

Gwadar Port Growing Beyond Economic Glory

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Abstract

Gwadar is becoming a linchpin to strengthen the Pakistan fragile economy. It is quite amazing that a small fishing village of Gwadar is rapidly being emerged as an international deep sea port city of Pakistan. It is so important that keeping in view the significance of the region, government of Pakistan has declared Gwadar as duty free port and free economic zone. This has improved its commercial importance diverse as well as faster the speed of development to an unbelievable size. By virtue of its best strategic location, city will be comparable with the cities like Singapore, Hong Kong and Dubai when the development projects, recreational programs and special economic zone will be commissioned. Government special attention will soon turn into it into reality. Gwadar, the western port city of Pakistan or the western port importance mentioning has already got the attention of economic planners of the Prime Minister Imran Khan. In near future, Gwadar port will grow beyond the economic glory that one can imagine.

Keyword: Gwadar Port, Economy, CPEC, Strategic Importance

Introduction

Gwadar district with its 600 Km coast line and un-irrigated tracks of Kulanch and Dasht valleys has always been an important section of Makran's history. After the creation of Pakistan in 1947, areas except Gwadar and its surroundings, joined the Balochistan States Union, as part of Makran state in early 1949 along with Kalat, Lasbela and Kharan. In October 1955, Makran was given the status of a district of former West Pakistan province after its accession to Pakistan. Newly established government of Pakistan saw through an opportunity of great economic benefits in this small Omani town of Gwadar as early as 1954. For this purpose this small fishing town was purchased, which was geographically contiguous anyway, for \$ 3 million so in 1958, Gwadar was reverted back from Muscat to Pakistan and was made a tehsil of Makran district. On 1st July 1970, when one unit was dissolved and Balochistan gained the status of a province, Makran became one of its eight districts. On 1st July 1977, Makran was declared a division and was divided into three districts, named Panjgur, Turbat and Gwadar. With Gwadar being only 200 miles from the Straits of Hormuz, the prime conduit for the world's oil trade, the combination of developing the port city and providing a land route to China would significantly shorten its oil transport chain.¹

Significance of Gwadar

Located at the entrance of the Persian Gulf and about 460 kms from Karachi, Gwadar has had immense Geo-strategic significance on many accounts. Considering the Geo-economic imperative of the regional changes, 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 Asian Republic (CAR) as well as the trans-shipment trade of the region. Both Karachi Port and Port Bin Qasim were found unattractive to major shipping lines due to the lesser depth and away from the main shipping routes, the limitations of draft for mother ships and large bulk oil carriers and the comparative long turnaround times. The ADB studies, however considered Gwadar to have the most advantageous location for such an alternative port in the region, which could handle mother ships and large oil tankers in due course owing to its specific depth.

Gwadar is strategically located on the western end of Balochistan coast, on the opposite end of the Gulf of Oman and at the mouth of the Strait of Hormuz. When the deep port becomes functional, its many other plans important cross-national oil pipelines passing through would further enhance the regions strategic value. Chinese financial assistance and technical expertise would continue to remain instrumental throughout the course of development of the port and its connectivity to

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¹ (The Gwadar Port, 26 Aug 2013)

hinterland through road, rail and gas pipelines. It is pertinent to mention that after the establishment of new PTI government in Pakistan since July 2018, many other regional countries (other than the china) have shown interest with huge finical development plans in Gwadar port.

As envisaged, the success of Gwadar port lies in its ability to function as transshipment, transit port and energy hub. The port project is still in its infancy and its success depends entirely on policies pursued by Pakistan. It requires meticulous economic planning and careful execution of foreign policy options. Other strategic compulsions and security concerns may complicate the emergence of Gwadar as a hub port. This research paper argues the prospects of the Gwadar port for the promising future of Pakistan. The paper also analyses the economical potential of port and in the end gives few recommendations to translate vision of Gwadar into tangible economic and political gains. In near future, Gwadar port will grow beyond the economic glory not only for Pakistan but for the entire region.

