Academic Session: CPEC and Strategic Significance of Indian Ocean

Venue: Meetings Room
Chair: Prof. Dr. Farhat Mahmud

1	- *Pakistan's Maritime Potential & Its Exploitation* **Rear Admiral (Retd.) Munir Wahid**	***56***
2	- *A Blueprint of 2300 Acres land – An Analysis of First Economic Zone in Gawadar, Pakistan* **Tang Jun**	***62***
3	- *Strategic Significance of Indian Ocean* **Khusrow Akkas Abbasi**	***65***
4	- *Maritime Challenges of China's Trade Routes – Chinese Rationale For Undertaking CPEC* **Rizwan Sharif**	***71***
5	- *Economic Cooperation between Pakistan and China: Gwardar Deep Sea Port* **Unsa Jamshed**	***75***
6	- *China-Pakistan Economic Corridor: A Vital Component of Emerging Strategic Significance of Indian Ocean* **Zainab Ahmad**	***80***

EXPLOITING PAKISTAN'S MARITIME POTENTIAL

Rear Admiral Munir Wahid *

Abstract: *The sea front of Pakistan comprising 990 kilometers of coast-line, and 290,000 square kilometers of extended special economic zone is rich in resources. The terrain of the sea, however, is ruthless and opens up its treasures only to those who possess advanced maritime knowledge, cutting-edge technology and an all-inclusive, integrated maritime policy. Maritime resources are variegated at multiple levels and their potential cannot be harnessed without effective policy mechanisms and coordinated responses to emerging global trends.*

Keywords: Maritime administration, blue economy, economic growth, sustained development, food security

The Blue World

The earth is often referred to as 'the blue planet' since 71% of its surface is covered by oceans. Maritime sector aims at untapping the unfathomable potential of diverse ocean resources. However, man being physiologically a land animal often finds seafaring a very hard task. Further, seas often tend to be extremely harsh on those who fail to abide by their peculiar discipline. Undoubtedly, therefore, a large portion of maritime resources remain untapped, nay unknown. Infact, scientific reports reveal that 95% of the oceanic abyssal plain remains unexplored, and 85% of the marine biodiversity is still unknown[1].

Sea is a great provider of means of living, and hence coastlines are generally more densely populated as compared to the hinterland. The world's population has nearly tripled in the past 60 years and coastlines have grown even faster, to the point where one third of the world population, now live within 60 km of the sea[2]. In a sharp contradiction to this trend, a traveler from Karachi to Gwadar through the coastal highway does not come across even a small town for miles. Similarly, the per capita consumption of sea food in Pakistan is mere 2 kg as compared to average international consumption of 18kg[3]. This large gap between Pakistan and the maritime nations of the world, however, is understandable. For cultural & historical reasons, we have been a nation that remains obsessed with land, viewing the sea as something alien, hence left to the few under-privileged fishermen. However, this sea blindness, as termed by a maritime strategist, is depriving us of huge dividends which could have been drawn.

An opportunity to make up for our past negligence has arisen in the form of China-Pakistan Economic Corridor (CPEC). Although China possesses stronger maritime traditions, yet the two nations are not too far in terms of maritime features. The ratio of coastline length in meters to area in square kilometers of Pakistan is 1.19 and that of China is 1.52[4]. Thus, like us, the Chinese have also largely been land oriented. However, they have now fully realized benefits of the sea. During the 18th National Party Congress, the strategic plan of developing China into a maritime power was widely supported. China seeks to strategize its quest for maritime power by developing a broad-based maritime economy[5]. That is why, China's ports & shipping sector was developed, and free economic zones around ports were established almost on war footings. In 2001, the output value of China's maritime industry was less than 1 trillion Yuan. In 2011, the number reached to 4.56 trillion Yuan, an average annual growth of 16.7%, significantly higher than the GDP growth. Currently, China's maritime output value accounts for 9.7% of the GDP, making it a new growth engine of national economy[6].

The development of Gwadar Port and the associated infrastructure as the centerpiece of the flagship project of China-Pakistan Economic Corridor provides a golden opportunity to Pakistan to benefit from its vast potential in the maritime sector. Ports, shipping and fisheries are primary elements of maritime sector. Other critical segments include maritime administration, shipbuilding, ship-recycling, aquaculture, and maritime research.

Maritime Administration

Maritime administration pertains to governmental regulation of diverse maritime sectors in an integrated fashion so that maritime potential in terms of economic output and security prospects is maximized. Typically, maritime administrative processes include registration, surveying, and certification of ships and boats, preparation of navigational charts, development of vessel traffic systems, generation of navigational warnings, planning and execution of search and rescue missions, maintenance of safe and efficient port facilities, examination and certification of marine personnel and, regular interaction with international maritime organizations[7].

In Pakistan, these administrative functions are overseen by Director General Ports & Shipping DG (P&S). However, for the most part, port authorities and other associated institutions remain autonomous and resist external intervention. Furthermore, the person appointed as DG (P&S) is often not well conversant with maritime issues. Therefore, the office of

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DG (P&S) has not been very effective in integrating multiple sectors involved in maritime affairs. These institutional weaknesses became evident when the accidents involving M.T Tasman Spirit in 2003 (resulting in 30,000 tons of oil spill), and the earlier one involving M.T Golden Gate took place, unleashing devastating effects on marine life. In both cases, Pakistan was not able to get a single penny in compensation.

Shipping

The word "shipping" owes its origin to the global and near-universal character of shipping industry. To quote Dr. Jan Hoffman, "a typical shipping firm may involve a Korean built ship owned by a Greek national based in London. The ship may fly the flag of Panama, manned by Phillippine's seafarers, classed by ABS, insured in Norway, and operated by a company headquartered in Switzerland. The cargo could be from anywhere to anywhere, with transshipment in Djibouti, where the Chinese built cranes are operated by a company from Dubai. There is no industry as globalized as ours"[8].

The global economy keeps rising and so does the sea trade. In 2015, volume of seaborne trade reached 9.84 billion tons, carried by the world fleet consisting of 89,464 vessels totaling 1.75 billion DWT[9]. More than 82% of the ships are owned by 18 countries, with Greece topping the list followed by Japan. Turkey is the only Islamic country on this list[10].

Pakistan National Shipping Corporation (PNSC), the only public sector company has 03 Oil Tankers and 06 Bulk Carriers. In 2014, PNSC lifted 17.91 MT (26.4 %) of the 67.77 MT national seaborne trade. PNSC earned gross profit of Rs. 3,368 million in 2014 against Rs. 3,291 million in 2013. The corporation envisions expanding its fleet to 15 vessels to lift 40% of the national sea trade[11].

PNSC also provides job opportunities to Pakistani seafarers. Despite demand in the international market and Pakistani seafarers being on IMO's White List[12], only 5,000 out of the available 20,000 have been employed on foreign vessels, against 300,000 and 60,000 for Philippine and India respectively[13]. This deprives Pakistan of large foreign exchange earning which, in the post 9/11 scenario, can be addressed only through skillful diplomatic intervention.

Karachi Port Trust

The Karachi Port Trust was created in 1882. The port has 11.5 km long, 12 meter deep approach channel, and can handle vessels up to 75,000 DWT. It has 30 dry and 3 liquid cargo berths. The port handled 41.35 MT cargo and 1.59 million TEUs in 2013-14[14].

