

Assessment of Gwadar Port Construction under CPEC

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Gwadar Port is located in Balochistan Province, Pakistan. The word “Gwadar” is a combination of two Balochi words - Gwat meaning wind and Dar meaning gateway, thus Gwadar means the “Gateway of Winds”. Mir Muhammad Nasir Khan I Ahmadzai (a.k.a. Nasir Khan the Great), the most famous Khan of Khanate of Kalat, captured the land during an expansion campaign in the mid-18th century, and temporarily handed it over in 1783 to Sultan of Sulalah al—Sayyid, Oman who was seeking political asylum. Gwadar was, however, never returned by the Sultan until September 1958 when it was purchased by Pakistan federal government from Oman for some USD 8.4 million.¹ In 1964, Pakistan government decided to build Gwadar Port, but the project did not kick off immediately due to economic constraints. In 1999, the Musharraf administration sought China’s support to press forward with the project. China Harbor Engineering Co., Ltd. (CHEC), as requested, started to build Gwadar Port (Phase I) in March 2002, and completed in March 2005. After an international bidding, the construction of port transferred to Port of Singapore Authority (PSA) in December 2006. Yet the less desirable operational results provoked constant controversy in Pakistan. In February 2013, the rights to operate Gwadar Port and develop supporting infrastructure were handed over to China Overseas Port Holding Company (COPHC). In July, China and Pakistan agreed to jointly build CPEC, of which Gwadar Port occupies

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an important position along with transport infrastructure, energy cooperation, and industrial parks.

In the first half of 2014, the inchoate CPEC started to be in debates in Pakistan. A protest was lodged on the grounds that the ruling authority rerouted CPEC without consent from the provincial governments of Balochistan and Khyber Pakhtunkhwa (previously known as the North-West Frontier Province until April 2010).² In May, the federal government released the latest route plan to all provinces, pledging synchronous construction of eastern, central and western channels under the framework of CPEC. On November 13, 2016, the first trade convoy, carrying containers for export, arrived in Gwadar through the western route, dispelling misgivings of the two western provinces about unevenly distributed benefits. As the “route dispute” blew over, China advanced bilateral cooperation with Pakistan into a new stage.

A closer look into the construction of Gwadar Port, however, suggests China put a new premium on the following three issues:

1. On the basis of existing comprehensive plans for CPEC, China is expected to detail the programs for Gwadar Port, including project schedule, investment transparency supervision, and definition of political assistance and business activities.

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CPEC is revered as a flagship and paradigm of the Belt and Road (B&R) initiative, and Gwadar Port as a highlight of China-Pakistan economic cooperation. So far, China has positioned and prioritized Gwadar projects across the board. The next thing is to round out the details.

First, China is supposed to press ahead with its projects through closer communication with Pakistani stakeholders, especially local governments. The Pakistani political system allows constant competitions among factions and high autonomy at sub-national levels. That makes CPEC an easy target in political games. China may

take the initiative and talk with Balochistan, as well as federal, governments on the details of Gwadar projects, so as to prevent interruptions from external factors, like the route dispute revisited. The Public Sector Development Program 2016-17, issued by the Pakistani Ministry of Planning, Development & Reform, itemizes the ongoing Gwadar-related projects, including the New International Airport, Gwadar-Ratodero Motorway (M-8), N-25 National Highway (Kalat-Quetta-Chaman section), fisheries management scheme of Gwadar, and industrial water supply in Balochistan.³ China may engage with stakeholders to supervise these pre-positioned projects in good time.

Second, China should keep its eyes peeled to ensure transparency and a win-win outcome of its investment in Gwadar Port.

CPEC is, on the whole, quite popular among Pakistanis. As the project goes on, however, there is a subtle change in the attitudes of a small number of them. Some hope to attract as much investment from China as possible, but never have they exhaustively evaluated the risks which would come along. Others only see a cash cow in China's commitment to the B&R initiative, in which CPEC, especially Gwadar Port, features prominently. These urge China to make its investment in Gwadar Port more transparent and mutually beneficial.

Third, China needs to carefully define the geographical and industrial scope of political assistance and commercial investment.

