portion of this ocean. Peninsular India was the most prominent land features of the Indian Ocean, jutting 2,000 km into the sea. It provided India with the ability to project power over a wide area of the Ocean, bringing 50 percent of it within a 1000-nm ascribed from its territory. The sea-lines connecting the Persian Gulf and the Gulf of Aden to East Asia pass close to India; the eight/nine degree channels adjacent to the Lakshadweep and the six/ten-degree channels across the Andaman and Nicobar Islands dominated the entrance to the Malacca Straits.¹²⁴

With a navy centered on two light aircraft carriers, operation modern STOVL fighters, and a much more capable surface combatant fleet than China’s, the beginnings of a nuclear submarine force and long range maritime patrol aircraft, India possessed the largest and most balanced fleet in the Indian Ocean. She could lay claim to a respectable capacity to project military power into the seas around her shore, a capability that was more than one of mere defense.¹²⁵

¹²³ Ahmad, *op.cit.*, 274.

¹²⁴ Khurana, *op.cit.*, 417.

¹²⁵ Anwar, *op.cit.*, 124.

Many of the Chinese Sea Lines of Communication passed close to Indian shores. Over 50% of Chinese oil imports also came from the Middle East via the Indian Ocean and 80% of all imported oil passed close to India's southern coast though the Strait of Malacca. China naturally wanted to have a strong naval presence in the area to ensure the safety of tankers transporting oil destined for their ports and felt acutely vulnerable from the US and Indian interference with those vital convoys.¹²⁶ In absence of the blue waters' navy, China was more vulnerable to any Indian attempt to blockade her important sea lines of communications. In order to guarantee the security of her sea lines of communications, China required countering huge Indian naval presence in the Indian Ocean and she also required finding an alternative outlet for her trade which would help her in any perceived blockade. The Gwadar port could help China to guard her important SLOCs in the western part of the Indian Ocean and also provided an alternate outlet to her trade.

China had been resisting the growing Indian influence in Central Asia in order to prevent it to be the subcontinent power. It was well-known that India had been the common factor behind the China-Pakistan nexus. The nexus was clearly a strategic fire cleverly stoked to encircle as well as engulf India and marginalized it as a subcontinent power. That was intended to limit India's influence in Central Asia.¹²⁷

¹²⁶ Prमित Mitra, Drew Thompson, "China and India: Rivals or Partners?" *Far Eastern Economic Review*, Vol. 168, No. 4 (April 2005): 32.

¹²⁷ Nanda, *op.cit.*, 113.

Commodore Amjad Noor Bhatti explained Chinese intentions to build Gwadar port in these words:

Chinese interest in the form of assistance for development of Gwadar port is viewed as her policy to influence her maritime posture in the Indian Ocean. China is aware of hazards of India being promoted as a regional power by USA. China is the only country in the region that could contest Indian status in the region.¹²⁸

The United States had always been trying to make India a compatible adversary against China. China had always suspected that the big powers had been trying to use India to achieve containment of China and suspected India of willy-nilly supporting that plan to ensure her uncontested hegemony in South Asia and the Indian Ocean region.¹²⁹ India emerged as a natural ally to the United States because of the commonality of their strategic interests. Beyond economics, those interests were also aimed at keeping the growing strategic sea power of China under effective restraint.¹³⁰ The historic distrust of India's defence establishment towards their natural ally United States was receding. The two then desired to forge a strategic relationship based on common interests in the Indian Ocean. In March 2002, the United States ambassador to India had declared energy security and joint operations to protect SLOCs in the Indian Ocean as major area under discussion for the future relations of both countries.¹³¹

¹²⁸ Bhatti, op.cit., 16.

¹²⁹ Swaran Singh, "United States' War on Terrorism and its Impact on India-China Ties", *A Presentation Collection For Conference on India in 21st Century: External Relations*, (Shanghai: SIIS Publication, 2002): p.117.

¹³⁰ Bhatti, op.cit., 10.

¹³¹ . Khurana, op.cit., 420.

India had many interests in that region, and interplay of interests had created problems and opportunities for her. India had political, military and economical interests in Central Asia and in the Gulf region. India did not welcome the construction of the Gwadar port and alleged that port threatened her security and economical interests in the Indian Ocean. India believed that the construction of the Gwadar port was a part of the efforts of China to encircle India. Consequently, India had taken counter measures to protect her vital interests in the region such as a strategic deal with Iran and financial and technical assistance to Iran to build the Chahbahar port.¹³² This deal was so critical for India that she even ignored American intentions to isolate Iran because India felt that her interests in this region were so vital for her economical, political and security stability that she could not turn a blind eye to the construction of the Gwadar port. India had no longer been a non-aligned country, recently it had concluded a strategic deal with the United States, and now she heavily depended on the United States assistance in energy, military and economic sectors, it had made India more vulnerable to the United States pressure. The United States could put pressure on India to stop her financial and technical support to Iran and if India did so then her strategic deal with Iran could be weakened. She might lose her rights to use Chahbahar port and other transit facilities.

In the absence of Chahbahar port facilities, India could ask Pakistan to let her use transit facilities; this move would help her to counter Chinese presence at the Gwadar port. At the present time Iran was facing international pressure on the nuclear issue and

¹³² Aqueil Ahmad, "India and China: Conflict, Competition, and Cooperation in the Age of Globalization", <<http://www.stwr.org/india-china-asia/india.html>>(accessed on April 2,2010)

Iran's future was unpredictable. In such conditions India should keep her options open and the Gwadar port had been one of better options. One could expect Indian authorities to ask Pakistan for transit facilities at the Gwadar port. However, in this situation India would lose her vital base at one of the strategic choke points of the Indian Ocean because it was unthinkable that Pakistan would give India the naval basing rights, in such a situation India would depend on her new strategic ally United States to protect her vital interests in the Gulf region. The Gwadar port had increased Indian dependency on other nations to help her in protection of her vital interests in Indian Ocean and in Central Asia.¹³³

Indian engagement at the Iranian port of Chahbahar was apparently to facilitate trade and had been a part of the larger Indian Ocean to North Sea initiative involving Russia and others, and mainly centered on the Iranian port of Bandar Abbas. Pakistani and Chinese observers however worried that Tehran eventually would permit Indian naval forces to use the port and would regard developments at Chahbahar as a response to China's own development of a Pakistani port and naval base at Gwadar, some one hundred miles eastward. Close Indo-Iranian security ties might also be inferred from the reported presence of an unusually large Indian consulate, with presumed intelligence duties, on the Pakistan border at Zahedan in Iran. India also established a new consulate at Bandar Abbas in 2002, a development that provoked Pakistan to protest that India would use this facility to monitor ship movements in the Persian Gulf and the Strait of

¹³³ Harsh V. Pant, "US and Iran at loggerheads: India's role in rapprochement", *Security Research Review*(2009):67.

Hormuz. There was no doubt that that strategic relationship was of great importance for Iran and India; however that strategic deal was a part of the geo strategic implication of the Gwadar port for the region. Gwadar would make Pakistan a regional power and severely limit Indian influence in the region. It stood in the way of its regional dominance dreams.

3.2.4 Indo-Iran Strategic Partnership and the Gwadar Port

The growing Indo-Iran relationship in recent years clearly marked a shift in Iran's policies toward India. Both states had bitter experiences in past, Iran politically and militarily helped Pakistan in 1965 and 1971 wars against India and supported Pakistan's stance on Kashmir issue. However, the most important milestones for Indo-Iranian relations came when Indian Prime Minister Vajpayee visited Tehran in 2001, followed by the reciprocal visit of Iranian President Khatami to New Delhi in 2003 when he was the guest of honor at India's Republic Day celebrations, an honor reserved for the closest friends of India. Both countries showed interests in closer cooperation in the fields of economy and defense. 'The New Delhi Declaration' signed between President Khatami and Prime Minister A. B. Vajpayee. That agreement was identified energy sector as a strategic area of their future relationship in which interests of India and Iran complementary to each other. India and Iran also agreed to explore opportunities for cooperation in defense and security.¹³⁴ The development of Chahbahar port and the associated rail link project were also included in that declaration. In March 2003, India

¹³⁴ Shah Alam, "Iran-Pakistan Relations: Political and Strategic Dimensions", *Strategic Analysis*, Vol. 28. No. 4 (October-December 2004): 53-57.

and Iran conducted their first combined naval exercise. Those exercises also were notable because those indicated Indo-Iranian anxiety with the increasing United States presence in the Persian Gulf and the Arabian Sea at that juncture because both states did not like to see major powers or super power in their waters as their presence could pose threats to their strategic interests. Both India and Iran were also cooperating on the North-South Transportation Corridor, a project to link Mumbai via Bandar Abbas with Europe.¹³⁵

This strategic partnership would help both states to pull off their interests from the Central Asian Republics. The region of Central Asia had been a captive market for Indian products. Iran had been India's best gateway to Central Asia. Access for Indian goods in the emerging markets of Central Asia was among the issues.¹³⁶ A trilateral treaty between India, Iran and Turkmenistan was concluded in New Delhi during the Iranian President's visit to India in April 1995. According to that tripartite agreement, Iran would extend transit facilities for increased Indian trade with Kazakhstan, Uzbekistan and Turkmenistan.¹³⁷ Though New Delhi Declaration could be termed as an offshoot of that declaration but there had been a great significance of that date when it was signed, because that declaration just came after Sino-Pak deal on the Gwadar port. Both states felt that their vital interests in the Indian Ocean and in this region were at risk due to the construction of the Gwadar port in 2001. The development of Chahbahar port with

¹³⁵ Ibid.59.

¹³⁶ Farah Naaz, "Indo-Iranian Relations: Vital Factors in the 1990s", *Strategic Analysis*, Vol. xxv, No. 2 (May 2001): 237.

¹³⁷ Anwar, op.cit., 162.

technical assistance of India would enable India to protect her crucial sea lines of communications in Gulf. That strategic deal could help Iran to avoid strategic isolation.¹³⁸

The emerging Indo-Iranian partnership could strongly affect important issues in this region as the access and flow of energy resources, Iranian nuclearization, and political developments in Afghanistan, Central Asia, and the Persian Gulf. Both Iran and India regarded that strategic relationship as serving a variety of tangible and specific interests. The most important interests for India had been related to her economic interests in this region. As the fourth largest economy in the world India's oil and energy needs were significantly growing, Iran being a neighbouring and oil rich country was the best option for India to fulfill energy needs and protect economic interest. For Iran this strategic partnership was of great importance to counter the likelihood of the United States using the Gwadar port, as a part to encircle Iran. Iran knew that India had been China's natural competitor and adversary and if India used Iran's Chahbahar port then China would put pressure on Pakistan to provide her with naval basing rights and consequently Iran would be successful in keeping American naval forces away from the Gwadar port which Iran believed could be used by the United States against her.