Importance of Gwadar

i Geo-Political Importance

In subcontinent, India was the world's first dry dock through which Indian trade and culture was carried across the sea. These seafarers took Indian silk, spices and artifacts to East Africa, the Gulf and even beyond. But with the arrival of Mughals, India rapidly began to limit contact with sea. This was to have tragic consequences, which ultimately led to the conquest of subcontinent by the British. But once again now the old desire of Central Asian Republics (part of former Soviet Union) and China's "Access to the warm waters" is soon going to be materialized through the China Pakistan Economic Corridor (CPEC) and by construction of Gwadar Port. Geographically the corridor (CPEC) connects through the 3000 KM road and rail link including the Kashghar in West China autonomous region to Pakistan's South Western part of Gwadar (Baluchistan). This is multifaceted deal which involves the following areas of cooperation².

- Coal-fired power plants.
- Hydroelectric & wind generated power.
- Solar Power stations.
- Coal supplies.

This corridor is also expected to help some of the most under developed areas of Pakistan by reducing poverty and generating job opportunities while on the other hand it would considerably reduce the transportation time of goods and energy for Chinese products. Currently export of goods from China to Middle East and Africa via Strait of Malacca takes about 45 days that could be reduced to

less than 10 days if transported through Gwadar Port.³ In a broader view the CPEC will closely connect the Central Asia, West Asia and Gulf states through energy and economic cooperation. China has been showing the signs to emerge as a super economic power of the world in the recent years. Goods sent by sea have to travel more than 10,000 miles to reach Chinese ports on the country's eastern seaboard and then have to be transported 3,000 miles overland across China to reach markets in Western China. As compared to this, Gwadar port is only on a distance of 2500 km from China and the port is working for the whole year because of the hot waters here. Therefore, the interest of China in the development of Gwadar port is in fact in terms of its economy value. More so, Gwadar being near to Iranian border will provide port facilities to Central Asia as well.

Presently Dubai is the hub of business not only for Gulf but also for rest of the region including South Asia, Central Asian States, Africa and China, simultaneously. Dubai, therefore, acts as role model port for the countries in the region, to follow the suit in harnessing the gains of international sea bound traffic to traverse through oil rich region, thus inevitably bring prosperity to the people of the neighboring states. Fortunately, Gwadar proves to be the nearest and in fact more cost-effective port close to that of Dubai, from many aspects. Thus on can conclude, Gwadar port will grow beyond the economic glory not only for Pakistan but for the region as well.

ii Geo- Strategic Importance

Gwadar is the closest port to Southern Afghanistan, a region that includes the country's second largest city Kandahar. A highway linking Gwadar to Chaman on the Pak-Afghan border may help facilitate the flow of imports into southern and central Afghanistan by cutting road transport costs. Xingjian lies 4,500 km from China's east coast but just 2,500 km from Gwadar this will make it possible for china to route some of its external trade through Gwadar port.

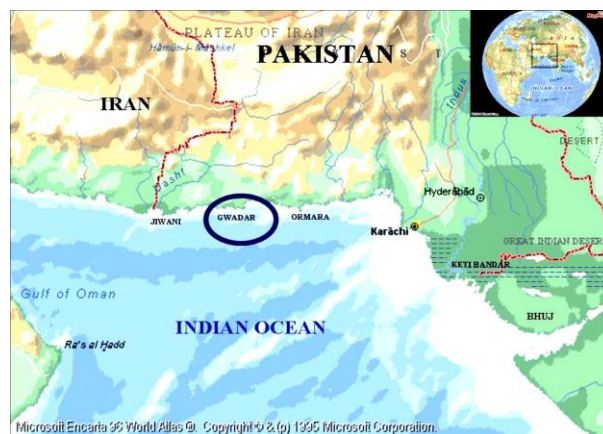


Fig. 1 Geography of Gwadar Port

² (Ahsan, 2015, p. 3)

³ (Gwadar Port Control Transferred to China, 31 Jan 2013)

It was evident that countries having apprehensions about the strategic co-operation between Pakistan and China would be unhappy over the development of Gwadar port. Many analysts, have been placing more emphasis on Gwadar strategic importance, especially in the Chinese future energy security strategy, and consider it a threat to their interests. Atul Kumar, Research Assistant at India's Institute of Peace and Conflict Studies, New Delhi, writes, "On the strategic front, Chinese dream of getting a foothold in the Indian Ocean, without having an aircraft carrier, is being fulfilled with the development of Gwadar port. Given the presence of the US Navy's Fifth Fleet in the Persian Gulf, it is a big strategic feat to have a Chinese presence at Gwadar⁴". Well it's simply a myth reality on ground is different.