Giving top priority to Pakistan's economy and people's concerns, China needs to provide no- or low-interest loans, complimentary technical support, and training under the framework of CPEC. Yet it does not mean that all Gwadar projects take the form of development assistance. In the future, an increasing number of Chinese enterprises, including private ones, will get involved. They will team up with local companies and even third-country investors. During the cooperation, China should neither over-commercialize the socially sensitive projects, nor plunge the for-profit ones into the red. Instead, China needs to clearly specify the geographical and industrial scope of political assistance and commercial investment, and keep Pakistani government departments informed to avoid

confusion and misunderstanding.

Basically, CPEC stands for not only the concept of “route”, but also the solution to China’s development problems. Gwadar projects may be implemented on such an understanding. Nowadays, China is facing both internal and external challenges. On one hand, although the country is abundant in capital, foreign exchange and productivity, these factors alone cannot help readjust the economic structure. China also faces two major problems, the aging population and the imbalance between energy supply and demand. On the other, diplomatic complexity is increasing as the security situation in China’s periphery is changing. The chess matches between Asian military powers become intensified, and so does the doubt and fear of China’s smaller neighbors. To build the trust and remove the worries of its neighbors, China should join hands with Pakistan in upholding the exemplary neighborhood policy of “harmony, security and prosperity”. Closer bilateral cooperation is also beneficial to China in other ways. Economically, the complementarity of Chinese and Pakistani resources can be leveraged to boost the economic growth of both countries. Diplomatically, they can work together to counter some external security threats. As a focus of bilateral cooperation, Gwadar projects should be aligned with China’s economic agenda and foreign policies.

2. The security situation of Gwadar Port and surrounding areas is not entirely stable. China should exhaustively evaluate security risks in local projects, and promptly issue policies in support of local people’s livelihood.

The security situation of Balochistan, in which Gwadar is located, has a direct bearing on the port’s success. The Aghaz-e-Huqooq-e-Balochistan Package, put forward by the Pakistan People’s Party led by Yousuf Raza Gilani in November 2009, mitigated the separatist armed conflict in the province since 2005. The moderate policy continued into the tenure of Nawaz Sharif as Prime Minister, who regarded CPEC as a remedy for the loss which the national economy suffered from the war on terror in Afghanistan. Given the federal government’s unchanged attitude

towards Balochistan separatism problem after Mr. Sharif's dismissal, there is little possibility of mass unrest in the province in the next few years. Yet skirmishes have occurred more frequently recently. Not least since 2016, the capital city of Quetta has been scarred by the "August 8 hospital carnage" and "October 24 police training college attack". After the Battle of Mosul broke out in Iraq in the second half of 2016, IS fighters in retreat touched off some serious incidents of extremist violence in Balochistan.⁴ It is estimated that the security situation of the province will be punctuated by small-scale terror attacks.

The Word "Gwadar" commonly refers either to Gwadar District (one of the 32 districts of Balochistan)⁵ which is sub-divided into four Tehsils - Gwadar, Jiwani, Pasni and Ormara - or to Gwadar Port in Gwadar Tehsil. Pakistan Coast Guard, Frontier Corps and other units of police force have considerable presence at Gwadar Port. However, in the rest of Gwadar District, especially the Category B areas,⁶ terror attacks and criminal offences are rife. The district is a settlement of the Makrani tribes.⁷ Tribal disputes there, though less fierce than those in Marri and Bugti, two Sulaimani tribes, still require vigilance. Baloch Liberation Front (BLF), the most typical armed force of the province, retains a foothold in the district. In addition, a new trend of Baloch armed struggle over the past decade is the extensive involvement of non-tribesmen (including students). Some of them have even become the kingpins.

From Gwadar Port there are two overland routes to Pakistan's hinterland. The eastern one is Makran Coastal Highway-Sindh (Karachi)-Punjab; the western one is Balochistan (Quetta, Zhob)-Khyber Pakhtunkhwa. Both are risky to some extent. Makran Coastal Highway is one of the strongholds of BLF, while the Quetta-Zhob region is the base for Balochistan Liberation Army (BLA)⁸ and Baloch Republican Army (BRA) - two infamous separatist organizations - as well as Tehriki-Taliban Pakistan (TTP) and Lashkar-e-Jhangvi - an extremist religious group.