A second factor for India and Iran, obviously, was the utility of the relationship in terms of providing the strategic depth and tactical advantage against China, United States and Pakistan. Iran saw India as a strong partner which could help her to avoid strategic

¹³⁸ Farah ,op.cit,239.

isolation. At the same time, the Indo-Iranian relationship sent a message to Washington that United States ties with Pakistan would entail costs.

A third consideration for India was the value of the Iran relationship in the context of India's long-term program to deepen and widen her influence in the Indian Ocean region. In the liberal view of many Indians, this security perimeter should extend from the Strait of Hormuz to the Strait of Malacca and from the coast of Africa to the western shores of Australia. Iran obviously was a part of this geography. Again Iran was very astutely playing on the United States' interests in Indian rise against Chinese rise. The United States would certainly like to protect Indian interests against China and United States would not like to see India losing control of vital sea lines of communication in the Gulf region consequently she would protect Indian interests in the Gulf region which were interlinked with Iranian interests.

Fourthly, India saw her ties with Iran as facilitating her pursuit of the Indian national interests in Afghanistan and, more broadly, in Central Asia and the Caspian Basin. In Afghanistan, Iran and India both opposed the Sunni-dominated Taliban regime and had a strong interest in the success of efforts to stabilize post-Taliban Afghanistan and ensure its success. In Central Asia, ties with Iran would be helpful in gaining Indian access to consumer markets of Central Asian states and energy reserves. India, unlike Iran, had no direct land access to Central Asia and the Caspian Basin. To attract Central Asian Republics Iran had to make sure the security of her communication system and

inclusion of India in Chahbahar port project would provide this security and reliability of transit facilities.

Indian engagement at Iranian port of Chahbahar was apparently to facilitate trade in the larger part of Indian Ocean to the North Sea initiative involving Russia and other Central Asian states. But Pakistan and China were worried that Tehran might permit Indian naval forces to use the port and would regard developments at Chahbahar as a response to Chinese cooperation in the development of a Pakistani port and naval base at Gwadar, some one hundred miles eastward. Close Indo-Iranian security ties may also be inferred from the reported presence of an unusually large Indian consulate, with presumed intelligence duties, on the Pakistan border at Zahedan in Iran. India also had established a new consulate at Bandar Abbas in 2002, a development that provoked Pakistan to protest that India would use this facility to monitor ship movements in the Persian Gulf and the Strait of Hormuz. There was no doubt that this strategic relationship was of great importance for Iran and India, however this strategic deal was a part of the geo-strategic implication of the Gwadar port for the region.

CHAPTER 4

GWADAR PORT AND OPPORTUNITIES FOR PAKISTAN

The dream of the construction of third deep sea port in Gwadar became a reality after many feasibility studies. Those studies assume that it would have a real commercial and strategic significance in the development of Pakistan and specifically port hosting province Baluchistan. It would become economically beneficial for Pakistan on one side through handling the growing trade and shipping traffic of the region and on the other side, strategically give protection to Pakistan's Navy in the Arabian Sea. This Chapter will expose the detail of opportunities, which could be availing by Pakistan through the development of the Gwadar Port in Baluchistan.

4.1 Political Opportunities

The Gwadar port being developed as a third deep-sea port in Pakistan after Karachi and Port Qasim. Gwadar was located at the South-Western coast of Pakistan, on

the Arabian Sea. Its unique strategic position attracts regional and extra regional powers in Pakistan. It connected three important regions in contemporary international politics; the oil-rich and emerging nuclear Middle East, the heavily populated and nuclear South Asia and the energy rich region of Central Asia.¹³⁹ Its strategic importance was also enhanced due to its location at the tip of the Persian Gulf and at the opposite end of the strategic choke points of Straits of Hormuz and the Gulf of Oman. The Gwadar port due to its excellent location was visualized to be a regional hub. It facilitated in and out going commercial traffic of the Middle East, the Persian Gulf countries and the Xinjiang western province of China. Gwadar had the potential to emerge as the hub port in the region. It would provide opportunities for promotion of global shipping in the region as well as revive trade links between China and the Central Asian States providing them with the nearest approach to the warm waters. It would attract the shipping companies moving cargo to and from land-locked countries of Afghanistan, Uzbekistan and Tajikistan. At the same time, regional and global players of power politics in global and regional arenas had a keen eye on the ongoing developments in Balochistan, which was strategically located in the region of immense geo-political importance. Its development could favorably influence the geo-strategic and political environment of the region and have an overall beneficial impact on Pakistan and the development of Gwadar.

¹³⁹ Ammad Hassan, *Pakistan's Gwadar Port – Prospects of Economic Revival*, (California:np, 2005). <<http://www.ccc.nps.navy.mil/research/theses/Hassan05.pdf>> (accessed on Dec 10,2009).

4.1.1 Political Stability in Baluchistan

Balochistan is the biggest province by area and unfortunately the poorest region of the country, due to lack of political reforms, poverty, and unemployment and low literacy rate. The People of Baluchistan blamed Islamabad and Punjab for their deprivation. As mentioned Deputy Chairman Senate Jan Muhammad Jamali who belonged to Baluchistan in one of his interviews to a news paper that President Asif Ali Zardari should sit on table of dialogue with Balochi *Sardars* Brahamdagh Bhugti, Khan of Kalat and Sanaullah Zehri, taking them into confidence on government fairness in resolution of Balochistan's problems. He put emphasis on the need of understanding the psyche of the people of Baluchistan. Unfortunately, that had never been done in the past. Mr., Jamali found the solution of all problems in confidence-building measures (CBMs). Baluchistan wanted to review the share of Balochistan with reference to the Gwadar Port, Saindak and other big projects,¹⁴⁰ The local people of Baluchistan felt hatred toward other provinces of Pakistan specifically Punjab. A Baloch *Sardar* and former Chief Minister Nawab Akbar Bhugti showed his anger and agitation on the deprivation of the Balochi people by the hands of Punjabi and federation through stop speaking Urdu for many years.¹⁴¹ There was very poor infrastructure of roads and industries. Basic municipal infrastructure and health care and education facilities were almost nascent. Development of the Gwadar port and its sister projects would bring political stability and economical prosperity for the people of Baluchistan. As soon as the developmental works

¹⁴⁰ *The News*, February 10, 2009 < http://www.thenews.com.pk/daily_detail.asp?id=161732 > (accessed on March 12, 2010).

¹⁴¹ Tariq Ismail Sagar, *Balochistan ka Atishfshan*, (Lahore: Sang-e-Meel Publications, 2000) p.235.

of the port finished, the situation was getting better in the area and progress had been visible in different neglecting sectors. The government of Pakistan initiated political reforms through Aghaz-e Haqooq e Balochistan and through these reforms local people of Balochistan would be able to get the major portion of jobs at the Gwadar Port. The job conditions had been very lenient for them.¹⁴²

4.1.2 The Gwadar Port and Emergence of Pakistan as Regional Player

The interplay interests of regional and extra regional powers in Gwadar port provided political opportunities to Pakistan to emerge as a major player of this region in trade and economic activities. Pakistan alone could not convert the dream into reality of making a deep sea port at Baluchistan's coast; the existence of Gwadar port had been the upshot of interests of different nations who wanted the shortest transit route for their trade. China wanted to enhance the defence of its important SLOCs in the Gulf region and safe energy routes. The interplay interests of different nations offered enormous opportunities for Pakistan, and it could cash in the clash of interests between the nations. Afghanistan being a landlocked-country heavily depended on Pakistan for her trade and economic revival.¹⁴³ Although Pakistan and Afghanistan had adversary throughout history, it's now the hour of need that Pakistan should establish friendly relations with Kabul. This would be possible through giving positive gestures and economy incentives to revive their trade and economy. These pleasant relations could also boost up

¹⁴² Noor-ul-Haq,op.cit.

¹⁴³ Asif Haroon, "India's Dangerous Designs Against Pakistan", *Asia Tribune*, vol 9, no 16,(2009):27.

Pakistan's relations with the Central Asian States. Good offices of relations would force newly independent States to prefer Pakistani ports for their trade. Friendly relations with Afghanistan would ensure a safe passage of natural resources of the Central Asian States.¹⁴⁴

The United States is trying to limit Iranian involvement in Central Asia and that absence would create a power vacuum, Pakistan could avail the opportunity to fill that gap and could ensure the success of Gwadar port. China and the United States both wanted to see the Central Asian States using Gwadar port as a transit route for fulfillment of future energy needs, China willingly and the United States unwillingly fostered that idea. The Gwadar port had the consent of two great powers and that consent fashioned new and promising opportunities for Pakistan.¹⁴⁵ There were more chances that the Central Asian States would use the Gwadar port for transit of their trade because of the security situation in Iran and the likelihood of a western blockade of any foreign investment there. So the economic benefits which Pakistan expected from the Gwadar port would very much possible. Pakistan had a reasonable coastal line but had a small naval capability as compared to India to protect its SLOCs which was of the most important choke point of the Indian Ocean. Pakistan always wanted to build a naval base at the Gwadar port to avoid a complete naval blockade in any military conflict with India, but it could not materialize its idea because of short funds, Chinese interests in the

¹⁴⁴ Thomas Bernauer, Dieter Ruloff, *The Politics of Positive Incentives in Arms Control* (Columbia, SC: University of South Carolina Press, 1999)., Richard N. Haass and Meghan L. O'Sullivan, *Honey, and Vinegar: Incentives, Sanctions, and Foreign Policy* (Washington, DC: Brookings Institution Press 2000)p.140.

¹⁴⁵ Talat Masood, "Gwadar's Strategic Importance", *Dawn(Islamabad)*, February 14, 2005.

Gwadar port had enabled Pakistan to have a naval base at the tip of Strait of Hormuz.¹⁴⁶ China gave financial and technical assistance to Pakistan for building a modern and reliable deep sea port at Gwadar which could be used for both military and economic purposes. Strategic mistrust among the nations enhanced the military and strategic potential of this port. Both the United States and India had seen the Chinese involvement with a suspicious eye. China considered the American presence in the Indian Ocean a big threat for the security of its SLOCs. In this strategic position, competing political and economic interests increased the importance of Pakistan in international affairs.