Construction of Gwadar has ringed a bell about China's maritime history. China's growing interest and influence from the South China Sea through the Indian Ocean and onto the Arabian Gulf has been described as a "String of Pearls" approach that potentially could present the United States with complex regional challenges. In such assessments, loaded with strategic connotations, the commercial aspect of these facilities and expanding Chinese global economic interests are deliberately underplayed to portray an alarming situation. There are, however, some scholars, who have justified Chinese co-operation with Pakistan in the development of Gwadar port, while recognizing both the countries' legitimate economic interests, also suggest that it should not be used by the Chinese for military purposes for the sake of regional stability.

While focusing on the strategic importance of Gwadar, many analysts tend to ignore the fact that Gwadar is a Pakistani port, though built with Chinese assistance and loans, and that Pakistan is a sovereign state which takes decisions according to its national interests. For Pakistan, Gwadar is indeed an addition to the Karachi Port Complex, as it has created yet another commercial hub on the west coast.

iii Geo-Economic importance

With the inauguration of first phase of the Gwadar deep-sea port on 20 March 2007, another milestone was added to the emerging economic relations between Pakistan and China. Pakistan conceived Gwadar Port, while realizing the potential of its strategic geographic location at the crossroads of three sub-regional systems—South Asia, West Asia and Central Asia—all envisioned creating a trade corridor for China, Central Asia, and Afghanistan. Net assessments of the growing energy requirements of the rapidly developing economies of China and India have further strengthened Pakistan's concept of serving not only as a trade corridor but an energy corridor as well⁵.

⁴ David Zweig and Bi Jianhai, 'China's Global Hunt for Energy', foreign Affairs, vol.84, No. 5, September – October 2005.

⁵ "Pakistan offers China trade and energy corridors", The Nation, 24 February 2006.

To realize the potential of becoming a "Trade and Energy Corridor" (TEC), Pakistan's leadership in the past few years has primarily focused on China and also other neighboring countries to join Pakistan's endeavors for creating a "trade and energy corridor". Saudi Arabia is also looking into the possibilities of using this corridor for energy supplies to China⁶. While the importance and usefulness of Pakistan's TEC is valid for many countries. Moreover, the infrastructure for TEC requires multi-billion dollar financial commitments, for which China has the interest and the capacity.

Future prospects of Gwadar Port

i Gwadar as a Transit Port

One major objective of realizing Gwadar Port is "To facilitate and attract transit trade of Central Asian Republics by providing dedicated, efficient and cost effective port facilities"⁷. The myth of expected high volume transit traffic from CARs and Afghanistan is considered to be driving force to develop Gwadar as Deep Sea Port. With this perspective, the construction of Gwadar port has been justified and merits following.

- a. The transit trade of CARs at present is partly handled at UAE ports from where it is transshipped to Bunder Abbas and onward by land / rail route to CARs. This involves double handling at UAE and Iranian Ports. A Hub Port at Gwadar will offer direct shipment to and from CARs through land route.
- b. The transit sea-trade of Afghanistan is presently handled at Karachi Port, which shall be diverted to Gwadar, when the land route is developed.⁸
- c. The landlocked countries of Central Asian Republics (CARs) located in the north of Pakistan constitute a large potential market for Gwadar Port for handling their maritime import and export trade.⁹
- d. Serve as a gateway to the cargo destined for landlocked countries such as Central Asian Republics & Afghanistan¹⁰.

ii Traffic Assessment

The volume of traffic for containers and general cargo has been assessed through following two studies.

- a. M/S Giffords & Partners of UK carried out in 1993.
- b. National Ports Master Plan study by Posford Duviviers-UK in 1996.¹¹

⁶The Business Recorder, quoted on 16 March 2006, Pakistan's oil Minister, Naseer Khan Mengal as saying the issue was discussed between President Musharraf and Saudi King Abdullah during his visit to Pakistan in February 2006.