Gwadar Port cannot operate if the security of Gwadar District and the external transport system is not guaranteed. Though Pakistan Army has newly established the Special Security Division to safeguard key areas of CPEC and the workforce employed on

the project, garrison deployment has faltered over the past few months because of the jurisdiction debates between local government and military. Even if the garrisons are at full strength, their snowballing costs will be no small challenge.

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China should, hence, exhaustively evaluate the risks of its projects based on a profound insight into the security situation of Gwadar Port and surrounding areas. Meanwhile, it should be aware that one of the reasons for repeated local conflicts is prolonged popular grievance against Pakistan's economic agenda. China may develop policies and measures to share with locals the benefits of bilateral cooperation, in a move that will shield its projects and workforce

from public anger and attacks. Aside from the infrastructure projects afoot, the country may step up its efforts to renovate houses and roads leading to Gwadar Port or surrounding areas. Chinese-funded enterprises may tilt their recruitment policies towards locals and the Baloch people in particular, bearing in mind the economic imbalance among regions and the differences in educational attainment among ethnic groups. At present, people engaged in fisheries account for 65% of the total population of Gwadar District. After the completion of Gwadar Port, tens of thousands of fishermen will have to find new jobs. Deeming fish processing as a lifesaver, the Gwadar Port Authority is wrestling with how to attract funding to the industry and enhance professional training for the workforce. And these are the areas where China can make a big difference.

3. China needs to avoid adding fuel to external worries about China-Pakistan joint construction of Gwadar, thus taking a more independent and flexible position in China-Pakistan bilateral relationship and its South Asian policy.

Along the Arabian Sea coastline from west to east, there are

five major Pakistani ports, namely Gwadar, Pasni, Ormara, Karachi and Qasim. Gwadar is a deep-water, ice-free port at the mouth of the Strait of Hormuz. Cherished by Pakistan as the key to breaking the Indian naval blockade, Gwadar Port has drawn much attention from external forces, especially the US and India.

Sensitive about the Persian Gulf, the US started to notice Gwadar during the Soviet invasion of Afghanistan in 1979. As US intelligence agents swarmed into Balochistan, they engaged with local government officials, tribal leaders and citizens alike. In the next decade, however, the US did not take any major military action in the province, since it reckoned, as a CEIP (Carnegie Endowment for International Peace) research on the South Asian policy of the Soviet Union predicted, that its archrival, if mired in the Afghan war, would not be able to effectively control or extensively maneuver Balochistan.⁹ Yet Americans never ceased to keep their eyes on Gwadar, due to its geographical significance. In the 1990s, US enterprises attempted twice to take over the port. In 1996, Unocal planned to bid for an oil pipeline extending from Dauletabad Gas Field in Turkmenistan through Afghanistan to Gwadar (the predecessor of Turkmenistan-Afghanistan-Pakistan-India Pipeline proposed by the US). The plan was later dropped after Russia bagged 80% of Turkmenistan's oil and gas rights. In 1998, Forbes inked with the Pakistani government a cooperation agreement on Gwadar development. Yet it eventually bowed out amid howls of protests from the military and the general public over unevenly distributed benefits.

Since China stuck its toe in the Gwadar waters in 2002, the US has kept a weather eye on China-Pakistan tie-up. After CHEC finished building the deep-sea port of Gwadar (Phase I) in March 2005, the Gwadar Port Authority, instead of letting China continue, organized an international bidding for the Phase II and, under pressures from all sides, finally pitched upon PSA. Analysis suggests that the US was behind the decision, lest China extend its reach through Gwadar to the Indian Ocean and build the "China-Pakistan energy corridor".¹⁰ After the armed conflict broke out in Balochistan in 2005, the US not only failed to support the use of

force in government-led crackdown, but also took an ambiguous stance on some separatist organizations.¹¹ In an article published by the Qatari newspaper called *The Peninsula*, the author cited credible sources as saying that the CIA, under the leadership of David Petraeus, had been indulging in heavy recruitment of local separatists as agents and informants to destabilize Balochistan. Foreign observers thus held that the US attempted to compound unrest and in turn hamper Chinese activities in the province.¹²