4.1.3 The Gwadar Port as Boosting Factor in Pak-China Relations

China had been a rising power at the regional and international level and her involvement in construction of the Gwadar port was a very calculated step. Her main goal was to maintain stable economic growth for herself by ensuring security within and outside her boundaries. China believed in the strength of economic activities to ensure the security within and outside her borders. China had economic, political and military interests in the Gwadar port. China expected that the Gwadar port would help it to improve the economical conditions of its western Xingjian province where it faced separatist movement and economic discontentment of local Uighurs.¹⁴⁷ China also expected that the Gwadar port would provide her naval base facilities in future conflict against any aggressor states. China did not have blue water navy and in absence of such

¹⁴⁶ Muhammad Anwar, *Role of Smaller Navies: A Focus on Pakistan's Maritime Interests* (Rawalpindi: The Army Press, 1999)p. 29.

¹⁴⁷ Harvir Sharma,op.cit.45.

capability the protection of her vital sea lines of communication had become very difficult. The Gwadar port could enable it to monitor and protect its vital sea lines of communication.

Presence of China near the Gulf Sea would create the balance of power in her favour. American presence in the Persian Gulf region and the huge naval power of India had created strategic imbalance for China and in an anarchic international system China would like to see balance in that region in order to ensure her security. According to Neo-realist framework, foreign policy was as a tool designed to maintain balance and security in an anarchic international system. Under this perspective, anarchy remained the great constant and states were involved in a continuous effort to achieve some sort of balance to enhance their security.¹⁴⁸ Deterrence was the main component of balance of power and the Gwadar port could help China to deter American expansionism in her neighbours and it could also provide China the deterrence against Indian intentions in the Indian Ocean.

Chinese credence in strength of economic power pushes her to avoid any military conflict with any of her neighbouring states. Chinese presence in the Gwadar port region could create doubts in the minds of India and the United States and consequently both states could take such measures which could jeopardize Chinese expectations from the Gwadar port. To avoid such eventualities China would have to ensure the United States and India did not have any aggressive intentions against them. China did not want military confrontation with any of her neighbours as it was very vital for its smooth

¹⁴⁸ Khan, op.cit., 46.

economic growth. In recent years she took major initiatives to resolve border disputes with her neighbouring countries, including India. China could not afford naval conflict with a nation whose naval strength was superior to it. To avoid any naval conflict with the United States and India, China would have to assure both states that her presence at the Gwadar port was only for economic purposes. In case of its naval presence at the Gwadar port to monitor her vital SLOCs, it would have to convey them the message that it did not have aggressive intentions against any state.¹⁴⁹ This strategy could level the grounds for China to rise in that region uninterruptedly and achieve her economic, military and political goals from the Gwadar port.

Under the scheme, Israel would play her role in the Middle East and the Gulf, while India would be playing the same role in South and Central Asia¹⁵⁰. The United States signed a nuclear deal with India in which the United States promised to help India to build nuclear reactors for civil and military needs. This Indo-US friendship was directed against China who was only compatible challenger to the United States' expansionism in Asia. The Gwadar port could help China to balance the power in her favour in the region which had been disturbed through strategic partnership between India and the United States.

¹⁴⁹ Safdar Khan, "Karakoram Highway's Gwadar link likely", *Dawn*, (Islamabad), July 5, 2006.

¹⁵⁰ An IPS Study, op.cit., 76.

4.1.4 Gwadar Port as Boosting Factor in Pak- Central Asian States Relations

Central Asian states were blessed with abundance of natural resources but geographically they had been landlocked. It limited their abilities to use their natural resources independently. They were handicapped to ask their neighbours for transit facilities. That natural disadvantage of the Central Asian States had enticed many regional and extra-regional powers to get a big share in the natural resources by exploiting their natural incapability. Their neighbouring countries such as Pakistan, Iran and Turkey had offered them the access to sea routes. These options had given them the opportunity to bargain with these countries and strike a deal of their own choice, a deal which could help them to achieve national interests.

For decades, the Central Asian states depended on Russia to aid them in economic, political and military matters. That dependency had brought communist style of governments in many of the Central Asian states even after demise of the Soviet system. That situation was not good for the United State to protect its interests in Central Asia. The rise of the Taliban in Afghanistan had created fundamentalist elements in many of the Central Asian states and it had further irritated the United States. To avoid discontentment of the United States, the Central Asian states had to get rid of those disturbing factors. For the Central Asian leaders, their energy resources represented their best chance of developing closer ties with the super power in order to strengthen their political independence from Russia. Hence that could limit the capacity for greater

cooperation with Iran in the energy field¹⁵¹ and in any other trade relations. The Gwadar port offered them the non-Russian and non-Iranian transit route for the outlet of their trade.

Heavy presence of the US forces in the Central Asian states had created a sort of power imbalance in Central Asia, and had lessened the options and choices for Central Asian states to take an action which could serve their national interests more. Chinese presence in the Central Asian states would help them to avoid the lack of options. The Gwadar port was the joint production of China and Pakistan and adoption of such a transit route could enable them to balance the situation in their favour.

4.1.5. The Gwadar port as an Important Factor in Pakistan's Foreign Policy

The location of Pakistan had placed her in the center of the Muslim states. Pakistan had been connected with different Islamic regions such as Central Asia to the Middle East and from there to the Far Eastern Islamic states. Since her creation Pakistan had been trying to become the voice of the Muslim world, she even faced stiff resistance from Egypt in her early days. Since Zulfikar Ali Bhutto's government in the early 1970's, Pakistan had been trying to project herself as the most powerful country of the Islamic world.¹⁵² Though Pakistan had been trying to play a leading role in the Islamic world but was incapable to do so because of the lack of crucial factors such as the credibility and capability of Pakistan to project herself as a major player in Islamic world. However, the

¹⁵¹ Ibid, 50.

¹⁵²Prakash Nanda, op.cit., 108.

emergence of independent Central Asian states had provided a golden opportunity to Pakistan to re-link the two vital Islamic regions.¹⁵³ The dismal situation for Pakistan had been changed then because the Islamic countries in different regions needed Pakistan to provide transit routes to Central Asia which was rich in natural resources and yet isolated by its geographical location. As the development of the Gwadar port further increased the status of Pakistan in the eyes of competing powers of the world, it would consequently enhance Pakistan's position in the Islamic world because small powers needed consent of great powers even in their bilateral relations.

4.2 Military Opportunities

Ports had been essential elements of a nation's sea power. In the contemporary era a nation with support of a technically advanced navy could not be called a strong maritime power unless she had ports to provide her bases and in the state of war that strategic depth would help them to make effective strategies. E.B Potter and C. Nimitz had put that reality in this way:

The elements of sea power are by no means limited to combat craft, weapons, and trained personnel but include the shore establishment, well suited bases, commercial shipping, and advantageous international alignments. The capacity of a nation to exercise sea power is based also upon the character and number of its population, the character of its industrial efficiency, the development of its internal communication, the quality and

¹⁵³ Mohd. Monir Alam, *op.cit.*, 115.

number of its harbours, and extent of its coastline, and the location of its homeland bases, and colonies with respect to sea communications.¹⁵⁴

Sea offers enormous economic and military benefits to the littoral states, but land locked countries could not enjoy those benefits. Littoral states could get all those benefits if they devised a well thought out maritime strategy which revolved around the sea control and it allowed a nation to fetch all the benefits which sea offers her. The degree of command that a state had over its waters varied greatly and was primarily illustrated by the extent to which it conferred the capacity to use the sea for one's own purposes and prevent the enemy using it against its interests.¹⁵⁵ The ports and naval forces helped a nation to control her sea absolutely.

The responsibility of the navy of a certain littoral state was to make sure that her sea was in her control. In the past few decades, new concepts had been evolved in maritime affairs, such as the Exclusive Economic Zone (EEZ) and continental shelf, it had dramatically expanded the jurisdictional claims of coastal and island nations over wide expanses of oceans previously regarded as high seas. This new concept had brought new responsibilities on the navies of littoral states to protect a vast sea area for effective use of maritime resources. That could only be done if the littoral states had strong navy with efficient naval bases at all coastal areas. Keeping the intimate relation between ports and naval bases, littoral states of the world had made multi functional ports at the vital choke points of their coastal areas. Pakistan had also comprehended the reality that

¹⁵⁴ E.B. Potter and C. Nimitz, *Sea Power: A Naval History*, (New Jersey: Prentice Hall, 1960)p. vii.

¹⁵⁵ G. Till, *Maritime Strategy and the Nuclear Age* (London: Macmillan, 1984)p.16.

merely two ports could not help Pakistan to fully utilize the Exclusive Economic Zone. She certainly required multifunctional ports capable of providing all the basic requirements for maritime security and maritime trade. The Gwadar port was the end result of the economic needs, stiff competition and security compulsions which Pakistan faced.

4.2.1 Gwadar Port: The Provider of Maritime Security to Pakistan

Considering the threat environment, the main target of the Pakistan Navy was the defence of the state's maritime assets which included coastal defence and the protection of shipping and of the vital sea lanes. The critical sea lanes in order of priority were the Karachi-Gulf route, the Karachi-Suez Canal/Red Sea route, the Karachi-East Africa route and the Karachi-Far Eastern route. Protection of vital cargo carrying vessel on the Gulf-Karachi route would have to be assured at all costs¹⁵⁶ and that could be only possible through the construction of a naval base at the Gwadar port which was very close to the Gulf.

Naval planners in Islamabad had remained preoccupied with the Indian threat of a naval blockade of Pakistan's seaports. As a matter of the fact the threat of a naval blockade found a prominent place in Pakistan navy's strategic thinking and tactical plans.

¹⁵⁶ Anwar, op.cit., 129-130.

That was primarily due to past experiences during the 1965 and 1971 India-Pakistan wars and also in recent conflict at Kargil and 2002 military standoff.¹⁵⁷

Pakistan 's vulnerability to India's much larger naval forces was their ability to bottle up Pakistan's two naval bases and to blockade commerce and refined oil supply through Pakistan's only international class shipping port at Karachi on the Arabian Sea coast. Pakistan had been planning for decades to reduce that vulnerability. The staggering costs had prevented rapid progress but in 2001, Pakistan won a Chinese commitment to assist in the construction of a new deep-sea port at Gwadar. A port at Gwadar could modestly relieve the threat that Indian naval blockade of Karachi could be decisive in an armed conflict. The Gwadar port was 460 km away from Karachi, thus it would provide Pakistan naval forces with much needed strategic depth and assurance of free flow of the trade along Pakistan maritime boundaries.