⁷ Ibid P/7

^{8 8} PC-1 Form (Rev.III, June 2004) Gwadar Deep Water Port P/16

⁹ Ibid P/17

¹⁰ Ibid P/44

Figures of both the above studies have been averaged in the PC-1 for arriving at the final figures¹² shown in the table appended below. Chinese Consultants did a fresh study in year 2002. However the results of their study did not change the above forecast figures as mentioned in the table below.

Traffic assessment for Gwadar Port

Traffic Assessment

(000 tons)

	2005	2010	2015	2020	2025
Afghanistan					
• General Cargo (000 Tones)	113	135	150	166	184
• Containers (000 TEUs)	8	9	10	11	12
Central Asian Republics					
• General Cargo (000 Tones)	530	577	622	690	750
• Containers (000 TEUs)	47	54	58	61	65
TOTAL					
• General Cargo (000 Tones)	643	712	772	856	934
• Containers (000 TEUs)	55	63	68	72	77

iii Gwadar as Trans-Shipments Port

Yet another objective of Gwadar Port is to serve as mother port for the neighbouring ports, which are not capable to receive mother ships. This is all about trans-shipment traffic. Gwadar is located strategically close to main shipping routes and is planned to handle mother ships and larger oil tankers in due course. However competition is likely from Salalah Port (Oman) for the trans-shipment trade¹³. The Chinese designers M/s. Fourth Harbour Engineering Investigation and Design Institute in the basic design report of 2003 have proposed that Gwadar, when fully developed as a port, has the potential to attract a minimum of 100,000 TEUs for trans-shipment through Feeder Services. The conservative figure of 165,000 TEUs will gradually increase to the limiting value of 275,000 TEUs by the year 2025.¹⁴

Gwadar is likely to emerge as a regional hub of economic activities due to its ideal location at the tip of the Straits of Hormuz/Persian Gulf. It has the capability to be a vital link to China, Afghanistan and CARs, thus attracting trans-shipment trade with over 20 countries including Sri Lanka, Bangladesh, Oman, UAE, Saudi Arabia, Qatar, Iraq and Iran. These countries may open their warehouses in Gwadar for the export of goods and later

shipment to their native lands.^{15,16} The port complex will provide facilities of ware houses, trans-shipment, transit and coastal trade, commercial and industrial openings for international import-export trade.¹⁷

It is worth mentioning that Dubai, Fujairah and Khorfakhan are thriving on transshipment business. The factual position is that the ports of UAE, referred above, faced similar circumstances as Gwadar is facing today. It was the aggressive approach of UAE authorities to capture the market with which said port managed to offset their geographical weakness. Dubai had an added advantage of having its own base cargo which helped it to develop the transshipment trade in its waters, but ports like Fujairah and Khorfakhan generally relied on transshipment business only. In fact these ports could overcome their weaknesses with careful planning and taking care of other aspects of the port business.

In the light of above discussions, it is safe to forecast that Gwadar port can be a viable option in the long run. In the absence of communication infrastructure, Gwadar can be used as transshipment port by careful planning and aggressive marketing. In the meantime the efforts to provide road and rail links to CARs should continue.¹⁸

iv Gateway to Central Asian States

Gwadar port has substantial trade prospects which will be multiple after linkages with Central Asian Region. The total population of this region is around 65 million, which is distributed amongst 6 states, of which Uzbekistan, Tajikistan and Turkmenistan, have close geographical proximity with Pakistan and will be the potential users of Gwadar port. The present total foreign trade of the area is estimated to be 20 billion US\$ with 12 billion US \$ of exports. The total international trade in terms of weight and volume is approximately 80 million freight tons. The main items and commodities of trade brought in from various ports are all kinds of consumer goods, electronic items and garments. Export, our main focus of attention, includes cotton, metal ores, machinery, gas and oil.

The road distance from Kushka in Turkmenistan to Gwadar is 1200 KM whereas, the nearest Black Sea port of Odessa in Ukraine is approximately 3400 KM away from Central Asian states. Thus Gwadar obviously becomes the most viable option available with the CARs. A 500-km long highway connecting Gwadar with CARs via Panjgur, Chaghi and Rabat, up to Heart is therefore being planned.