Operations of two container terminals have been given to private sector, on BOT basis; the Karachi International Container Terminal (KICT) operated by Hutchison Port Holding Company of Hong Kong and Pakistan International Container Terminal (PICT) operated by a Pakistani company. These private operators have improved operating efficiency of the port, grossly reducing the time spent by the ship alongside berth. However, the handling cost has increased with end user reportedly paying heavy amount per ton of cargo.

The KPT is building a new deep-water container terminal to east of the oil piers. Phase I of the project comprising a breakwater and 1500 m quay wall of 16 m depth has nearly been completed. In phase II, the berths would be deepened to 18 m. This deep water terminal, to be operated by KICT, will be able to handle 3.2 million TEUs annually, which will be increased to 12.0 million TEUs progressively[15].

While its expansion programmes are underway, the port is facing acute problem of outlet for the cargo. KPT is planning a large flyover to connect with the northern bypass. However, new avenues of business such as transshipment have to be found, else the port may suffer from under utilization; the berth occupancy at present is mere 45 %.

Port Qasim

Port Bin Qasim was built in the Phitti creek channel in 1973. Besides dry bulk cargo, the port has two container terminals, operated on BOT basis, by Dubai Port World. A private Pakistani company is operating two oil terminals. Recently, an LNG terminal operated by Granada Group and Pakistan International Bulk Terminal (PIBT) has been added, with two more LNG terminals in the pipeline. The port handled 24.9 MT in 2012/13[16].

Port Qasim is favorably located, close to the national transport network. The port has 122,000 acres of land, where an industrial zone has been established with plans for export processing and a Textile City. These developments will enhance utilization capacity of the port. However, the 45 meters long channel makes approach of the port quite cumbersome, besides increased operating cost to maintain depth of the channel through regular dredging.

Gwadar Port

Located at the mouth of the Persian Gulf, just outside the Strait of Hormuz, Gwadar offers the most ideal outlet to sea for the large land mass up north; Afghanistan, Central Asia and Western China. Koh-e-Batle provides natural protection to the east bay of Gwadar. The farthest part of this channel is only 5.0 km away from the deep waters of Arabian Sea. The advantageous position of Gwadar should have been availed long time ago. However, the right time appears to have approached only now with demonstrated will on part of the government and supportive geopolitical conditions.

The 1st phase of Gwadar Port comprising 700 m of quay wall and a ro-ro berth was completed in 2007, though conceptual design studies had been carried out in 1999. Port operations and further development of the port were given to Port of Singapore Authority International (PSAI), upon completion of 1st phase in 2007. However, for various reasons, the desired results were not achieved. The port has so far handled only 5.0 million tons of cargo of grain, urea etc, mostly deviated from Karachi[17]. In 2013, concession rights of the port were taken from PSAI and given to China Overseas Port Holding Company (COPHC). Although no significant port utilization has been undertaken by COPHC till date, major projects have been planned as part of the CPEC programme.

With phenomenal growth of its economy, China is now poised to penetrate into the world in a transformative way. Merging traditional thinking with modern concepts of development, China plans to build mega trade routes into the regions around her under its much-famed One Belt One Road slogan wherein it seeks to make regional players partners of China's long term vision[18]. One such trade route is the "Maritime Silk Route." Tracing the historic voyage by Admiral Zheng, He in the 15th century, the Chinese plan to reinvigorate trade relations with the littoral states of Indian Ocean. The Maritime Silk Route will have arteries of land bridges with economic corridors. Two corridors currently envisaged are the China-India-Myanmar-Bangladesh, and the China-Pakistan Economic Corridor. Of these, China-Pakistan Economic Corridor has already taken off. Gwadar Port has been declared as the future centerpiece of China-Pakistan strategic partnership[19].

The Gwadar Port Master Plan envisages development of 4.2 Kilometer of sea front in 15 years and 50 kilometers in 50 years with 300 million tons throughput of the port. This requires developments in Gwadar on industrial cum hub port basis. Heavy industries e.g. steel mills, oil refineries, and petrochemical products have been identified as target projects. A large industrial zone of 3000 acres is being developed for this purpose. The Master Plan also identifies 923 hectares of free zone[20], development of which will result in significant economic activity and act as feeder to Gwadar Port.

CPEC comprises multi-million dollar projects. To connect Gwadar Port to the Chinese border at Kashghar through two highway projects and the Gwadar Eastbay Expressway have been earmarked as priority I projects, in addition to the new Gwadar International Airport which will be the largest airport of the country.

Shipbuilding

Shipbuilding has been a source of economic growth in many countries. Japan in the 1950s and 1960s, South Korea and China in the 1990s, and now Vietnam and the Philippines are using shipbuilding as engine for development of their industrial infrastructure[21].

Ships are moving towns. Apart from the large stocks of cargo, they cater for all the requirements of its crew. From crockery and upholstery to propulsion engines and advanced electronics, the ship carries almost everything that a modern town/city houses. Hence, promotion of shipbuilding means growth of the whole range of products in use by the town dwellers. Moreover, it is highly labor intensive and the bulk of shipbuilding requires low-mid level technological skills. Shipbuilding industry, therefore, thrived in areas where low-mid level skilled workforce was in abundance. Pakistan fits well in this category, and with efforts in the right direction, can excel in this sector.

Karachi Shipyard & Engineering Works (KS&EW) was set up in 1957. The yard has two dry docks, one building slipway and three alongside berths. It is in the process of installing ship-lift system with 13 parking slots. KS&EW have built ships for friendly countries like Iran, Saudi Arabia and China[22]. At present; it is fulfilling significant construction and the entire repair needs of Pakistan Navy, MSA, Coast Guard and the ports.

The facilities of KS&EW are far too limited for commercial ships. It can accommodate ships up to 26,000 DWT only, whereas commercial ships of today are much larger, some exceeding 500,000 DWT. Larger capacity shipyards are needed, for which Gwadar can be a good choice. It may however be noted that shipbuilding is a very competitive industry. In the first 6 months of 2013, for example, whereas the Chinese yards bagged record order of around US $ 10 billion, it was just 4% of the total yards that actually secured the orders[23]. It would be prudent to set up a dry dock with essential facilities for ship repairs and oil rig business in the beginning; to be expanded to shipbuilding as opportunities arise. It is worth noting that thousands of ships pass through the region. Hence the Gwadar dry dock is not likely to starve for work.

The expanded capacity of KS&EW after installation of the ship lift system can be better utilized for smaller size crafts, both in country and foreign orders. To be competitive, the KS&EW needs to enhance its skills in design and procurement order specifications for the whole range of shipbuilding material.

Another area which needs attention is the fishing vessels. Traditionally, the fishermen use wooden boats because of lower cost. However, with increasing cost of wood, these boats are becoming expensive, besides the difficulty to maintain the requisite hygiene level. The remedy lies in construction of boats in Glass Reinforced Plastic; standardizing two or three different sized hulls. The project would need federal and provincial governments' sponsorship, besides cooperation of the fishermen community.

Ship Recycling

In the 1980s, Gadani Ship-breaking Yard was the largest in the world, with 30,000 direct employees producing about one million tons of scrap. In 2001, only about 160,000 tons of scrap was produced. High custom duties and competition from yards in India and Bangladesh have reduced the output. A reduction in taxes has improved production modestly, but it is still much below its past volumes. Gadani now employs around 5,000 workers[24].

Ship recycling in Pakistan will also be hit severely by the IMO's Hong Kong Convention 2009, which places much stringent restrictions on ship recycling. While not specifically banning beach scraping, owners of ships registered in Europe will have to scrap them at approved facilities, a move that could favor countries such as China and Turkey where ships are taken apart in docks[25]. To survive, Gadani is to take lead from Indian ship breaking yards which reportedly have obtained the requisite certification for their yards with Japanese assistance. Japan is preparing to help dozens of Indian ship breakers upgrade to international standards[26].