The Gwadar port had the potential to become a hub port of this region eventually the interests of many countries would tarnish Indian intentions to impose a blockade on the Gwadar port. Common interests of different nations in a particular region or a sea lane in the past had led to its protection even during the state of war. This fact was working behind the United States and the Soviet Union's efforts to make sure the free flow of oil through the Strait of Hormuz during the Iran-Iraq War. So, the Gwadar port not only provided strategic depth but also a tactical advantage over huge naval power of India.

¹⁵⁷ Vijay Sakhuja, "Pakistan's Naval strategy: Past and Future", *Strategic Analysis*, Vol. 26 No. 4 (Oct-Dec 2002): 50.

4.2.2 The Gwadar Port and Countering Unconventional Threats

Pakistan was very close to the vicinity which had been considered to be the most insecure region of the world. This insecurity had brought many challenges to the world especially to the Asian countries. One of those challenges was the growing network and impact of terrorism. Those days' terrorist groups had diversified the number of targets. They did not only target military bases but they also target commercial vicinities in order to intimidate the targeted nation by threatening their economies. Lately, a high degree of threat was predicted from maritime terrorism to sea-lines and hub ports enclosed within the Hormuz and the Southeast Asian States.¹⁵⁸

In the recent past terrorist groups had targeted the military and merchant ships in the Indian Ocean which had increased the level of concern in all littoral states. There were many terrorist groups in this region. Given the established links of those regional groups with global terror groups like Al- Qaida, security concerns for the Indian Ocean littorals would be high. The attacks on USS Cole in October 2000 at Aden and the French supertanker, MT Limburg off Yemen's coast in October 2002 awakened the world to the realities of such a threat. If a small explosive-ridden dinghy could cripple a state-of-the-art warship such as the Cole, then a similar attack on a defenceless cruise-liner or oil tanker would spell disaster. Limburg and Cole were both combatant vessels involved in the 'War on Terror' but with the terrorists' aim of disrupting valuable and vulnerable sea borne trade being evident, the threat to commercial ships, SLOCs and ports could be

¹⁵⁸ G.S. Khurana, "Maritime Security in the Indian Ocean: Convergence Plus Cooperation Equals Resonance", *Strategic Analysis*, Vol. 28, No.3 (July-September, 2004): 414.

easily extrapolated.¹⁵⁹ Pakistan had been the front line state in the US led War against Terrorism; it had become the primary target of terrorist groups. Balochistan coastal line was unprotected and could become the target of terrorist groups operating in Balochistan and in the Indian Ocean. Construction of the Gwadar port and naval base would help Pakistan to protect her main SLOCs not only from the state imposed threat but also from unconventional enemies. Coastal guards and naval forces would effectively patrol the seas near the Gulf when they would have naval facilities at Gwadar.

4.3 Economic Opportunities

The 21st century had been renamed as the century of globalization due to the adopting of the concept of a free economy in the world and the trade routes, especially Sea routes had played a pivoting role in creating the phenomenon of globalization. Enormous economic opportunities which the Gwadar port offered to Pakistan would make her financially secure and then it would convincingly and proficiently present good image at global forums.¹⁶⁰

Running a port used to mean serving the import and export needs of a well defined hinterland, like Pakistan's domestic ports had traditionally been doing. Pakistan's decision to build the Gwadar port was driven by the projected requirements of trade, expanding requirements of trans-shipment ports and most importantly, global lust for a strategic alternate to natural resources. The Gwadar port was built to handle not only

¹⁵⁹ Holt Andrew, "Plugging the Holes in Maritime Security", *Terrorism Monitor*. Vol 2 (May 6, 2004): 9.

¹⁶⁰ Hssan, op.cit.

domestic trade, but to act as a trans-shipment port, which besides boosting trade volume generated additional revenue just by handling someone else's trade.

In contemporary age when the market place had come to determine the national standing of every state, Pakistan should for the time being focus on developing her economic strength. Without that basic underpinning, no nation, whatever the size of her war machine, could hope to project her power and influence, regionally or globally, for a long time. The Soviet Union's fate should be a very vivid example in the current era. That called for special attention to exploit Pakistan's maritime potential to uplift her economic bearing.¹⁶¹ The Gwadar port was the result of this very perception. The first phase of Gwadar port, with three multipurpose berths, had been completed in time and was operational. The second phase was going to be completed in 2010. The Gwadar port had offered enormous economic remuneration to Pakistan, China, Central Asia and other interested nations of the region and other regions of the world.

Pakistan enjoyed 97 percent of seaborne trade that had contributed substantially to its economic growth.¹⁶² Dependency of Pakistan's economic prosperity upon free flow of sea borne trade had compelled Pakistani authorities to build a deep sea port at Gwadar which would fulfill Pakistan's trade requirements. With increasing economical growth and dependency of Pakistan upon sea borne trade, Pakistan was certainly in need of more than two ports.

¹⁶¹ Anwar, op.cit. 134-135.

¹⁶² Maria Saifuddin Effendi, "Maritime CBMs between India & Pakistan: Explorable Areas of Cooperation", *Regional Study*, vol. xxiii, No.2 (Spring 2005): 73.

4.3.1 Economical Potential of the Gwadar Port for Pakistan

The development of the Gwadar port would play a critical role in changing the economic destiny of the country in general, and the Balochistan province in particular. Large volumes of trade are expected after the establishment of industries at Gwadar and the surrounding area. The government had already planned an Export Processing Zone, declaring it as a Tax Free Zone.¹⁶³ With the completion of a coastal highway, a sizable volume of trade from Pakistan's other industrial areas was also likely to flow through the Gwadar port, especially while both existing ports were reaching their capacity to meet the needs of the domestic trade.

The estimated cargo handling of the Gwadar port, based on future prospect till 2015 is shown in table below.

Category	Year		
	2005	2010	2015
Dry Cargo (million tones)	3.96	4.74	5.77
Liquid Cargo (million tones)	16.62	17.54	18.77
Container (1000 TEUs)	200	241	295
Transshipment (1000 TEUs)	200	250	300

Table1. Source: Board of Investment, Government of Pakistan¹⁶⁴

¹⁶³ <<http://www.gwadarnews.com>> (accessed on March 10, 2010)

¹⁶⁴ <www.boi.gov.pk>

The Gwadar port which would provide transit facilities to the Central Asian states would further boost bilateral and multilateral trade between countries of this region. The Gwadar port would bring economic stability to Pakistan. It would earn millions of dollars from the Gwadar port by providing transit facilities to the Central Asian states, China, Afghanistan and other industrialized nations. This would enable Pakistan to avail the foreign exchange generated by the transit and produce new markets for her own products.¹⁶⁵ Economy had an essential element of national power and was fundamental for the strength and stability of a country. The development of the Gwadar port would attract investors, create job opportunities and open up new doors of economic development in the coastal region and add significant revenues in the national economy. The port also came as a much-needed national requirement in the wake of the rise in cargo traffic at existing ports. More importantly, other development projects, for example, the Makran coastal highway, industrial estates in the region and the SAINDAK project were a few of the welcomed off shoots of the Gwadar project.

4.3.2 Economic Prosperity in Balochistan

The opening of the Gwadar sea port had generated a major economic activity in Balochistan. The Gwadar port would open new economic channels for Pakistan. Many investors from outside of the country and from within the country were interested in

¹⁶⁵ <<http://siteresources.worldbank.org/PAKISTANEXTN/Resources/293051-1114424648263/Session-VII-Fazal-Ur-Rehman.pdf>> (accessed on March 11,2010)

investment in the port city of Gwadar. The foreign investment was a good sign for the prosperity of local people. After the formal opening of the Gwadar port in 2009, many new projects of development had been started in Balochistan. Those projects were bringing job opportunities for the local people who had been complaining for being left behind in the overall economic activities of Pakistan specifically in Gwadar. It had provided thousands of jobs to the local manpower thus raising the living standards of the poor population. Former Prime Minister Shaukat Aziz who was also an economist believed that in about 10 years Balochistan would be ahead of many parts of the country in terms of development, growth and per capita income.¹⁶⁶ The present government had been taking keen interest in the development of Balochistan. President Asif Ali Zardari had offered an increased amount of subvention from the federal divisible pool to the province of Balochistan;¹⁶⁷ the Balochistan government had reserved Rs18.536 billion for the development out of a total budget of Rs71.617 billion in 2009-2010. The present federal government had allocated 9.90 percent share in the 7th National Finance Commission (NFC) Award for Balochistan.¹⁶⁸ That new package was the upshot of Pakistan's own interests in Balochistan and including the Gwadar port. The government of Pakistan deemed to spend money in the province for its development and economic prosperity of the local people. Islamabad would be able to win the hearts and minds of the people and thus could sideline the Sardars which Pakistan had been trying to do since 1947. The Gwadar port could enable Pakistan to protect its federal system.

¹⁶⁶ *Dawn*, (Islamabad) April 3, 2005.

¹⁶⁷ *Dawn*, (Islamabad) June 20, 2009.

¹⁶⁸ <http://www.geo.tv/3-16-2010/61179.htm> (accessed on May 12, 2010)

4.3.3 The Gwadar Port as Regional Hub of Economic and Trade Activities

The twenty-first century had been known as the century of globalization, the traditional concept of power, associated with military had been changed. In the contemporary age, power was determined through the strong economy, trade and access of sea routes.¹⁶⁹ The Gwadar port was strategically located at the tip of straight of Hormuz and crossroads of the oil rich Middle East and Central Asia; it also offered the shortest trade route to the southern provinces of China. That location provided an opportunity of the greater consumer market of Asia. According to a World Bank report presently, more than 70 percent of trade traffic was conducted through containers and that around about 300 million Twenty-Foot Equivalent Units (TEUs). It was expected that it would be doubled by the year 2015.¹⁷⁰ The Gwadar port had the potential to attract over one third of the world population of Asia. Empirical economic studies showed a positive relationship between trade and growth.¹⁷¹ It was being equipped with modern cargo handling facilities to meet the challenges of growing world trade, the Gwadar port project could contribute significantly to the economic revival of Pakistan.¹⁷²

Dr Asim Hussain adviser to Prime Minister on Petroleum and Natural Resources highlighted the geo strategic importance of the Gwadar port for the promotion of regional

¹⁶⁹ Richard Hill, "Do We Need a New Definition of Medium Maritime Power?" *Maritime Forces in Global Security*, ed. Ann L. Griffiths and Peter T. Haydon (Halifax: Center for Foreign Policy Studies, Dalhousie University, 1995)p. 38.