V Trade and Energy Corridor (TEC)

The new leadership of Pakistan has primarily focused on China and also other neighboring countries to join

¹¹ PC PC-1 Form (Rev.III, June 2004) Gwadar Deep Water Port , Annexure-1 P/4

¹² Ibid P/8

¹³ PC-1 Form (Rev.III, June 2004) Gwadar Deep Water Port Page 15

¹⁴ Ibid Page 16

¹⁵ Mr. alauddin Masood, 'Gwadar Deep Sea Port ; All round economic benefits' Daily NEWS of June 28, 2004

¹⁶ Mr. Mushtaq Ahmad 'Developing a regional hub at Gwadar' Daily DAWN of July 24, 2003

¹⁷ Mr. Azhar Javed 'Gwadar: Landmark in the history of Pakistan' Daily Nation of February 7, 2005

¹⁸ Suleman Hashmi Business Recorder dated: April 23, 1999

Pakistan's endeavors for creating a "Trade and Energy Corridor" (TEC). Moreover, the infrastructure for TEC requires multi-billion dollar financial commitments, for which Saudi Arabia, UAE and China has the interest and the capacity. Feasibility studies are being carried out for laying a railway track and a pipeline along the KKH up to the Chinese border. Saudi Arabia, reportedly, is also looking into the possibilities of using this corridor for energy supplies to China¹⁹. During Prime Minister next visit to China in early 2020 contract regarding subject railway track will be finalized.

Pakistan, with the strong conviction that it can exploit its geographic advantage, has begun to take initial initiatives in the direction of creating the relevant infrastructure for the TEC. Since the entire concept of the TEC revolves around the successful operation of Gwadar port and timely construction of the affiliated infrastructural facilities for trade and energy supplies.

It is pertinent to mention that Iranian Port Chahbahar offers comparatively equal transit route and Iranian commercial interest to capitalize on the opportunity that may generate a commercial rivalry. In fact some road network in Afghanistan has recently been developed with the help of Indian funding, which may lead to providing access to Chahbahar. It is likely to attract CAR towards gaining warm water access through Iran. Such a scenario would lead to commercial competition with port offering better international standards and efficient cargo handling. But keeping in view the depth issue in general area Gwadar, there is a big advantage to Gwadar port which no other port enjoy in the region.

Development and connectivity

Development of Gwadar Port

The first phase of Gwadar port was formally inaugurated on 20 March 2007 by Pakistan's President, General Pervez Musharraf, and the Chinese Communications Minister, Li Shasheng. For the first phase of Gwadar port, the government of China had provided US\$198 million and the government of Pakistan contributed US\$50 million. In the first phase, three multi-purpose berths 602 meters long; a 4.5 kilometer-long approach channel, dredged to 11.5-12.5 meters; a turning basin 450 meters in diameter; and one 100 meter service berth have been completed.

Following the completion of Phase I of Gwadar, the Economic Co-ordination Committee of the cabinet met under the Prime Minister on 1 February 2007 and allowed the Gwadar Port Authority (GPA) to sign a 40-year agreement with the Port of Singapore Authority (PSA) and its subsidiary, Concessional Holding Company (CHC), for the development and operation of the tax-free port and duty-free trade zone²⁰. In a highly competitive

environment, in order to "enable Gwadar to compete with its regional peers, the port fees will be kept low by allowing a wide range of tax concessions to the PSA subsidiaries to cut operational and business costs. These include complete exemption from corporate tax for 20 years, duty-free imports of materials and equipment for construction and operations of the port and a free economic zone; and zero rate of duty for shipping for 40 years²¹". Nonetheless on 30 June 2013 cabinet accorded approval for handing over of Gwadar Port management control from Port of Singapore Authority (PSA) to China Overseas Holding due to non performance by PSA²². Since then Port is being managed by Chinese.

The most obvious benefit of having a hub-port is that the income generated from the port increases because of the double handling of cargo. Another important advantage is that it facilitates direct shipment of the imports and exports of the country. Also, the creation of free-trade zones is directly linked with the concept of a hub-port.