Fisheries and Aquaculture

Pakistan has a coastline of 990 km. On 19 March 2015, the United Nations accepted Pakistan's claim for extension of its continental shelf, extending its offshore territories of 240,000 by another 50,000 square kilometer[27]. However, this large sea front is not being exploited to its fullest. For the nine months (July 14 – March 15), out of 499,000 MT of total fish production, 365,000 MT is marine. Out of this, 100,321 MT was exported which fetched US $ 253.625 million. Fisheries output makes 2.1% of agriculture which itself is 20.88% of GDP[28].

While increasing fish catch requires coordination of all stake holders to remove the many impediments, fish production can be increased significantly by exploiting the untapped resources. These include mesopelagic (lanternfish), Tuna Fishing, Small Pelagic (used for fish meal), Continental Slope Fishing (lobster and deep sea shrimps) and Shell fish (muscles, oyster)[29].

The sedimentary region of Makran coast is rich in sea weeds as high as 112 tons/hectare[30]. This potential resource is of significant value, as apart from industrial and medicinal applications, seaweed is used as food in Japan, China and Korea[31].

Encouraging results can also be achieved from development of marine aquaculture. Aquaculture is the aquatic counterpart of agriculture. It is the farming or husbandry of aquatic organisms of economic or commercial value. Worldwide, production from aquaculture has been increasing 8% per year, and accounts for more than 50% of the fish production[32].

In Pakistan, aquaculture contributes for 15% of the fish production, mostly attributed to freshwater farming. Against FEEDing Pakistan Project, titled the Blue Revolution, Pakistan Fisheries Development Board (FDB) imported 50,000 Gift tilapia from Thailand in 2011, reaching 3.68 million in 2013, and total locally sex reversed tilapia fry were 1.7 million by Tawakkal Tilapia Hatchery in Muzaffargarh[33]. However, recently with the help of FDB, and the National Centre for Maritime Policy Research, ten seawater shrimp farms have been set up at Garo, Sindh. The project though in initial stage is reported to be giving encouraging results.

Offshore Reserves

Both the Indus and the Makran basins of Pakistan have large hydrocarbon reserves. The Indian side of the Indus basin has struck large offshore gas reserves. Bombay High, 160 km from Bombay (offshore) caters for 14% of India's crude oil requirement[34]. The survey by Oil and Gas Development Company Limited revealed that Pakistan's offshore areas have great potential for hydrocarbon discoveries. The survey by National Institute of Oceanography reveals that Pakistan is among the top 7 countries of the world for methane gas reserves. The EEZ of Pakistan is highly under explored. Currently, 17 countries are operating in the offshore areas of Pakistan, and the drilling density is mere 0.4 per 10,000 sq.km[35]. More extensive explorations have good potential of success to strike large hydrocarbon reservoirs.

Coastal Tourism & Integrated Coastal Development Plan

Coastal Tourism is an important tourism sector. In Europe, it employs 3.2 million people and generates revenue of 183 billion Euros[36]. In Pakistan, it is a green field area which can be developed on the concept of Integrated Coastal Development Plan (ICDP), promoting coastal tourism, setting up marine aqua farms, and establishing Marine Protected Areas, preferably as part of CPEC.

National Maritime Policy

National Maritime Policy was adopted in year 2002. The post 18th amendment situation warrants revision of the Maritime Policy to coordinate all maritime issues. The National Maritime Policy is to focus on sustained development of the maritime sector, in line with the emerging global trends.

Environmental Concerns: Stabilized ecosystem is paramount for sustained marine life. It is being threatened by industrial and municipal waste, oil spills, climatic changes and dumping in the sea etc, and needs protection through integrated efforts.

Biodiversity and Habitat Conservation: According to the Pulitzer Prize winning biologist, Dr. E.O.Wilson, the loss of biodiversity is the folly for which our descendants are least likely to forgive us. Same is true for habitat conservation including the need to protect over 60,000 hectares of mangrove forestation along Pakistan's coastline.

Regulatory Framework: Besides measures for sustenance and growth of marine life and exploitation of maritime potential of the country, the regulatory framework is to take full cognizance of and derive strength from the conventions of the concerned UN's organizations, e.g. the International Maritime Organization, to which either Pakistan is signatory or is obliged as a responsible maritime nation.

Maritime Research

National Institute of Oceanography is the organization for exploring the sea bed and the related marine research work. Targeting the whole range of marine resources, however, is a gigantic task requiring much updating and expansion of this institution

The Vision

The 'blue economy' has extraordinary potential for sustained development and food security in Pakistan. Awareness to this potential at societal and governmental level is, however, lacking. The way forward is to merge the existing artisanal approach with knowledge based exploration and exploitation of our resources, in line with the emerging global trends. The renewed strategic cooperation between China and Pakistan, of which China Pakistan Economic Corridor is the driving engine, provides an opportunity to this so far neglected sector to attain its due recognition. Realizing full potential of Gwadar Port being the centerpiece of this development, other elements of maritime sector shall take their share, specially the Integrated Coastal Development Plan (ICDP) for the coasts line from Karachi to Gwadar and Jewani.

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A BLUEPRINT OF 2,300 ACRES OF LAND: AN ANALYSIS OF THE FIRST ECONOMIC ZONE IN GWADAR, PAKISTAN

Tang Jun *

Abstract: *On 11th November, 2015, DAWN reported that the government of Baluchistan province handed over about 280 hectares of a 923-hectare (2,300-acre) swathe of tax-exempt land that China will develop under a 43-year lease. The 2,300 acres of land will be the first foreign special economic zone that China builds overseas and it will be of great significance for the future economic development of Pakistan as well as the China-Pakistan Economic Corridor. By discussing the current construction situation of Gwadar, the author analyses the special economic zone from perspectives of administration management, justice system, security management, cultural impact and future plans, hoping this thesis will be helpful to the construction of the special economic zone.*

Keywords: Gwadar, special economic zone, China-Pakistan Economic Corridor

Introduction of the Gwadar

Gwadar Port is a warm-water, deep-sea port situated on the Arabian Sea at Gwadar in Balochistan province of Pakistan. The port is a major destination in the China–Pakistan Economic Corridor. As it is far away from the inner land, the transport is underdeveloped and the soil is not good for agriculture. Most of the local people make a living by fishing. The situation in Gwadar is very much like Shen Zhen city in China before the reform and opening up policy.

Gwadar was an overseas possession of Oman before 1958. Then, Pakistan bought the land at the price of 5.5 billion rupees (3 million USD) from Oman in 1998. At the time, Gwadar was a small and underdeveloped fishing village with a population of a few thousand. On July 4 1998, a US based company, Forbes, signed an agreement with the Board of Investment, Government of Pakistan, to invest $ 460 million over three years in Gwadar. The project was not only opposed by the local people but also the Balochistan Assembly, therefore, US stopped the project. In 1999, President Pervez Musharraf decided to develop Gwadar deep sea port project and he hoped China could help Pakistan construct Gwadar port. After some government official visits, China agreed to help Pakistan with the construction of the port in 2001. The construction work did not start until 2002 and the first project finished in 2005. In 2007, PSA (Port of Singapore Authority) International gained 40 year lease agreement for operating and managing Gwadar Port, but Gwadar Port was not operational yet. In 2010, after the Supreme Court had issued a stay order against the allotment of Gwadar land to a foreign company, Singapore stopped the further investment and construction work of Gwadar. In February 2013, China took over the operating and managing rights and the second project was completed in 2015. Gwadar Port was put into use from then on.