¹⁷⁰World Bank, "*Review of Maritime Transport 2004*," < http://www.unctad.org/en/docs/rmt2004_en.pdf> (accessed April 12, 2010).

¹⁷¹ Daniel Y. Coulter, *The Rise of Hub Ports*,(New York: Oxford press, 2003)p. 133.

¹⁷² Hasan,op.cit.

trade during expressing his views in a conference. He said that Pakistan offered the shortest access to the Central Asian States to the warm waters of the Arabian Sea, ancient *Mare Erythraeum*, northwest part of the Indian Ocean, lying between Arabia and India. The Gulf of Aden, extended by the Red Sea and the Gulf of Oman, extended by the Persian Gulf, had been its principal arms. Pakistan had successfully developed a modern deep sea port at Gwadar, at the mouth of Persian Gulf, arm of the Arabian Sea.¹⁷³

The interplay of interests in the Gwadar port opened new channels of opportunities for Pakistan. A large investment in physical infrastructure was to utilize the potential of Gwadar's strategic location as a regional hub of economic and trade activities for the Middle East, Central Asia, Western China and South Asia. The Gwadar port was developed to take advantage of that potential. All those positive developments if and when brought to fruition might ultimately help the Central Asian States to actively participate in regional politics. That would also reduce their dependence upon the Russian routes. The twenty year old dream of Central Asian trade would come true by providing transit trade facilities to Turkmenistan using the Iranian road and rail network which was already connected through Mashad to Turkmenistan. Through Gwadar Port, Pakistan could provide the same facilities to the other Republics like Uzbekistan through Turkmenistan for their exports to the Far East and Palm Oil exports from Indonesia and Malaysia to Central Asia. Pakistan could also import Central Asian cotton and export leather garments to them.

¹⁷³ Sami Ullah, "Reliable Transit of Energy and its Role in Stable Economic Development and International Cooperation", *Pakistan Observer*, (Islamabad), April 24, 2009.

Afghanistan being a landlocked country desperately needed export outlet and the construction of the Gwadar port complex would help in boosting economic rehabilitation and activity. Any movement of goods to and from Balochistan would benefit Afghan transit trade as well as the export of minerals and dry fruit. Besides, the port facilities, it could provide Afghanistan and the Central Asian States warehousing facilities along with transit and possibilities of import of goods.

Because of the poor law and order situation in Afghanistan, Pakistan could avail the chance and introduce new transit routes for Central Asian trade. Central Asia could send their goods to Turkey using Pakistan and then Iran. In the same manner, Iranian and Turkish goods could be imported by Train to Quetta for onwards shipment to Pakistan; and to Bander Abbas by Train and then by road to Gwadar for onwards shipment to Karachi through the Coastal Highway.

There had been a huge demand for Pakistani Basmati Rice in Iran. On the other hand the Iranians had a developed canned vegetable, dry fruit and plastics industry. At present, in specific seasons, fresh vegetables were imported to Makran from Iran. Pakistan could import oil because Iran had very little refining facilities. Dates could also be imported from Iran. Pakistan Horticultural Development & Export Board (PHDEB) had also started construction of date processing plant at Turbat with annual capacity of 2400 metric tons.¹⁷⁴

¹⁷⁴“ Phdeb Overall Strategy 2008-9”, < <http://www.phdeb.org.pk/Dates.pdf>> (accessed on April 12,2010)

4.3.4 Potential to Solve Energy Problem of the Region

Human condition is directly linked to existence of natural resources. Stable and rich resources of energy are the life and blood of thriving economies. If one look at the world future energy needs, and then its consumption would increase inevitably because of fast economic as well as population growth. The industrial revolution in the late 18th and early 19th century altered the use of energy in fundamental ways, especially in term of the role of commercial energy in society and geopolitics. According to Usman Aminuddin that global primary energy demand was likely to increase by 1.7% per year from 2004-2030.¹⁷⁵

Energy had been one of the cornerstones of development, fueling economic growth and social progress. The industrial revolution in South Asia had led to rapid economic growth but at the same time raised the problem of energy deficiency. This problem was likely to deepen further because of ongoing economic liberalization. By industrialization and economic liberalization income of the people had increased. After getting pleasant economic position rural and urban families were trying to use more efficient and modern fuels than bio-fuels. That also led to increase in the regional energy consumption and highlighted the energy significance in the region.

Despite of rapid economic growth in South Asia population growth had also resulted more energy demands. Fast growth of the population led to an energy deficiency

¹⁷⁵ Usman Aminuddin, "Opportunities in the Development of the Oil & Gas Sector in South Asian Region", <http://www.issi.org.pk/islamabad_paper/2004/oil_2004.htm> (accessed on April 2, 2010).

in the region. In the contemporary age of globalization, states were finding cheaper ways of sourcing energy to make cheaper goods. In the South Asian region where fast growing economies like India and Pakistan were also trying to look for cheaper ways of sourcing energy to compete in the world market. After knowing the potential adverse effects of other fuels on the environment, the trade of the natural gas had become even more significant in the region.

The Gwadar port had the potential to address the regional energy problem through offering the facility of oil shipment and oil refining. The sister project of the Gwadar port like the development of highways and the road infrastructure as well as better security situation in Balochistan would revise the idea of different Gas pipelines in the region because in that region both the energy exporter and the energy importer were present.

Iran had the world's second largest gas reserves after Russia. It always tried to export her natural reserves abroad. But after discovering the South Pars gas field which was also the world's second largest reservoir accounting for approximately 8% of the world's total, her motivations more increased about the export of natural gas.¹⁷⁶ She wanted to promote the export market for gas due to her weak economy and to meet the demands of modernization. At the same time India, Pakistan and China being major Asian economies were more feasible options geographically, politically and economically.

¹⁷⁶ Ibid.

India and Pakistan were feeling the energy deficiency because of the fast growing population and economy. Analyses showed that their domestic energy production would not be sufficient for future demands. Both wanted to import gas to avert the dependency of oil because its prices were highly unstable and skyrocketing. They had also decided to make the gas a fuel of choice in future energy requirements, so to keep in view their demands Iran was a viable option for both India and Pakistan.¹⁷⁷ Although India had quit from the IPI gas pipeline in 2009, but there were chances that it would come back into this project to fulfill her energy needs at cheap rates. India did not consider Pakistan as a viable option for its gas transportation. It opposed Pakistan's land route because of the Balochistan situation as well as it had feared that Pakistan would get the economic well being from the royalties. It started feasibility studies on deep sea and shallow water options. But these two options were not feasible economically as well as technically.

Through strong diplomatic efforts and incentives by Iran and Pakistan, India might revise the project and revive it. The IPI might also extend to China as it was the second largest consumer of primary energy, playing the key role in the world energy politics. It could consider to joining the IPI pipeline project which has been offered to it. Liao Yongyuan Assistant President of China National Petroleum Corporation stated that "China is prepared to join the Pakistan, India and Iran in the construction of cross-border gas pipeline project." China also expressed its intentions to cooperate in the setting up of the gas stations along the pipeline. It had already signed a \$70 billion deal of oil and gas

¹⁷⁷ Asma Shakir Khawaja, "Iran-Pakistan-India Gas Pipeline Project: Paving the Way for Regional Cooperation", *IPRI Journal*, Vol IV, No 1. (2006): 126.

with Iran which met with its demands for next 25 years.¹⁷⁸ The 2600-km pipeline which would reach in Rajasthan is proposed to travel to Myanmar via Bangladesh and then into China.¹⁷⁹

Pakistan had 26.8 Trillion cubic feet proved gas reserves along with 41% of gas energy consumption.¹⁸⁰ Currently all natural gas consumption was produced within the country. But some studies suggested that Pakistan's shortfall would rise four billion cubic feet per day in 2025 with 7 percent annually economic growth rate.¹⁸¹ Pakistan not only would get gas but also royalties as its land would be used for the transit route. The transit fee could be accounted as ranging from \$400 million to \$750 million a year.¹⁸² Materialization of IPI, opening of Gwadar Port and growing economic links with West and the Central Asian states would increase Pakistan's geo-strategic importance within the region commonly and on the global level generally. Pakistan would play as a potential supply "hub" of natural gas in the Asian region as it was a threshold of Western and Central Asia. After the implementation of IPI, Pakistan could have access to the Middles East, Europe and the Central Asian states by using Iranian land routes for import and export.

India's dependency on Pakistan to meet its energy demands would force India to maintain friendly ties with Pakistan. It would also prevent India from adopting any

¹⁷⁸ C. Raja Mohan, "The Twelfth Summit and Future of SAARC", *BISS Journal*, Vol.24, No. 4 (2004): 337

¹⁷⁹ *Ibid*, p. 127.

¹⁸⁰ Muhammad Ramzan Ali, "Energy Resources & Regional Economic Cooperation", *Regional Studies*, Vol. XXIII, No. 2 (Spring 2005):16.

¹⁸¹ *Ibid*. 17.

¹⁸² Asma Shakir Khawaja, "Iran-Pakistan-India Gas Pipeline Project: Paving the Way for Regional Cooperation", *IPRI Journal*, Vol IV, No 1. (2006):121.

coercive strategy against Pakistan. Pakistan would be in a position to limit Indian tactical designs. Implementation of this project would provide an incentive for the Central Asian states to look at Pakistan as a gateway for their oil and gas resources. It would signify Pakistan's geo-strategic position. It might accelerate work on the proposed Turkmenistan-Afghanistan and Pakistan gas pipeline project which India might join too.

During 1991 Turkmenistan proposed Turkmenistan-Afghanistan-Pakistan (TAP) pipeline to Pakistan. The TAP project consisted of gas pipeline about 1400 kms that would transport more than 2 billion cubic meters of natural gas annually from the Daulatabad fields in Southeast Turkmenistan to Pakistan from Afghanistan.¹⁸³ This TAP proposal lessened the importance of IPI for some time. But visible progress did not take place in TAP because of the unstable situation of Afghanistan. Turkmenistan tried to give some incentives to Pakistan also like India as it had indicated that it would provide funding and guarantee for the security of the proposed \$3 billion TAP gas pipeline to cater to Pakistan's energy needs if Islamabad gave up getting piped gas from Iran.¹⁸⁴ But Pakistan on other hand viewed that only IPI was not enough for its growing energy demands. It would also look other options like TAP and the Qatar Pipeline.