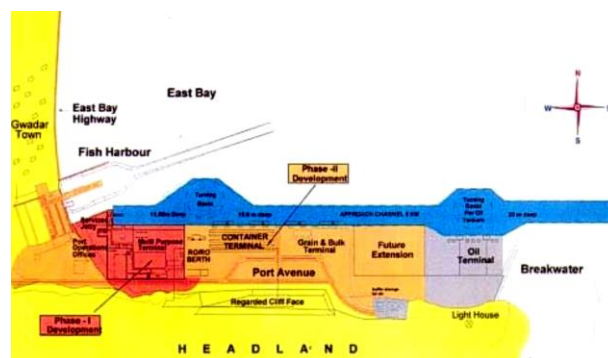


Fig. 2 Phases I and II of Gwadar Port

Energy Cooperation and Pipelines

A Framework Agreement on Energy Co-operation was signed in Beijing on 20 February 2006, between the Ministry of Petroleum and Natural Resources of Pakistan and the National Development Reform Commission of China²³. In pursuance of this agreement, the first Energy Forum was held in Islamabad from 25-27 April 2006. At the Energy Forum, a blueprint of the proposed 3300 kilometer-long Karakoram oil pipeline was also presented by the Pakistani side; this entails a 30-inch diameter pipeline from Gwadar to Khunjerab, passing through Awaran, Pir Muhammad, Khuzdar, Shikarpur, D. I. Khan, Kundian, Mianwali, Talagang, Ghaib, Fatehjang, Haripur, Mansehra, Patan, Dasu, Chilas, Bunjil, Gilgit, Sust, and the Khunjerab pass. The proposed pipeline will be able to handle 12 million tonnes of oil per year and would cost between US\$4.5 and 5 billion²⁴.

¹⁹The Business Recorder, quoted on 16 March 2006, Pakistan's oil Minister, Naseer Khan Mengal as saying the issue was discussed between President Musharraf and Saudi King Abdullah during his visit to Pakistan in February 2006.

²⁰"Gwadar: a gateway to progress", Dawn (Islamabad), 9 February 2007.

²¹The Dawn, 9 February 2007.

²²(Gwadar Port Control Transferred to China, 31 Jan 2013)

²³"Pakistan-China Energy Forum Held in Islamabad", Embassy of the People's Republic of China in Islamabad, 3 May 2006.

²⁴Presentation made by one of Pakistan's gas companies, Sui Southern Gas Company, at the Pak-China Energy Forum, 25-26 April, 2006, [www.ssgc.com.pk/ssgc/media center/presentation/pdf/karakoram.pdf](http://www.ssgc.com.pk/ssgc/media%20center/presentation/pdf/karakoram.pdf)

As per the recommendations of the Forum, feasibility studies for various projects have since been contracted out. Recently, Saudi Arabia has also shown interest in using Pakistan as an energy corridor for transporting its refined oil to China. Saudi Crown Prince, Muhammad bin Sulman, reportedly discussed this possibility during his visit to Pakistan in Feb 2019. **China's Options for Energy Transportation**

To ensure multiple routes of energy transportation has become a priority for China. As China wants to reduce its heavy reliance on the sea-lanes, it has started planning and constructing overland pipelines for energy transportation from neighboring regions such as Russia and Central Asia. In 2006, a pipeline from Kazakhstan to the western regions of China began pumping oil; this 988 kilometer long pipeline was constructed in a record period of ten months by China. Another pipeline from Russia, with a capacity of 20 million tonnes per year completed recently. More than 10 million tonnes of crude oil is already being transported by rail from Russia to China. There are other pipelines under negotiation from Turkmenistan and other Central Asian states, besides Russia. Gwadar is a part of Chinese strategy for strengthening the security of the sea-lanes of communication, in line with the idea of a "String of Pearls". Chinese are interested in turning Gwadar port "into a transit terminal for crude oil imports from Iran and Africa to China's Xinjiang region"²⁵. China's smooth energy supplies, points to the fact that, "development of a robust overland transportation system between Yunnan and the Bay of Bengal, and between western Xinjiang and Gwadar could subsequently strengthen the Chinese's ability to sustain flow of energy through eastern and western Indian Ocean".