On August 21, 2017, US President Donald Trump made his first televised speech on Afghanistan policy since taking office. While stating that the US would maintain a military presence in Afghanistan since the consequence of a rapid exit would be unacceptable, he did not forget to accuse Pakistan of providing safe havens for terrorist organizations including Taliban.¹³ His anti-terrorism rhetoric aside, the possibility of a retooled Afghanistan and Pakistan policy cannot be ruled out for China - Pakistan approach. It remains to be seen whether the US will continue to intrigue with its agents in Balochistan against China-Pakistan cooperation.

India, true to form, views Gwadar as a key transfer station of China's "Pearl Chain Strategy". Madhavendra Singh, former Chief of Naval Staff of Indian Navy, feared that Chinese activities in Makran coast could "seriously endanger" vital Indian shipping routes in Persian Gulf.¹⁴ China's involvement in Gwadar is predicted to assist Pakistan in building military capabilities in the Indian Ocean and cementing economic ties with Central Asia - both intolerable to India. That is why the country has been against CPEC since the very beginning (another concern is that CPEC passes through the disputed territory of Kashmir). During the visit to China in June 2015, Prime Minister Narendra Modi made it clear that CPEC was "unacceptable".¹⁵ His Independence Day speech on August 15, 2016 betrayed deep concern over China-Pakistan economic cooperation; moreover, for the first time as the leader of India, he had called international attention to the human rights situation in Balochistan.¹⁶ It came three months after the arrest of an Indian spy, Kul Bhoshan Yaduv, from the Research and Analysis Wing, who admitted funding armed groups in the province to

disrupt CPEC, with Gwadar Port as a special target.¹⁷ Whether India will keep fanning the flame of human rights in Balochistan is worth evaluating.

It is noteworthy that South Asian geo-politics is likely to change in the following ways. First, the US and India are getting closer. The signed *Defense Framework Agreement* in 2015 and *Logistics Exchange Memorandum of Agreement* in 2016 mark, in a sense, a breakthrough in their bilateral relationship. In Trump's presidency, the US-India tie-up is predicted to deepen. The importance of India goes beyond South Asia; the country is increasingly becoming a vital axis of the US global strategy aiming at "China containment". Second, the US and Pakistan are drifting away. No longer does the US treat India and Pakistan equally; instead, it is privileging one over the other. For years, Pakistan has suffered severe economic loss and civilian casualties from the US-led war on terror. Anti-American sentiment has been high enough among Pakistanis. After President Trump's televised speech to bad-mouth the disaster-ridden country, the Pakistani Ministry of Foreign Affairs responded strongly.¹⁸ To get even, Pakistan suspended talks and bilateral visits, including the scheduled trip of Alice Wells, US Assistant Secretary of State for South and Central Asian Affairs, and that of Khawaja Asif, Pakistani Foreign Minister.¹⁹ It is estimated that the tension will continue into the near future.

Meanwhile, China will work closer with Pakistan to deal with the challenges of strategic games from the US and India. In this case, CPEC is arguably one of the key factors influencing South Asia's political pattern. China needs to avoid adding fuel to external worries about China-Pakistan joint construction of Gwadar while taking a more independent and flexible stance on the bilateral relationship and its South Asian policy.

China needs to avoid adding fuel to external worries about China-Pakistan joint construction of Gwadar, thus to take a more independent and flexible stance on China-Pakistan bilateral relationship and its South Asian policy.