Construction Plan of Gwadar Special Economic Zone

“We are in the process of starting the free zone and encouraging investors and producers of the fast moving consumer goods and consumer packaged goods to invest in the zone,” said Dostain Jamaldini, chairman of Gwadar Port Authority (GPA). Mr. Jamaldini also introduced that the project of Gwadar international airport was about to start in the coming few months, the national highway connecting Gwadar and North of Pakistan would be finished soon. Meanwhile, a special security force of between 10,000 and 25,000 men will be set up to protect the port. Abdul Razzaq Durrani, the director general of GPA, confirmed the deal. Mr. Lu Qingsong, General Manager of China Overseas Port Holding Company (COPHC), introduced the current construction program in Gwadar included mainly three parts: international terminals, free trade zone and a company of shipping services. The free trade zone covers 2300 acres of land and the Pakistan government has paid over 60 million dollars to purchase the land from private owners. According to the agreement, it is the Pakistan government’s job and duty to transfer the land to China and China will be in charge of constructing and developing of the free trade zone, including the infrastructure construction and attracting capital and business. At present, COPHC has started the planning of the free trade zone and it is working actively on some official procedures with Pakistan.

Judging from the various reports from both China and Pakistan, we can clearly see that the two countries have reached an agreement on the construction of the first special economic zone and certain practical steps have been taken. Pakistan is working on the policies, land and security to cooperate with China while China is working on the planning and construction of the special economic zone. However, the two sides did not reveal the detailed content of the project. China is very experienced in running special economic zone back to 1980s, with the first special economic zone of Shen Zhen city, and in the 21st century, China upgraded the concept to Pilot Zone for Overall Reforms, namely the new special economic zone, but it is the first time for China to run a special economic zone in another country. How China will integrate its national experience with the construction of Gwadar special economic zone when facing many new difficulties and challenges is

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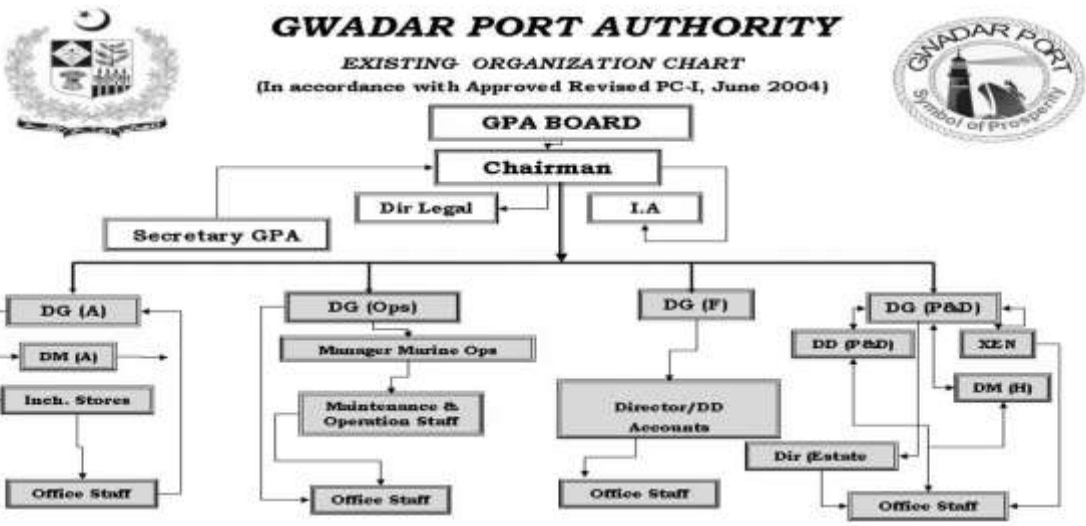
definitely crucial to the construction of CPEC as well as Road and Belt. The following aspects should be considered when making plans of construction of Gwadar Special Economic Zone.



First, to Clarify the Management of Administration and Justice

The unit that takes charge of Gwadar is GPA (Gwadar Port Authority) (see the Organization Chart above). In 2013, China Overseas Port Holding Company (COPHC) took over the operating right of Gwadar and according to the agreement, GPA will provide land and COPHC will construct the port and attract the investment. Therefore, it is clear that Gwadar port was under dual management. When it comes to the management of special economic zones, such dual management will cause many conflicts. The traditional customs, religions, laws will come into collision with foreigners and companies. It is also known that Pakistan’s working efficiency is not fast enough to handle things in/on time. Therefore, if an efficient administration and a relatively liberal justice system are carried out by China, the special economic zone will surely develops fast. With the Chinese way of management on administration and justice in the special economic zone, the economy will develop rapidly and more foreign investors and companies will be attracted. Anyway, it won’t be a special economic zone if there is nothing special or new compared with the other places in Pakistan. China gained much experience and became efficient form the developing history of Shen Zhen city, the first special economic zone in China in 1980s.

Second, to Clarify the Management of Security

The domestic security situation in Pakistan is not a pleasant one as a variety of forces mix with each other and many terrorism events emerge from time to time. Traditional ideas, religious philosophies, local parties and groups and modernism are always in conflict with each other. When China takes over Gwadar port, India, Iran, the United States and other countries will be greatly concerned due to geopolitical reasons. These countries are not willing to see the fact that China opens a fast and direct way to South Asia and they are afraid that China will cooperate with Pakistan not only to develop an energy corridor but China’s naval power as well. It can be expected that these countries might restrain China’s construction plan in Gwadar port through a variety of means. It is unpredictable what security situation Gwadar and special economic zone will face under such a complicated national and international background. If China takes full responsibility for the security in the special economic zones to ensure the stability of the local economy and investment, it would cause great international concerns. Some countries will come to the conclusion that China's influence at Gwadar will break the military balance in the subcontinent. Therefore, it is a very sensitive and complicated issue to handle the security management of the special economic zone. The economy can not develop rapidly and steadily without a safe environment. The author puts forward that a cooperative management from both China and Pakistan is a good solution. Since Pakistan has agreed to set up a special security force, China can provide some assistance to the special security force to offer special protection to the special economic zone. By doing so, the future development of the zone can be expected.

Third, to Accept Different Cultural Elements

There is no doubt that the main purpose of the special economic zones is to develop the economy. A safe, peaceful and harmonious social environment is the key to economic development. As a traditional Islamic country, Pakistan is under great influence of Islamic doctrine and philosophy. The newly constructed special economic zone will bring many new things which are contrary to the traditional customs, religious beliefs, living habits and local way of living. If not handled properly, such conflicts may cause unharmonious elements to the society and it may play a negative role in the future development of special economic zone. Such conflicts should be considered before the plan is made. For example, some foreign eating habits, entertainment, holidays etc should be accepted by the local law. It is by no means that such acceptances means foreigners can do whatever they want against laws or the tradition of Pakistan must be given up. Local Pakistanis can choose the way they would like to adopt in the special economic zone.