Fig. 3 Proposed Gas and Oil Pipelines

Connectivity of Gwadar with Hinterlands

Goods exported to Western China via the Karakorum highway land route will have a huge price advantage in

terms of reduced transportation costs. Goods sent by sea have to travel more than 10,000 miles to reach Chinese ports on the country's eastern seaboard and then have to be transported 3,000 miles overland across China to reach markets in Western China. To facilitate the transportation of goods via the land route China has agreed to help Pakistan to upgrade and widen the Karakorum highway. In this regard, a MoU has been signed between China Road and Bridge Corporation and Pakistan's National Highway Authority, for the up gradation of the 335 kilometer-long section of the road between the Raikot Bridge and the Khunjerab mountain pass. Under the up gradation programme, the road will be made an all-weather road, so that it remains open throughout the year; and its width will be expanded from ten meters to thirty meters so that it can handle long vehicles.

Pakistan is also constructing a network of highways and railways within the country to facilitate a north-south TEC. Karachi has been linked with Gawadar through a coastal highway, and plans are underway to link it to Iran as well, another major 950 kilometer-long highway, connecting Gawadar to Turbat, Khuzdar, and Ratodero, will be completed. A new road will soon link Quetta to Zhob, D. I. Khan, Loralai, and D. G. Khan, connecting Balochistan to the Punjab and the NWFP.

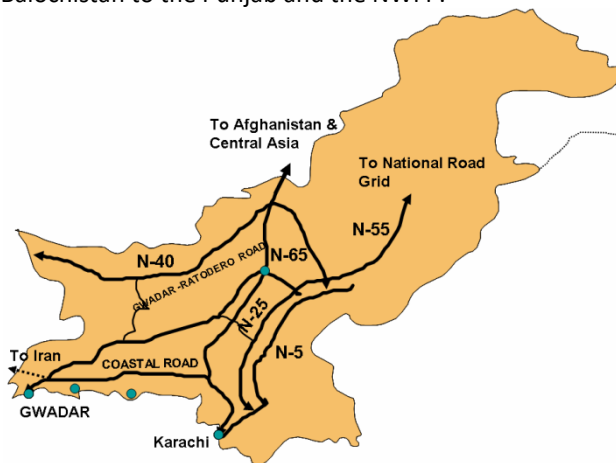


Fig. 4 Road network from Gwadar

The project for up gradation of the KKH should not be seen only in the context of Pakistan's efforts for the TEC, but as a logical response by Pakistan and China to the various initiatives for establishing east-west and north-south trade corridors in the region. China effectively has linked its western regions bordering Central Asia and Pakistan with central China and can use the KKH and other links for expanding trade with West Asia and South Asia.

Construction of Railways

A railway line along the KKH, connecting Pakistan and the Western China, is being considered as an integral part of the Trade and Energy Corridor Project. The purpose of

²⁵ Zaid Haider, "Baluch, Beijing, and Pakistan's Gwadar Port", *Georgetown Journal of International Affairs*, Winter/Spring 2005.

building a rail-line is not only for trade purposes but also to transport energy, in case a pipeline is not a viable option. This rail track will be linked to Gawadar, where oil-refining and storage facilities are being constructed. In this regard, as a first step, the Pakistan Railways authorities invited tenders from interested companies to prepare a feasibility study for the proposed project, for the study of the 1000 kilometer rail-track. In Pakistan, the 750 kilometer track starts from Havelian, a small town near Abbotabad in the NWFP, and passes through the Karakoram mountains up to the Pak-China border at Khunjerab. The second part, consisting of a 250 kilometer-long track will be constructed inside the Chinese province of Xinjiang. In the view of experts, the cost of construction for this track could be compared to the cost of the rail-track construction in similar mountainous terrain in Tibet, which cost US\$5 million per kilometer. It means that the total cost of the rail-track project up to Xinjiang will be around US\$5 billion, which is an enormous financial commitment.