The proposed pipeline project was significant in many ways. The importation of natural gas from Iran to India through Pakistan was a venture which had many benefits. It had social, political, multilateral and economic benefits for all partners. This economic

¹⁸³Fahd Ali, "Pakistan's Future Energy Needs", Energy Cooperation in South Asia, *South Asian Journal*, Issue.9 (July-September 2005):44.

¹⁸⁴ Give up IPI, get US funding for TAP gas line: Pakistan told, *The News*,(Islamabad) April 21, 2006.

collaboration might change the face of regional politics in South Asia. Three governments during the proposed project's meetings discussed whole issues ranging from security concerns to meeting the regional high demands for energy. That regional cooperation in the form of India-Pakistan, India-Iran and Iran-Pakistan collaboration could potentially influence bilateral relationships between the three countries as Dr. Khatami said in Lahore that "this pipeline may be called the pipeline of peace and friendship in the region. The implementation of this project would certainly benefit all of the people of the region."¹⁸⁵

4.3.5 Promoting Tourism

The Indian Ocean region which consisted of 36 countries had the potential to develop tourism in the region. The tourism industry had gained primary position in Australia and Singapore. Both states have given full attention to develop this sector. Tourism in that region had begun to develop from centuries through the interest and activities of traders, seaman, fisherman and pilgrims who moved from one country to other and developed a vibrant trading network.¹⁸⁶

After the partial completion of the Gwadar Port, The government of Pakistan had declared tourism as an industry and was taking a keen interest in promotion of tourism in the country. It planned to give full facilities to tourists. In Gwadar, the Pakistan Tourist Development Corporation (PTDC) had four acres of land earmarked at a prime location

¹⁸⁵ Muhammad Ramzan Ali, op, cit. 38.

¹⁸⁶ M.A.B Siddique and R.N.Ghosh, *Tourism and economic development*, (Australia: Anthenancum Press; 2003) p.8.

in Gwadar over which a 12 room hotel was approved for construction. The project however could not be implemented due to the lack of funds. PTDC had welcomed investors to undertake the project and enhance its scope to a beach resort having multifarious activities. With the completion of the port, the flow of tourists was likely to increase many folds in Gwadar.¹⁸⁷

The Gwadar port could also help in promoting tourism, spawning of ancillary industries such as fishing, shipbuilding and the marine industry. It could set up export-free and industrial zones. But for this to eventuate, the political situation in Afghanistan had to normalise soon and the war-wrecked country to return to a modicum of peace and stability. In addition, the launching of such ambitious plans for the development of Gwadar seaport could serve as a catalyst for fast track development and transformation of Balochistan from a primitive, tribal society into 21st century. Thus the plans for the development of Gwadar port through the Chinese support and help had been an auspicious start, albeit it should have been done by government's right after Pakistan's independence.

¹⁸⁷ < www.travel-culture.com/hotels.shtml > (accessed on April 12, 2010)

CHAPTER 5

FUTURE PROSPECTS OF THE GWADAR PORT

The second phase of the development of the Gwadar Port completed in 2010. According to the Master Plan it would be fully functional in 2015 having 26 berths.¹⁸⁸ Since its inauguration, almost all projects had been completed timely but the expected outcome had not been achieved till then. There had been various factors that had already been discussed in previous chapters like the non cooperation of the local community including *Sardars* and involvement of some regional and extra regional powers to restrict its exposure. Thus the future of the Gwadar port was dependent upon the solid strategy and effective diplomacy of the government of Pakistan. This chapter will identify the future prospects and economic expectations which would be achieved from a fully functional Gwadar Port.

¹⁸⁸Fazal-Ur-Rehman, "China 's Foreign Policy in Indian Ocean" < <http://www.worldbank.org/.../Session-VII-Fazal-Ur-Rehman.pdf> > <www.boi.gov.pk> (accessed on April 6,2010)

The government was sincerely committed to develop it in time. Large sums of money had been spent. Construction of the 650 Km long Coastal Highway and large number of

infrastructure projects like Mirani Dam, Grid stations, Desalination Plants, airport and oil refinery predicts a bright future for the port. The Gwadar Port and its sister projects were expected to generate billions of dollars in revenue and create millions of jobs. The government of Pakistan had arranged a visit to Gwadar for more than 70 Diplomats from different countries. They believed that the Gwadar Port and Coastal Highway projects had great potential to improve the economy of the region, but they also showed concerns on the poor law and order situation in Balochistan. Those honourable visitors were in doubt whether the government would be able to complete mega projects in time or not.¹⁸⁹

5.1 Linked Projects of the Gwadar Port Completed to be in Near Future

5.1.1 Transportation of Crude Oil

Pakistan had designed a feasibility study of transportation of crude oil from the Gwadar Port to north western China across Baluchistan and Khyber Pakhtonkhwah, through Northern Areas, over the Khunjerab Pass. To lay down a railway line was one option and to use the Karakoram Highway for transportation of oil in tankers had been

¹⁸⁹ *Dawn*,(Islamabad), January 14,2008.

another option. China was also interested in building an oil pipeline from Gwadar to the Chinese western province Xinjiang.¹⁹⁰ This project would turn the Gwadar port into an energy-transport hub. The planned pipeline would carry crude oil from the Middle East and the African states. The oil transport by pipeline would benefit the Chinese economy. In the contemporary world China was the world's second largest oil importer, with one-third of its supply from abroad. The International Energy Agency had predicted that China would account for over one-fifth of the growth in the world energy demand in the next 25 years.¹⁹¹ Not surprisingly, energy was a crucial ingredient in China's recipe for long-term economic success. Dr Wang Wei, Director of the Office of South Asian Studies of the China Association of International Friendly Contacts, pointed out that, "Pakistan's proposed role, as China's energy corridor, was a positive and inspiring proposition, which was worth active and serious consideration and assessment."¹⁹² It was imperative for China to access the oil and gas resources of Central and Western Asia including the development of oil refining and storages in the coastal areas of Pakistan, this route also protected oil supply to China in any time of any aggression. It could also exploit Pakistan's coal reserves for increasing domestic energy supplies.

¹⁹⁰ Atul Kumar, "China-Pakistan Economic Relations", *IPCS Special Report*, September 2006, www.ipcs.org (accessed on May 3, 2010)

¹⁹¹ David Zweig and Bi Jianhai, "China's Global Hunt for Energy", *Foreign Affairs*, Vol. 84, No. 5, (September-October 2005):23

¹⁹² Sadiq Ali Shah, "Energy Scenario and Options for China", *China Postgraduate Network Conference 2009* (Luther King House: Manchester national institute of Chinese studies 2009),

5.1.2 Proposals of Gas Pipeline Projects

The proposal of a 1400 km long Pipe line TAP from Turkmenistan to Afghanistan and then Gwadar, Pakistan would enhance the strategic and economic potential of the Gwadar port. The estimated cost of this project is \$3 billion.¹⁹³ Energy thrust South Asia and emerging super power China was great market for Turkmen natural gas. Turkmenistan Ambassador Sapar Berdiniyazov, during a visit to Gwadar said that the Gwadar Port had the potential to serve as a gateway for the landlocked Central Asian States. He stressed the need for laying a railway track between Pakistan, Afghanistan and Turkmenistan and improving the road network. He said that his country wanted to use the Gwadar Port to transport Liquefied Petroleum Gas (LPG) to the South Asian states.¹⁹⁴ Pakistan should use strong diplomacy and give incentives to India and other nations; the energy need of India could extent this pipeline as TAPI (Turkmenistan, Afghanistan, Pakistan and India). Through this proposal Pakistan not only increase potential of the Gwadar Port but also gain economic incentives through providing transit route.

Through the good diplomatic relations, India could agree on the rejoining of IPI gas pipeline project. It was expected that energy diplomacy might bring meaningful change in India's foreign policy and ongoing peace dialogue. It was hoped that Pakistan would successfully normalize its relations with Iran and India through this project. The completion of those projects would open the door for the energy wealth of the region.

¹⁹³ Khaleeq Kiani , "\$4bn Tap gas pipeline project in jeopardy", *Dawn*,(Islamabad), November 29, 2007.

¹⁹⁴ *The News*, Jan 14, 2008.

5.1.3 Saindak Copper Gold Project

Balochistan had been a mineral rich region. There were copper gold mines in this province. Pakistan started the Saindak Copper Gold Project with a joint venture with China. This project expected to produce over 12500 tons of raw copper daily. The Saindak project was based on estimated core reserves of 412 million tons containing on average 0.5 gram of gold and 1.5 grams of silver per ton. According to official estimates, the project had the capacity to produce 15,800 tons of blister copper annually from mine.¹⁹⁵ To ensure successful implementation of this mega project, modern machinery and technology including rushers, smelters and other equipments had been installed there. There was also a 50 MW powerhouse to fulfill the electricity's requirements. A railway line was being established between the place of Saindak project and the Gwadar Port. Successful running of that project would increase the importance of the Gwadar port economically.

5.1.4 Gwadar Industrial Estate Project

Feasibility Study of establishing an industrial estate in the Gwadar port city had been done. Through that project major investment was expected by foreigner investors in Gwadar. The provincial government of Balochistan had provided 3,000 acres for the Gwadar Industrial Estate (GIE).¹⁹⁶ The first phase of the Gwadar Industrial estate had

¹⁹⁵<http://www.balochistan.gov.pk/index.php?option=com_content&task=view&id=1010&Itemid=428>

(accessed on April 21,2010).

¹⁹⁶ Ibid.

been completed. There would be approximately 2,000 industrial units in the Gwadar Industrial Estate providing employment to 30,000 workers. The federal government was urgently providing special Rs700 million funding to Balochistan to help meet the 15 year water demand of the Gwadar Industrial Estate through the installation of a foreign assembled desalination plant.¹⁹⁷

The Baluchistan Govt. and a UAE firm HRC signed an agreement under which the Gwadar Coast Centre (GCC) would be established for the development of the port city. The mega project would be established at 2000 acres of land that would generate over 10,000 jobs. GCC would invest \$3.2 billion. Three coast centers were already working in Norway and one in United States. The project would be completed by 2014.¹⁹⁸ The project would help making Gwadar a big international port city.