Fourth, to be in Accordance with Gwadar Future Plan

The work on Gwadar was mainly on the infrastructure and supporting construction after China took over the port. Although Gwadar has much land resource, there is no complete modern industry at the port but traditional fishing, agriculture and handicraft industry. There are many problems relating to power, transportation and energy left to be solved. Besides, out of 43 years of operating rights, China has only a 20-year tax exemption. What happens after 20 years will be decided by the future government, which is unknown at present. Pakistan government was toppled many times before, and the new government will bring new challenges to the special economic zone. The future positioning and developing plan will be decided by the Pakistan government while China can only make plans at special economic zone. Therefore, if the plan of the special economic zone is not in accordance with the plan of Gwadar port, it will be a great waste of investment of time for China. When the two plans work together, the future of the special economic zones will be a sustainable one.

Conclusion

China-Pakistan Economic Corridor is an international project beneficial to both China and Pakistan and the construction of Gwadar is a crucial project to CPEC. Mr. Masood Khah, the former ambassador of Pakistan, spoke highly of special economic zone. He believed that the special economic zone would boost Pakistan's economy. For hundreds of years, the development of Gwadar port lagged behind and the people’s living condition did not improve much. If Pakistan's first special economic zone can be set up successfully like the special economic zones in China, the local economy and people’s living condition will surely be greatly improved. More people will get jobs and they will support the project, which, will bring more development opportunities to China as well. China and Pakistan committed to the development of CEPC and the future of special economic zone in Gwadar lies in the hands of both countries. When administration, justice, culture elements and future plans are taken into full consideration before making the final plans of special economic zone, the land of 2,300 acres will have a bright and rewarding future, leading China to a bigger stage of global economy.

STRATEGIC SIGNIFICANCE OF INDIAN OCEAN

Khusrow Akkas Abbasi *

Abstract: *Geo-political significance of the Indian Ocean (IO) has increased in recent years concomitantly with contesting regional and international interests. This, in turn, has led to greater militarization of the region. Great powers' power projection in IO has serious implications on political and economic stability of Indian Ocean Region (IOR), primarily on China Pakistan Economics Corridor (CPEC). Following three areas will be under focus while contemplating strategic significance of IO: A) the stability and security of Gulf petroleum exports; B) the special risks created by the possibility of a future conflict involving India, which may be emerging as a major global power, and the risk of a nuclear conflict involving India and Pakistan: C) the overall security of Sea Lanes of Communication (SOLCs) through the entire region, and the impact of possible shifts in the strategic role of US and China in the IO. This research study is primarily a qualitative study and employs the method of content analysis where the research critically analyzes the prevailing discourses pertinent to IO's significance and emerging power dynamic in IO based upon empirical evidences. The study employs historical, interpretive, and analytical approaches whilst examining primary and secondary data.*

Keywords: Indian Ocean, chokepoints, power projection, stability, economic corridor

Introduction

In the words of Alfred Mahan "whoever controls the Indian Ocean will dominate Asia, the destiny of the world will be decided on its waters."[1] What Mahan stated in 1890 is proving true now. Indian Ocean (IO) has emerged as the central arena of competition in international politics in the last three decades. Strategic location of the region in terms of power, and importance of its Sea Lanes of Communication (SLOCs) makes it a place of increasingly greater interests for the regional and extra regional powers.[2] The geostrategic competition among major powers, in the recent years in the region, has also driven its littoral states to increase their military power in the Indian Ocean Region (IOR).

Given the strategic outlook of the region, regional, and extra regional players have invested heavily to proliferate their military wherewithal especially in their naval forces to maximize outreach and to increase hold in the IO.

The supremacy in the IO, which was once exclusively maintained by the US, is now under stress – given the rise in Chinese political and military clout. The US has adopted a combination of economic and military pacts and agreements to maintain *status-quo* in the Indo-Pacific region. China on the other hand is making inroads in the IO for its economic-led strategic interests. India too is trying to develop herself into a great power which necessitates strong blue water navy. On the other hand, Japan's inclusion in this year's Malabar Exercise, which is part of the US-led overall security arrangement, is a part of strategic signaling to the revisionist power(s) in the region.[3] Such an explicit anti-China disposition is going to leave regional and extra-regional powers in a complex geopolitical dilemma.

Given the geo-strategic location of the IO, this paper will analyze the strategic importance of the IO and look in to the strategic interest of contending powers in the IOR and examine their policies to achieve those objectives. Lastly the paper flags possible impediment to the stability of the IO in the wake of Indo-Pacific great game and its implication on CPEC.

Economic and Strategic Importance of Indian Ocean

IO is the third largest ocean in the world with an area of 73 million square kilometers covering approximately 20 percent of the world's water.[4] It is bounded in the west by East African Coast, in the northwest by Arabian Peninsula and on its northern border lies Indian subcontinent and to the east Thailand, the Malay Peninsula, Indonesia, and Australia. IO encompasses seas and gulfs in the surroundings such as Andaman Sea, Laccadive Sea, Arabian Sea, Red Sea, Gulfs of Aden and Oman, located in the west of the Pacific Ocean.

There are several explanations and reasons for the increasing competition, in recent years, between regional and extra-regional powers for dominance over the IOR. These reasons pertain to geo-strategic and geo-economic factors. The world is facing a new and unprecedented pattern of economic growth and shift of international market interests to Asia and Africa. The market shift is likely to be dominated by China in the decades to come and has caused more flow of goods within IOR and through it to the rest of the world.

The increasing energy needs of countries like China, Japan and India are also an important factor that has raised the geo-economic and geo-strategic importance of the IO because major exporters and importers of oil are located on the periphery of the IO. According to Robert Kaplan, IO rim-land (IOR) from Middle East to the Pacific accounts for 70 percent

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of the petroleum products of the world.[5] Kaplan also estimates that by 2030 world's energy demand will rise by 50 percent and half of which will come from China and India.[6] The sum of the oil and gas reserves possessed by IOR states as a percentage of the entire world's proven reserves are impressive: They have more than 58 percent of known world's oil reserves and world's 46 percent of natural gas reserves.[7] Indian Ocean's continental shelves are mineral rich which include nickel, cobalt, iron, manganese, gold and huge copper reserves.[8]

It is also crucial for Pakistan to maintain a significant naval power to keep her sea lanes open as more than 90 percent of her trade takes place through sea. Losing control of these strategic routes may lead to economic strangulation of the country. Apart from this, Afghanistan, being landlocked, trades majority of its goods through Pakistani ports, reportedly possesses a 1-5 trillion dollar worth of lithium reserves.[9] Afghanistan also has abundant deposits of "iron ore, gold, cobalt, copper, and potash, among many other valuable minerals."[10]

Marine life perhaps offers just as much, if not more, economic value than the mineral resources in IOR. IO states account for a considerable percentage of world fisheries. Only the East Indian Ocean produces 7 million tons of fish yearly which is almost 8 percent of total world production.[11]

In IO some major choke points exist which have a strong potential to control and manage the flow of the maritime traffic in IO. In the north west of the IO are *Suez Canal*, *Strait of Hormuz,* and *Bab el-Mandeb*. In the south west is *Mozambique Channel* which provides opening to South African littoral states to the IO and *Strait of Lombok, Sunda,* and *Malacca* open into the Ocean from the south east. Oil and gas is also transferred through some pipelines located in the region.