The Pakistan Railways intends to construct a new railway link between Gwadar and Mastung for providing cheaper, efficient and dependable rail service, which shall be passing through the central part of the province, primarily for transportation of agro-industrial products, movement of general goods and creation of traveling facilities basically for the people of Balochistan province. At a later stage when rail links at other places in Afghanistan, Iran and Central Asian Republics (CAR'S) are completed, and there is a political will on the part of respective governments of these countries to establish a mutual trade link between themselves, the significance & role of new Gwadar-Mastung railway line will increase manifold, to acquire the status of economic hub, serving the international rail traffic from the Region. The railway line from Quetta to Koh-i-Taftan, on the Iranian border, continues on to Zahidan in Iran. There it terminates but it is understood that construction of the additional 600 km of railway would be required to link to the main Iranian railway system at Kerman. This project is rightly conceived as a "mother hub" that would provide the required strength and economic boost to the future projects in Balochistan. Therefore it would be most appropriate to look at this project, which justifies commanding the economic leadership of the future.

Conclusion and Recommendations

Conclusion

Owing to Pakistan's unique geographic advantage, the country has enormous potential to become a TEC for neighboring regions. However, for China, the prospects of Pakistan becoming a trade corridor are more promising than becoming an energy corridor in the short terms. With the competition becoming intense for securing energy resources in future, Pakistan would surely serve as an energy corridor for China. In short term, Pakistan

needs to place equal importance to providing TEC facility to its south Asian, central Asian and west Asian neighbors, as they are eager to use Pakistan's TEC facilities. Nevertheless, most important factors in materializing the viability of a Prosperous Gwadar are Law and order situation and Availability of skilled human resource, which is being taken care by the government as a priority issue.

Owing to government new initiatives law and order in the province can be termed as satisfactory and is likely to provide investment friendly situation for the foreigners and even for local investors to invest in the area. The sense of deprivation among Baloch people have been addressed by the government. Now there is clarity at government level that, until and unless the people of Balochistan and particularly that of Gwadar have the sense of ownership and are convinced that the benefits of development in the area would be shared by them, law and order situation can never improve. The availability of skilled human resource is also vital to manage and operate Gwadar port. The pending issues/MOUs with Chinese government regarding Gwadar port and Gwadar city needs to be resolved on priority so that port could function and flourish efficiently and smoothly in peaceful environment.

Recommendations

- a. Operational capacity of Gwadar Port is required to be utilized according to its full potential. Port may also be contemplated financially viable for local population, which complaints that Balochistan is not getting any gains from this project. Federal and Provincial Governments are required to address the concerns of local population on priority.
- b. More berths needs to be constructed along with oil pears and container terminals. All relating issues must be discussed in detail with relevant stakeholder's prior further negotiations with Chinese for early completion and operation of port.
- c. There is substantial opportunity of trade with CARs and Afghanistan, which needs to be routed through Pakistan, which will bring advantage to all stake holders. As a consequence of establishment of this transit route, CARs and Afghanistan will tend to use Gwadar port for their import/export cargo.
- d. Gwadar port is still not made fully operational; China may also be invited to use Gwadar port for its import/export for its western provinces. Cargo for other Chinese projects in Pakistan may also be handled through Gwadar port.
- e. The railway link should be designed with the consultation of CARs and Afghanistan, keeping in view their suitability and requirements. It appears more logical if the track with Russian gauge is extended through

Afghanistan up to Gwadar via shortest possible route so that the freight trains of Central Asian Republics could travel directly to Gwadar.

f. To develop Export Promotion Zone's, Industrial Zones and Commercial Complexes, availability of basic utilities i.e. water, electricity, gas, telecommunication links etc must be made available before inviting the investors.

g. Suitable vocational training and educational institutions should be established on top priority, well in time to arrange adequately trained and skilled human resource, which should be available for the industry and the port operation as and when needed.

h. Instead of competition with Chabahar Port of Iran in close proximity, a business partnership strategies needs to be devised creating a win-win situation for both. To create such an environment, permission to pass transit cargo of CARs and India through Pakistan will be of crucial importance.

j. Ports take lot of time to become fully operational, so government of Pakistan/China must not take any hasty decisions. Success of Gwadar port is not only important because huge investment has been made in it but also because it will greatly impact on the development of Balochistan and its local population. If Gwadar succeeds in capturing Transit Traffic of CARs and Afghanistan, it will also help in establishing long-term friendship and business relations with these countries due to mutual interdependence.

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