5.2 Gwadar Port: A Bright Prospect for Regional Integration

The contemporary world was reshaping again. Old unions were shattering and new alliances were being formed. The world witnessed the Berlin wall fall and Europe reunite, the once mighty USSR shrink to Russian federation, the dictating economy of the United States was in crisis. Talk of new world order, a new kind of war and pre-emptive attacks, emergence of new economic power house of BRICK (Brazil, India, China, Korea) all that indicated the creation of a new scenario on the global canvas. The realities of late 19th and early 20th centuries had changed, the days had gone when guns and

¹⁹⁷ <<http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn.com>>(accessed on May 2, 2010)

¹⁹⁸ <http://www.balochistan.gov.pk/index.php?option=com_content&task=view&id=1010&Itemid=428>(accessed on April 21,2010).

canons alone used to decide the fate of the nations. The world saw the United States defeat by Vietnam and the mighty Russia crumbled against the courage of a single nation.

Today, success and prosperity of nations had lied in co-operation, building alliances for mutual benefit of economic and social conditions. The European Union was a prime example in that regard, As discussed earlier in this chapter South and Central Asia was an integral part of the once great Muslim empire and was envy of civilizations. Once again history was providing an opportunity to this region to regain its former glory. Though a lot had been changed over the time, technology had made impossible, possible while geopolitical changes had put new barriers on old tracks, but a collective will of the people of this region could form a formidable alliance of peace and prosperity.

Professor Ahmed Hassan Dani in his book *Central Asia Today* revealed the historic boundaries as Central Asia, or the use the of local terminology, Asia-i-Markazi (literally central regions of Asia) implied much more than the five republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) of Soviet Central Asia and covered the area stretching up to Tataristan on the Volga, Turkey in Asia Minor, Afghanistan, Iran and Pakistan on the Arabian Sea, and Xingjian, which was actually the western region of China.¹⁹⁹

The Gwadar port could indirectly facilitate states in this region to integrate their economies, because security environment and economies of these countries were interdependent on each other. Relentless competition and enmity between super powers

¹⁹⁹ Dani. Op.cit.47.

during the Cold War did not let these states to have any sort of regional integration or cooperation even after liquidation of the Soviet Union, the dream of regional integration could not come true because of constant involvement of extra-regional powers for acquisition of natural resources of this region.

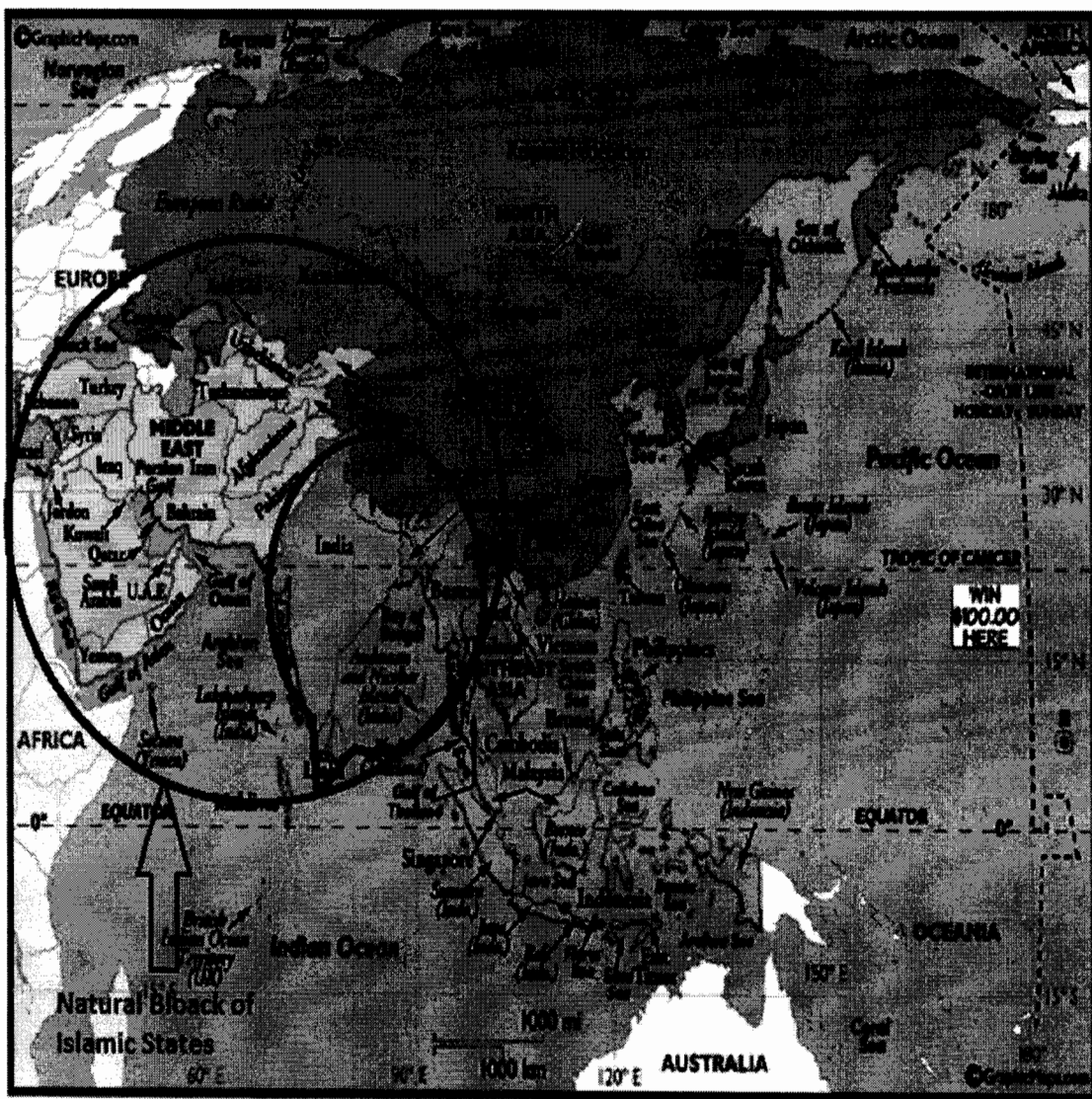


Figure: 2

Source: <http://www.merln.ndu.edu>

Due to lack of cooperation at the regional level, the people of all the countries of this region as a whole were facing deprivation and poverty. According to estimates, almost half of the people in the region had been living below the poverty line. Though China was successful in bringing poverty to 10 percent, all these countries were considered poor by per capita income, yardstick as well. Moreover, the people of this region had been living a difficult life with respect to the availability of social services.²⁰⁰

This situation could be considerably improved by bringing these countries on one platform to evolve common economic strategies and ensure economic cooperation. Vast opportunities existed for cooperation between Pakistan, China and other neighbouring countries at the regional level.²⁰¹ Not only the abundance of their natural resources provided a comprehensive opportunity for closer economic and trade cooperation between the countries of the region but also the traditional economic, cultural and social bonds between these states provided them with the liberty to reintegrate.

There existed extended military and economic cooperation between China and Pakistan and this cooperation would provide precious outputs for both states. An IPS study showed that increasing economic, social and political instability of this region could be decreased through regional cooperation. Adoption of a common strategy for meeting the challenge of hegemonic designs whether at regional or global level were

²⁰⁰ An IPS Study, op.cit., 78.

²⁰¹ Ibid, 79.

becoming inevitable. China and Pakistan had exhibited exemplary cooperation in this regard. Maintaining these good relations and keeping the level of cooperation high, efforts should be made to include other countries of the region in any such scheme of mutual cooperation.²⁰² The Gwadar port was the result of Sino-Pak economic cooperation and they both would like to see their Central Asian neighbors to join them in utilizing this port for their economic prosperity.

Since the new leadership took power in Beijing , they had introduced new economic, military and political strategy, maintaining periphery stability and making neighbours partners was supposed to be the priority of this strategy. This might stem from two perspectives. The first one was that China's rapid development that had been witnessed for more than two decades would benefit its neighbours and China's development also depended on its neighbours.²⁰³

5.3 Emerging Trends in International Maritime Trade

The world had been changing with the advent of the new millennium. Nations and states had been grasping new geopolitical and strategic realities. Industrialised nations were more relying on sea based trade instead of air cargo. Today, maritime shipping had become a globalized industry. In this era of economic competition and dominance,

²⁰² Bahgat, Gawdat. "China's Energy Policy: Strategic Implications." *Middle East Economic Survey*. XLIX. (2007).

²⁰³ Zhao Gancheng, "China's South Asia Policy: Balancing and Stabilizing", *Regional Studies*, Vol, xxiii, No. 3 (Summer 2005): 3.

nations must comprehend, adopt and integrate new technologies in their state policies to survive and prosper. Supply chain management (SCM) was new emerging trend in port and shipping industry. Traditionally shipment was concerned only with the transportation of goods from one place to another. Old trends of sea bed trade had changed due to the terrorism and logistics businesses. Cargo information had become more centralised and easily exchangeable. Shipping lines were more interested in evaluating their fleet configuration, ability and movement in time. They wanted to regulated transit time, schedule reliability, port service and immediacy of markets. For efficient port functionality proper flow of supply was very important. Developed nations were adopting SCMs to keep supply in flow.²⁰⁴

This would bring revolution in coming decades like information Technology (IT) in past. The mode and motion of maritime trade would change through this trend. The Gwadar Port would play effective role in global maritime trade through offering efficient system of SCM.

²⁰⁴ Jean-Paul Rodrigue, *Maritime Transportation: Drivers for the Shipping and Port Industries*, (New York : Global Studies & Geography Hofstra University,2010).15.

CONCLUSION

Ports are integral part of maritime power and naval strategy of the nations. They provide naval bases and other required facilities to littoral states and help them to make effective economic, political and military strategies. Vicinity and configuration of the Gwadar port had made it an important port on the shores of the Indian Ocean. The Gwadar port had the potential to bring changes in geo-economic, geo-political and geo-military stipulations of this region. It would revive Pakistan's economy on one hand and enhance Pakistan's strategic depth on other hand.

China had invested about \$200 million in construction of the Gwadar port and it was the largest amount of money China had ever invested in Pakistan; this showed the degree of importance which China gave to the Gwadar port. Absence of a blue water navy makes Chinese interests in the Indian Ocean vulnerable. The Gwadar port could help her to increase her presence in western part of the Indian Ocean and make sure the safety of her vital sea lines of communications. Chinese western provinces were less developed than other Chinese provinces because of their long distance from any Chinese

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Asif K. M, Abul Barakat (eds.), *Central Asia, Internal and External Dynamics*

port; the Gwadar port offered the shortest transit route to Chinese western provinces. Thus it would increase economic activities in western provinces of China and help her to integrate these provinces into her economic development.