In short, CPEC, and Gwadar in particular, mark a new stage of all-weather strategic partnership between China and Pakistan - and symbolize the profound friendship between the two peoples. Considering the current status of the port, China is suggested to play a more constructive role: First, the connotations of CPEC and Gwadar are to be expanded so that the detailed programs for the port can be seamlessly aligned with China's economic agenda and foreign policies. Second, the negative impact of Chinese projects on local business ecology as well as social and cultural traditions must be minimized after evaluating the security situation of Gwadar - the Port and the District, taking into full account the rights and interests of underdeveloped areas and minority groups. Third, an accurate, fact-based approach to journalism in China will not only frustrate hostile external forces with a keen eye for imprudent citation or words, but also help the two peoples deepen understanding of CPEC and build mutual trust.

¹ During a project presentation on August 16, 2016, an official of Gwadar Development Authority briefed a Chinese investigation group, of which the author is a member, on the history of Gwadar before 1958. The data above come from the written materials used by the official. Iftikhar H. Malik, a Pakistani historian, mentioned that the purchase of Gwadar cost Pakistan GBP 3 million, which equaled USD 8.4 million based on the fixed exchange rate (GBP 1 = USD 2.8) under the then-prevailing Bretton Woods System. See Iftikhar H. Malik, *The History of Pakistan*, translated by Zhang Wentao, Beijing: Encyclopedia of China Publishing House (2010), p. 139.

² Dissenters claimed that CPEC's original route was Gwadar-Quetta-Zhob-Dera Ismail Khan-Khunjerab Pass, but the federal government changed it into Gwadar-Khuzdar-Ratodero-Sindh Road Network. In other words, the western route (through Balochistan and Khyber Pakhtunkhwa provinces) was reputedly replaced by the eastern route (through Sindh and Punjab provinces). See Khurram Husain, "Analysis: China-Pakistan corridor or labyrinth?" *Dawn*, February 18, 2015, <http://www.dawn.com/news/1164337/analysis-china-pakistan-corridor-or-labyrinth>, 2016-11-22; Khawar Ghumman, "Parties give go-ahead to China-Pak corridor", *Dawn*, May 29, 2015, <http://www.dawn.com/news/1184885>, 2017-04-03.

³ "Public Sector Development Program 2016-17", *Planning Commission, Ministry of Planning, Development & Reform, Government of Pakistan*, June 2016, http://202.83.164.26/planningcommission/wp-content/uploads/2016/08/PSDP-2016-17_Final.pdf, pp. 7-82.

⁴ On November 12, 2016, at least 52 people were killed and over 100 others wounded in an IS bomb blast at Shah Noorani Shrine in Khuzdar. On May 12, 2017, another explosion in Mastung hit a convoy carrying Abdul Ghafoor Haideri, Deputy Chairman of Pakistan's senate. At least 25 people

were killed and many others, including Mr. Haideri, wounded. IS also claimed responsibility for the incident. On June 9, IS claimed it killed two Chinese nationals who had been abducted in Quetta on May 24. See Saleem Shahid, “52 killed in suicide attack on Balochistan shrine”, *Dawn*, November 13, 2016, <https://www.dawn.com/news/1296019>; “Pakistan bomb attack: Balochistan blast kills 25”, *BBC News*, May 12, 2017, <http://www.bbc.com/news/world-asia-39895174>; “Islamic State claims it killed two Chinese in Pakistan”, *BBC News*, June 9, 2017, <http://www.bbc.com/news/world-asia-40211431>, 2017-06-27.

⁵ Pakistan’s administrative units are arranged in descending order of size as follows: Province, Division, District, and Tehsil/Taluka (a smaller Tehsil is called “Sub-Tehsil”). After six adjustments, in 1965, 1974, 1983, 1986, 1992 and 2017 respectively, Balochistan currently has 32 districts, namely Quetta, Pishin, Killa Abdullah, Chagai, Nushki, Zhob, Barkhan, Musa Khel, Killa Saifullah, Loralai, Sheerani, Sibi, Lehri, Harnai, Ziarat, Kohlu, Dera Bugti, Nasirabad, Jaffarabad, Kachhi (Bolan), Jhal Magsi, Sohbatpur, Kalat, Mastung, Khuzdar, Awaran, Kharan, Washuk, Lasbela, Kech, Gwadar and Panjgur. Please note that in the 1970s, the former Makran District was split into Gwadar, Panjgur, and Turbat (later renamed Kech).