Strait of Hormuz, which connects Persian Gulf with Arabian Sea and Gulf of Oman, is located between Oman and Iran. It is world's most important choke point because 17 million barrels of oil per day (bbl/d) flows out through it, which makes 30 percent of all seaborne traded oil.[12] More than 85 percent of crude oil is exported through this strait to Asian states like China, India and Japan.[13]

Strait of Malacca located between Malaysia, Indonesia and Singapore connects Pacific Ocean and South China Sea with the IO. This is the shortest route for oil transit from Strait of Hormuz to countries like China, Japan, Indonesia, Malaysia and Australia. In 2013, the EIA estimated that 15.2 million bbl/d passed through this strait. More than 60,000 vessels pass through this strait annually. China has also built a pipeline through Myanmar which was completed in 2014 and became operation in January, 2015. The pipeline is laid so as to bypass the Strait of Malacca and will ensure a safer alternative to China for vital oil supplies. An estimated 440,000 bbl/d of oil is flowing through this pipeline.[14] This Pipeline will also reduce the cost and time taken by oil tankers travelling through Strait of Malacca. The China-Myanmar natural gas pipeline is also likely to boost gas supply to China in future. China began importing gas from Myanmar when the pipeline became operational in mid-2013, and by 2014, China National Petroleum Corporation (CNPC) imported 116 Bcf.[15]

Bab el-Mandeb is the world's fourth-crucial chokepoint.[16] According to the US' EIA facts 4.7 million bbl/d is traded to Europe, Asia, and the US through this strait.[17] Red Sea is not only a passage for trade but also a source from where Red Sea littoral states export oil through both Suez Canal and Bab el-Mandeb. Due to the natural constraints, oil pipe lines are also built in the region. A 200 mile long *Sumed* pipeline which passes through Egypt connecting Suez Canal with Mediterranean Sea has the capacity of transporting 2.34 million bbl/d.[18] Given the existence of these strategic choke points, IO is considered to be the convergence point of all the major maritime oil supply routes.

Strategic Interests of Great Power in IOR

Geopolitically, IO is a place of interest for the major powers particularly the US, China, India and Japan. Tension is rising with the military activities of many regional and extra regional players in this region. The contending powers have their own interests and strategic goals. The US being the major extra-regional power in the IO has taken necessary steps to protect its strategic interests in the region.

US Interests in IO

The most significant interest of the US and other states is to maintain stability in the IO to keep sea routes operational for international trade and commerce, predominantly among the oil producing and exporting Persian Gulf countries and economically resurging Asian states. For the US, stability in the IO would be maintained, by strategic dominance. Interruption in the movements on this maritime highway would unquestionably have a devastating impact on the international economy and specifically on economic and political stability of Asia, aggravating security situation in China and other powerful states. That would resultantly be impacting US-led regional security architecture and economy.

The US does not have a specific command established for the IOR, however, its forces from Central Command (USCENTCOM) cover the Gulf, the western IOR, entire Middle East, and the Red Sea states.[19] Pacific Command (USPACOM) covers India and all states and waters to the east of India[20] and US African Command (AFRICOM) covers all African countries except Egypt.[21] So, strategically all these three commands engulf the whole IOR. At the moment, however, the IO maritime highway does not appear to be directly threatened by any state or sub-state actor, since illicit activities like piracy, narcotics trade, smuggling of other counterfeit and terrorism by and large are controlled by littoral and other states through patrolling. Capabilities of China and India or of any other state, to dominate the IO region, are limited for the moment, at least as compared to the US. However, this does not imply that threat to international trade and commerce and energy supplies does not exist altogether.

US' second but equally important objective is to keep operational the strategic chokepoints of the IO i.e., the Strait of Hormuz at mouth of Persian Gulf, the Strait of Malacca towards South China Sea and Bab el-Mandeb towards Red Sea and then to Mediterranean Sea. These chokepoints are under growing pressure, directly or indirectly, from hostile states. In December, 2011, Iran under international sanctions for its nuclear program threatened to block the Strait of Hormuz.[22] Given the geo-political location of the Strait of Hormuz, it can easily be blocked by sinking just a few super-tankers in the critical passage which would be a cheaper and an effective way to block maritime traffic.[23] Beijing is also pushing forward its claims aggressively to control "nine-dash line" often referred as 'cow's tongue' which makes up most of the South China Sea and has the potential to block maritime traffic of South Korea, Japan and Taiwan.[24]

Due to recent Yemen Crisis, this maritime trade has come under pressure by the actions of the Houthis, and the corresponding response of Saudi coalition to counter insurgency. Ships passing through Bab el-Mandeb face long delays in getting permission from the coalition forces to pass through. Shipping safety is also a concern in the region. However, the US policy makers are certain about the secure passage through these choke points, but in long-run, growing power-projection capabilities of China, rising Middle East turmoil and Iran's future behavior could significantly pose challenges to the US' interests in the IOR.

Finally, to maintain its status of *status-quo* power in the region, the US is devising both military and non-military, and bilateral and multilateral approaches against any possible contingency.[25] With such emerging geo-strategic environment, IO is becoming possible arena for power competition between India and China. Alliance politics in the IO provides Beijing with some asymmetrical advantages over Delhi, since it has ''string of pearls'' policy which strategically links China with Myanmar, Sri Lanka and Pakistan and, keeps India at distance from Chinese backyard.

On the other side of power equation, beside Japan and other US allies, India and USA have increasingly similar approaches to Asian security. Both states have moved in recent years to strengthen ties with major Asian states which perceive domination by China would be inimical to their strategic interests. Participation of Japan in US-India Malabar Exercises reflects that strategic convergence between the US and India will continue in future, and many more states may join together against China.[26] However, this seriously strains the India's so-called policy of "strategic autonomy."[27] The US has an intrinsic interest in maintaining a favorable strategic equilibrium in IO. Such exercises also reflect the US commitments to security of its key allies like Japan, South Korea and Philippines etc. against of China.

Chinese Interests in IO

China's principal concern in the IO is to guard its energy security. To safeguard SLOCs, it is imperative for China to keep sufficient forces in IOR, especially areas contiguous to chokepoints e.g. Bab el-Mandeb, Strait of Hormuz and Malacca open Strait.

Security concerns of safeguarding energy routes had pushed Beijing to send its navy vessels to be a part of international anti-piracy mechanism in 2008. Since then till April 2015, China has moved 19 escort fleets in IOR.[28]

Chinese Navy seems to be more focused on 'near seas', as its Defence White Paper of 2015 does not mention the IO, however, its emerging capabilities in the wake of force modernization allows China to project its power in IO as well.[29]

China's second objective in the IO is projecting its rising power and attaining a status of major Asian power. According to its Blue Book of 2014, China aims to ensure the security of SLOCs and to take measures to "hedge against the risks of others states threatening China with sea-lane security."[30] Chinese Defense White Paper of 2013 explicitly says that the PLA must give reliable support to Chinese off-shore strategic interests. It further says that the PLA must also "strengthen overseas operational capabilities such as emergency response and rescue, merchant vessel protection at sea and evacuation of Chinese nationals, and provide reliable security support for China's interests overseas."[31]

With the integration of China's national economy into the international economic system, the Chinese overseas interests have become primary national interests. Chinese scholars are arguing in favor of increasing activities in the IOR to protect their legitimate national interests for peaceful rise.[32] China in the past from Egypt and Libya and most recently from Yemen rescued its citizen through PLA Navy ships and aircraft deployed in IO. Increasing Chinese investment and trade in Africa and Middle East would require China to have a strong presence of PLA Navy and Air Force presence in the IOR to project its power. Chinese submarine patrols have also increased in the region causing anxiety in New Delhi.