The incident of 9/11 had given the United States a green signal to increase her presence in one of the important regions of the world; the United States had increased her military strength in neighboring countries of China. China felt it for her peaceful rise on global scene. She needed to contain and counter United States' expansionism in her neighbours and she could do this only if she increased her economic activities in this region. The Gwadar port had given a chance to increase and strengthen her economic relations with the Central Asian states and with Pakistan and consequently this could lead to economic integration of this region under Chinese stewardship.

The landlocked Central Asian states were blessed with the abundance of natural resources. Their geographical limitation as land locked regions mars their progress as economically stable regions. Besides Russia, many other countries such as Pakistan, Turkey and Iran had offered transit facilities to the Central Asian states. The Gwadar port had proved to be the shortest transit route for the Central Asian states. Subject port could help the Central Asian states to utilize their natural treasures by themselves and avoid the pulling and hulling of great powers for their natural resources. The Central Asian countries' interests in the Gwadar port had made it strategically more important port of this region. The Pak-Iran gas pipeline and proposed TAP (Turkmenistan, Afghanistan and Pakistan) pipeline project were significant in many ways. The importation of natural

gas from Iran to India or China through Pakistan was a venture which had many benefits. It would reduce its dependency of imported crude oil & liquid petroleum and fulfill future energy needs. It would get economic well-being with royalties, cheaper goods with cheaper energy sources like gas, employment, infrastructure development and technological development. It would build confidence among Pakistan, multinational companies and foreign investors and Pakistan could show the world her responsible face by supplying the safer gas to India. This project would increase Pakistan's geo-strategic importance as an energy corridor and strategic hub for South Asia, Central and West Asia.

The development of the Gwadar port could serve as a terminus for Central Asian energy. But Iran was not contented with the construction of the Gwadar port; she felt that this port could create problems of isolation and encirclement for her and due to competition from the Iranian port at Chahbahar, there was a threat that Gwadar would be unable to monopolize on a point as the core route to the sea from Central Asia. Competition between Gwadar port and Chahbahar port to attract the Central Asian states and other states created a zero-sum situation for Iran, because if Afghanistan and the Central Asian states preferred the Gwadar port over Chahbahar port then Iran would get nothing out of that competition and that eventuality was very much possible because of United States' efforts to isolate Iran. Similarly, if those two parties tried to contend and emasculate each other, those projects could go round into another regional tussle. The remedy to this problem was that both Islamabad and Tehran, instead of going unaccompanied may still walk around the means to work mutually on the concern.

Having a joint approach by Islamabad and Tehran was the need of time because Tehran might be unable to win various associates in the region and thus might be unable to mitigate its segregation. Pakistan was also in need of taking actions to refurbish reciprocal confidence with Iran. By doing all this, Iran and Pakistan could become reciprocally helpful complementarily to each other. The development of this Persian Gulf port of Chahbahar could expediently be allied with the fast-developing Gwadar port by serving several different sectors, dipping competitions as well as sinking expensive duplication. All this would radically renovate the geostrategic scenery of the region. The Gwadar port project would make Pakistan a requisite tie for the member states of Shanghai Cooperation Organization and must be regarded as a superlative nominee for membership.

It is fact that the Gwadar port was principally constructed for economic and trade purposes, however, if viewed through the prism of any upcoming geo-political rivalry in the Indian Ocean, its geo-strategic position could not be disregarded. Along with it Pakistan, Iran and the Central Asian States were also active affiliates of the Economic Cooperation Organization (ECO). ECO had mammoth prospective to add to the economic development of the region. This potential could only be realized, if that was linked with determination to work in cooperation. In this way an overlap could be seen between ECO and SCO. This economic collaboration between the ECO and SCO could contribute optimistically to all members. This would not only heighten economic development of this region of Asia but also help to determine the challenge of bringing economies of this region up to international standards. Several important projects such as

the electricity venture, the Trans-Afghan Pipeline, and port access through Gwadar and Chahbahar could practically revolutionize the economic and strategic stance of this region. Along with it, if this superior economic and security coalition could intermingle with SAARC (South Asian Association for Economic Cooperation) a considerable contribution could be made to elevate regional affluence, including for Afghanistan, while structuring strong institutions in the member states. For this reason, establishment of strong relationships between Iran and Pakistan was essential.

The economy is an indispensable constituent of national power due to bringing potency and stability of a country. The Gwadar port would magnetize investors, create job opportunities, and open up new panorama of economic development in the coastal region and add significant revenues in national economy of Pakistan. It had the ability to grasp the attention of foreign investment and to create a center of attention for the Central Asian states to use this port for the outlet of their trade. Interests of many states especially of the United States and China in Gwadar port bring Pakistan in a position where she could bargain with these powers and by keeping their interests alive. Pakistan could become an important player in this region. In the presence of one main and two sideline ports, Pakistan's maritime security became vulnerable in any military conflict with India or any other state. The construction of multipurpose port at Gwadar would enhance security of Pakistan's coast line and would provide a naval base further away from India. Previously conflicts with India showed that Pakistani ports were vulnerable to Indian naval blockade as they were very close to Indian nautical boundaries. The Gwadar port

had the potential to broaden Pakistan's strategic depth and help her to avoid complete naval blockade.

The development in Pakistan-India relations and Pakistan-Afghanistan relations was also vital, for several rationales. For becoming an energy corridor Pakistan had to have strong ties with India and Afghanistan. This was necessary because India was unable to broaden its trade to Central Asia without a congenial Pakistan. Similarly because of absence of good working relationship, between Pakistan and India, Afghanistan could not turn into an established and viable state. The existence of unfavorable relations not only impacts them but also had a pessimistic effect on the region's potential to grow.

From prospective of Pakistani regions, only Balochistan was the one which provided direct links to Iran and onwards to the Middle East. It was an obvious truth that without Balochistan, the remaining linkages that Pakistan provided to other regions were reduced to less than half their strategic value. The insurgency in Balochistan had the tendency to extend to adjacent regions and slow the rapidity of foreign direct investment in Pakistan, as well as those from China. Lack of considerable foreign direct investments, would seriously hinder the growth targets of Pakistan while effecting mega projects also. If the wave of hostility prolonged in Balochistan even after the operation of the Gwadar port, expected gains from development of this port would be difficult to realize because foreign investors would be unwilling to visit and invest there. Thus, safe and sound Balochistan was not only vital for the triumph of the mega project of the Gwadar port in

the region but also for the state of Pakistan which had narrowly linked itself with west and transnational investment. Along with it, Pakistan must ensure the continuous supply of energy from Balochistan to maintain its economy moving.

Thus, it could be concluded that Pakistan, India, Iran had to consider the reality that if in nurturing their soaring augmentation, their nautical boundaries were expanding and forwarding into the vicinity of concern for others, then any unilateral progress would be disadvantageous to their concerns.

RECOMMENDATIONS

- Political influence and incentives had remained primary driver behind most of the infrastructure projects in Pakistan throughout History. The government officials should work beyond their personal political interests. There should be proper SOPs for these mega projects.
- The Gwadar port's success depends on the stability in Baluchistan and Pakistan at large. Because security is first priority of investors. Dissatisfaction among local *Sardars* and people should be tackled through dialogue and provincial autonomy.
- Proper transport infrastructure should be constructed on an urgent basis. Once the rail link is constructed, the Gwadar port will clearly have no difficulty filling all its available berths.
- Massive input into the Gwadar port mega project never gave expected output until Pakistan connects the port of Gwadar with its own industrial cities like Lahore, Faisalabad, and Sialkot etc. This port should be connected through rail links and highways with industrial cities. Because of these connections economic and trading activities would take place on Gwadar port.

- In the early 1990s a motorway plan was started to connect the landlocked states of Central Asia to the Arabian Sea through ports of Karachi and Gwadar Pakistan. The idea was plausible but it was politically motivated and finished with the end of that government. The present government should resume that project and search new markets for fulfillment of future energy needs on one hand and revive its economy through providing transit route to the Central Asian States on the other hand.
- To face the future economic challenges, the South Asian nations should promote regional trade and energy co-operation to each other because in the 21st century economy is determined region wise rather than country wise. So the regional trade agreements play an important role in economic development of the individual country.
- As a world class golf resort is being developed for international golf tournaments. In same way cricket and hockey grounds should be built for the international tournaments. These stadiums will attract foreign investment and tourists around the world.
- The Gwadar Port Authority had reserved a Site for establishment of the largest Amusement Park in Asia, but there had not been taken solid steps regarding this mega project. The government of Pakistan should immediately initiate negotiation with SembCorp Parks Management (SPM), Singapore, for creation of an industrial park in Gwadar. For that purpose, the government of Balochistan will have to earmark a strategic location near the Gwadar Port Project for industrial and investment purposes.

- Presently, in the Gwadar, only one five star hotel is functioning. There should be at least two 5-Star hotels to gear the economic activities at natural port city. The construction of hotels must be completed within two to three years by the time port will become fully operational. All the activities mentioned above are time-consuming and in view of the urgency of the industrialisation process at Gwadar, the decisions on various proposals should be taken for immediate implementation.
- There should be proper monitoring on the projects going on in Balochistan with the help of foreign investors. A standing committee comprising of Senate and National Assembly members of Baluchistan should be established and they should be given full authority to interrogate any authority involved in the development of the Gwadar Port.
- This is the age of globalization and internet. The official website of the Gwadar Port should be updated regularly. And details of all projects and incentives should be uploaded on site.
- It is duty of the Pakistani free media to arrange talk shows on the Gwadar port and its related projects. The Gwadar port is great asset of Pakistani nation. The media should keep a critical eye on the policies related to Gwadar but in a constructive way. It must take up the responsibility of removing the misunderstanding between the people of Baluchistan and the federation. Media can play important role in proper utilization of the Gwadar Port. It can highlight the projects and prospects that could be benefited for the local people of the province.

- A major oil refinery at Gwadar would further facilitate China's oil imports. Pakistan is now in a position to exploit its strategic location at the crossroads of South Asia, Central Asia and West Asia to promote 'corridors of cooperation'.
- Pakistan should adopt techniques of emerging concept of Supply Chain Management in international maritime trade. The proper research must be done to use Gwadar Port as integral part of global SCM system.

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