⁶ In terms of policing Balochistan is divided into Categories “A” and “B”. The “A” areas (5%), consisting mainly of towns and cities, remain under the garrison and police force reporting to the federal government, while the “B” areas (95%), covering rural areas and remote mountains, are under the control of the Levies recruited from the local population. See The Human Rights Commission of Pakistan (HRCP), “Conflict in Balochistan”, *Report of HRC Fact-finding Missions*, December 2005-January 2006, <http://hrcp-web.org/hrcpweb/wp-content/pdf/ff/20.pdf>, p. 41.

⁷ The Baloch people are divided by dialect into two groups, the Sulaimani and the Makrani. The former, a.k.a. the Eastern Baloch, live in the northern and northeastern parts of the province, while the latter, a.k.a. the Western Baloch, live in the southwestern coastal regions.

⁸ A.k.a. Baloch Liberation Army or Baluch Liberation Army

⁹ Selig Harrison, “Baluch Nationalism and Superpower Rivalry”, *International Security*, Vol. 5, No. 3, Winter 1980-1981, pp. 152-163.

¹⁰ Lin Feng, “Singapore trumps Hong Kong as Gwadar Port operator”, *Elite Reference*, December 15, 2006, <http://news.qq.com/a/20061215/002770.htm>.

¹¹ On April 9, 2006, Pakistan designated BLA as a terrorist organization. The US, however, did not follow suit, arguing it is in no way “anti-American”, but “legitimately” claiming resource concessions and the right to profits. See Zhou Rong, “Pakistan labels BLA as terrorist organization”, *Guangming Daily*, April 10, 2006, http://www.gmw.cn/01gmr/2006-04/10/content_401359.htm.

¹² Eric Draitser, “Balochistan: Crossroads of Another US Proxy War?” *Global Research*, July 1, 2012, <http://www.globalresearch.ca/balochistan-crossroads-of-another-us-proxy-war/31703>.

¹³ Natalie Jennings, “Trump’s muscular but vague Afghanistan speech, annotated”, *Washington Post*, August 21, 2017, <https://www.washingtonpost.com/news/the-fix/wp/2017/08/21/president-trumps-primetime-address-on-afghanistan-annotated/>.

¹⁴ “Indian Navy concerned over China’s expanding reach”, *Times of India*, May 21, 2003, <http://timesofindia.indiatimes.com/india/Indian-Navy-concerned-over-Chinas-expanding-reach/article-show/47046095.cms?>

¹⁵ “Indian media: India summons Chinese envoy to protest CPEC”, *Ifeng Net*, June 3, 2015, http://finance.ifeng.com/a/20150603/13751733_0.shtml.

¹⁶ “Modi Warns against CPEC”, *Reutous*, August 18, 2016, <http://www.qiqixw.com/zheng-tan/201608/186688.html>, 2016-12-21; “Narendra Modi’s Independence Day speech: PM throws down Balochistan gauntlet”, *India Express*, August 16, 2016, <http://indianexpress.com/article/india/>

india-news-india/pm-narendra-modi-balochistan-independence-day-congress-pakistan-salman-khurshid-2977554/.

¹⁷ “Govt airs video of Indian spy admitting involvement in Balochistan insurgency”, *Dawn*, March 31, 2016, <http://www.dawn.com/news/1248669/govt-airs-video-of-indian-spy-admitting-involvement-in-balochistan-insurgency>.

¹⁸ If you want to know original text of the report of Ministry, please see “US Strategy on Afghanistan & South Asia”, *official website of Ministry of Foreign Affairs, Government of Pakistan*, August 22, 2017, <http://www.mofa.gov.pk/pr-details.php?mm=NTI3MA>.

¹⁹ Naveed Siddiqui, “US official’s visit to Islamabad postponed on Pakistan’s request: US Embassy”, *Dawn*, August 27, 2017, <https://www.dawn.com/news/1354290>; Iftikhan A. Khan, “Talks with US suspended in protest, Senators told”, *Dawn*, August 29, 2017, <https://www.dawn.com/news/1354652/talks-with-us-suspended-in-protest-senators-told>.