China is investing and building ports in IO littoral states for pursuing commercial interests. It has invested in infrastructure and port facilities in countries like Myanmar, Bangladesh, Sri Lanka and Pakistan and at the same time it is enhancing its political and economic relations with Maldives, Seychelles, and Mauritius.[33]

Sri Lankan port of Hambantota is under the third phase of construction by China Harbour Engineering Company (CHEC). Pakistan's Gwadar port on the Arabian Sea is also managed by a Chinese company. Gwadar's economic and strategic importance can be gauged from the fact that Premier Xi Jinping during his visit to Pakistan, in 2015, announced projects valued 45 billion dollars, 28 billion dollars out of this amount was set aside to build roads, ports, and power plants to facilitate CPEC, which is "nearly equal to the amount of aid the United States has provided to Pakistan over the past decade to support the war in Afghanistan."[34]

China publically dismisses the idea of maintaining military bases overseas, however, some Chinese academics advocate that it should establish naval bases in the IO because the "real threat to China is not posed by the pirates but by the countries which block [Chinese] trade route."[35] It appears that for the next few years, China will use its public and private sector companies for providing logistical support to overseas ports but will remain cautious about establishing overseas naval base. A most recent example of this is docking of Chinese submarine that had been on patrolling and escorting mission to the Gulf of Aden, at Colombo International Container Terminals in November 2014 for replenishment, which was constructed by China Merchants Holdings (International) Co (CMHI). CMHI has the ownership of 85 percent of the terminal.[36]

Sri Lankan Foreign Minister on his visit to Beijing in February 2015 declared that "Colombo would not allow any other state to dock their submarines at its ports or at least not during sensitive times."[37] But on October 18, 2015, Sri Lankan Defence Secretary stated that "Sri Lanka would consider allowing Chinese naval ships to visit again but no request has been forthcoming yet."[38]

China is well aware of the fact that at the moment its relative position is weaker in the IOR as compared to the US. Beijing, therefore, is expected to pursue the policy of the constructive engagement when dealing with the US and India, and concentrate more on achieving 'strategic space' in the IOR by launching maritime security cooperation with smaller states.

Indian Interests in the IO

India like other states is dependent on the maritime routes of the IO. The sea routes account for almost 97 percent of India's external trade. It is world's fourth largest energy consumer since 2011 and forth largest crude oil importer in 2013.[39]

The Indian navy is the world's fifth largest navy, and the largest among all the IO littoral states.[40] India is still modernizing and expanding its fleets of major surface combat ships, and nuclear and conventionally powered submarines. Given the strategic importance of the IO, India's maritime strategy is to expand its influence across the entire Indian Ocean Region, through trade, investment, diplomacy and strategic partnerships. India is positioning itself to be the dominant IO power in the decades ahead to strengthen its influence and capability to control IO choke points through establishing security relations with littoral states like Madagascar, Singapore, Mauritius, Seychelles and Oman. India is also trying to ensure that China does not gain a significant strategic foothold in the region.

Indian naval power was showcased in 2001; *INS Viraat*-aircraft carrier – headed a contingent of 55 ships.[41] With the introduction of *Arihant* and second aircraft carrier *INS Vikramaditya ex-Russian Adm. Gorshkov*, India now has formidable naval power.[42] *Arihant* will provide India with secure second strike capability. Such qualitative and quantities enhancement in Indian naval power will augment its operational capabilities and increase its staying power in open oceans.

To achieve hegemony in the IO, India has taken a lead by introducing a nuclear dimension to its navy. This has not only brought nuclear arms race to the region but also in the IOR. There are also some serious technical and command and control delegation issues. For a sea-based ships and submarines, where deterrence is primarily achieved by easy maneuverability and avoiding detection, launching control is delegated to senior officer boarding the vessel which increase probability of accidental use of nuclear weapons. To be operational, INS Arihant needs to be equipped with SLBMs with nuclear warheads. Furthermore, after possessing second strike asset, the Nuclear Command Authority (NCA) is unable to effectively and realistically put into practice fail-safe measures like Permissive Action Link (PAL), two-man rule, or a no-lone zone. Beyond this technical and doctrinal debate, the matter of importance is that how Modi administration tends to deploy INS Arihant as a second strike asset and against which threat. An obvious lack of threat compels one to argue that Indian force modernization is motivated by power projection and prestige factor.

Delhi has made use of the opportunity available in the shape of emerging US-China power competition in Indo-Pacific region for its own strategic gains to achieve great power status. India is pursuing its own strings of 'pearls policy' following so-called its *Act East Policy* and has its own pearls throughout the region extending from Iran and Oman to Vietnam, Japan and Australia. It has naval and radar bases in the continental shelf, bases in Union Islands, and facilities in the form of partnerships with Seychelles, Mauritius, Madagascar and Oman.

China Pakistan Economic Corridor and Emerging IO

China's primary interest in the CPEC is to diversify its maritime energy trade routes to and from the Middle East. China has also diverted its focus to energy-rich Central Asian states to minimize its dependence on sources that are bound to transport oil through the IO and South China Sea: existence of regions with chokepoints like Strait of Malacca and strong presence of the US forces can block the maritime traffic. The CPEC aims for optimum utilization of Gwadar Port, situated along the Strait of Hormuz.

Secondly, CPEC is to provide support to economically fragile ally fraught with internal instability. Pakistan and China see each other as balancers vis-à-vis their mutual rival, India which is now in strategic partnership with the US to counter Chinese regional influence. Pakistan's decision to purchase eight submarines from China is a more overt manifestation of this dynamic.

With Beijing's increasingly global geo-political objectives, it views Pakistan as an important ally in accomplishing its ambitious economic and political goals. China believes that the corridor between the two countries as a flagship project of its greater "One Belt, One Road' initiative. This initiative tends to join China with Southeast Asia, to Africa, Europe and resource-rich Middle East by both overland and maritime routes. Pakistan's geographical location places it at the central crossroads for China's long term global objectives.

Dynamics of IO political development its strategic environment is also changing. IO is more than ever militarized today. Given India-Pakistan hostility which dates back to partitation, the India's force modernization, especially of its naval forces has posed challenges to Pakistan. Bab el-Mandeb and Strait of Hormuz are the primary strategic SLOCs which support Pakistan's seaborne trade. Any activity that include naval blockade or quarantine or any such type of disruption of Pakistan's ports can seriously hamper the trade, economy, and war potential of Pakistan.[43] Given the volatility of the situation, Pakistan is also strengthening its coastal defence and adding to its naval assets.

Conclusion

The destiny of 21st century world is inextricably connected to the global maritime commons. The IO is emerging as the center of global and regional geo-political and economic interests. It is also the arena where emerging powers are competing for influence among themselves and against *status-quo* power, by expanding their naval power and creating new alignments.

The economic rise of Asia has altered the global power dynamics in its favour, which also has a military dimension which may complicate security situation in future. Any serious conflict in the IO can lead to instability and possible disruption of maritime traffic. In a region with mounting challenges and competing narratives, Pakistan is trying to balance the power equation by strengthening its military and economic relations with China as well as Russian Federation besides repairing its relations. Amidst these distinct challenges and evolving great power rivalry in the IO, Islamabad has to secure strategic depth in the IO for its expanding maritime interests. It is imperative for successful CPEC that Pakistan and China together should have a considerable strategic deterrence in the IO to avoid any seizer.

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MARITIME CHALLENGES TO CHINA'S TRADE ROUTES – CHINESE RATIONALE FOR UNDERTAKING CPEC / OBOR

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Abstract: *China is one of the world's top exporter of goods and importer of fossil fuel (oil and gas). For that purpose, China primarily uses sea route which has got multiple challenges. The biggest issue that it confronts is the strong presence of rival navies' across the Pacific and the Indian Oceans. Although China is modernizing its naval forces – consolidation in South China Sea, for instance – however, at the moment it is relatively vulnerable to regional and extra-regional navies. Till the point when China strikes a balance with competing forces in the Asia-Pacific, it needs to diversify its supply routes by introducing land routes. One Belt One Road initiative is China's answer to diversity its trade routes. China Pakistan Economic Corridor is a part of One Belt One Road (OBOR).*

Keywords: China's trade route challenges, Malacca Strait, East and South China Sea disputes, One Belt One Road, Asian geopolitics

Introduction

The bulk of world trade is carried out through sea. An estimated 90% of total trade commodities are transported via oceans. At present, 9 Trillion dollars' worth of trade is done via sea annually.[1] This is largely because of the advantages associated with sea-trade e.g. economy of volume/weight/cost, and more importantly, freedom of movement/navigation on seas, gulfs bays, straits and especially high-seas, as codified in United Nations Convention on Law of Sea (UNCLOS 1982).[2]

Peoples Republic of China is dependent on sea trade that accounts for 90% of its trade with the world.[3] Exports that are a mainstay of China's financial prowess and key imports such as oil and gas are transported via the seas. Though China's trade ships traverse the entire oceanic water body, but China's coastal waters – such as East China Sea, South China Sea, Taiwan Straits and Malacca Straits, as well as slightly far away Indian Ocean, Hormuz Strait and Bab al Mandab – are the most important. Approximately, 70~80% of China's oil imports goes through Malacca Strait, and 40% through Strait of Hormuz (Persian Gulf).[4]

Maritime Challenges of China's trade routes

Disputes in the East China Sea: China's major ports like Shanghai, Dalian, Ningbo, Zhoushan, Qingdao Tianjin, etc are situated on the coastline facing the East China Sea. Peace and stability in the East China Sea is of paramount importance for China. However, China has an acrimonious dispute with Japan over a group of 5 islands known as Senkaku islands.[5] The islands are currently under Japanese control but have been claimed by China. The latter has put forwarded the plea that Senkaku islands were historically administered by China. Chinese coastguard vessels off and on navigate in what the Japanese term as its territorial Sea as per UNCLOS 1982. The Chinese have also declared ADIZ (Air Defence Identification Zone) – an area in the maritime airspace where any aircraft entering that zone will identify itself as a reassurance of its non-threatening intent to the coastal state. Japan and South Korea already have their ADIZs established for decades. However, PRC's ADIZ is overlapping with that of Japan and includes Senkaku islands.[6] Perhaps partly because of that reason USA's military aircraft have abrogated China's ADIZ as a token of non-acceptance. October this year an attack submarine of China kept a dangerously close vigil of an American naval ship in Japan's territorial waters.[7] This suggests an overall tense environment in East China Sea.

Disputes in South China Sea: China's busiest ports like Shenzhen, Guangzhou, Zhanjiang, Zhuhai, Hong Kong, and Xiamen, etc are situated on the shores of the South China Sea. PRC cannot afford any disruption or turmoil of even a minimal degree in the South China Sea as well as in the East China Sea. However, the South China Sea is having its own fair share of territorial disputes; the major bone of contention is Spratly Islands, and Paracel Islands. The former is a bigger problem as China has a blanket claim over most of the South China Sea, whereas littoral states and entities like Vietnam, Malaysia, Philippines and Brunei Darussalam, and Taiwan have counter-claims over parts of Spratly Islands. All the above-mentioned claimants have de-facto controls over some islands in the Spratly Islands. One of the major reasons for the discord is different interpretations of Law of Sea. And lately there is a race to develop these uninhabited islands and coral reefs into artificially augmented platforms that can be used for military and non-military purposes. At the moment, there are four operational airfields on Spratly Islands operated by Vietnam, Philippines, Malaysia and Taiwan.[8] PRC is developing its own airfields on artificial islands in the South China Sea. The United States of America, though not a territorial claimant, has got its interest to keep a check on PRC's efforts to consolidate its position in the South China Sea. Earlier, the USA came up with Pivot of Asia

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policy making the entire region as the most important one overseas. In addition, the USA has also announced to carry out Freedom of Navigation Operations (FONOps).[9] The USA sailed its warships close to PRC's newly built artificial island; thus, invoking high level protests from PRC's government. However, the USA's Defence Secretary Ashton Carter announced to repeat the maneuver in the future too. The South China Sea disputes are far more complicated and alarming situation at least for the time being. This has brought the South China Sea into limelight as a potential flashpoint.

Volatility of Malacca Strait / Malacca Dilemma: With one third of world's shipping and almost 40% of world oil shipping cross Malacca Strait, making it one of the busiest strait in the world.[10] For China its significance is even more evident by the fact that 70~80% of China's oil shipment crosses Malacca Strait, thereby making it the Achilles' heel of China's international trade. Numerous existential and potential threats loom large in the strait. Piracy – once associated with Gulf of Aden – is now a rising problem of ships, cargo and more importantly for crew.[11]At the South-eastern end of Malacca Strait, the USA operates a naval base at Sembawang, Singapore.[12] This American naval presence at Sembawang, usually is beneficial for all regional states including China, as it ensures safety and security of this all important sea lane. However, the same naval base can be a potential naval threat for Chinese merchant ships in an event of a major crisis or conflict with the USA or any of its allies such as Japan etc. In addition, India's naval base on Andaman Nicobar islands which is not far away from the north-western opening of Malacca Strait is also a potential hazard for China's trade route.[13] The two regional alternatives for Malacca strait are Sunda and Lombok Straits. Sunda Strait is relatively shallow for large vessels to cross, whereas Lombok Strait is relatively too far away – making it costly in terms of time and cost.

Presence of rival navies in PRC's maritime periphery: Though PRC is modernizing its naval force at a fast rate, however, its competitor the USA still remains world's leader in naval supremacy. Spread across the globe, the USA's navy has got seven naval fleets, each well advanced and well equipped – have qualitative edge over any rival naval force in the world. With a budget of approximately 160 billion dollars, the USA spends more on navy than PRC does on its entire military (land, air, navy combined).[14]

This will entail increasing the number of overall deployable ships from existing 270 to 300 in the said period.[15] Though American navy is spread across the five oceans, there are plans to station more than half of its total vessels in the Pacific Ocean. The USA already have permanent bases in South Korea, Okinawa island Japan, Guam, and as well as Sembawang naval base in Singapore. Its newly built Littoral Combat Ship (LCS) is purposely built for agility and quick maneuvering in shallow waters like the South China Sea.[16] With LCS stationed in the strategically important Singapore navy base – as discussed earlier – can seriously disrupt China's trade route in an event of conflict. Adding to that, the recent FONOPs which the Chinese government is looking at as an American bid to curtail PRC's efforts to consolidate its South China Sea territorial claims. India, another extra-regional state that is taking keen interest in the East Asian geopolitics, has stated South China Sea as an area of its "Strategic Interest."[17] Vietnam has opened its Cam Ranh naval base as a servicing facility for other states' naval ships. India has shown interest to avail the offer, knowing very well that its competitorPRC is not enjoying warm relations with Vietnam. Japan has got strategic defence ties with Philippines[18] – a country that is a major claimant in Spratly Island dispute with China.

All of the above do not necessarily mean that a conflict is imminent in the Western Pacific. However, given the increasing number of claimants over territorial disputes as well as the involvement of extra-regional navies, suggests the volatility of seas in China's immediate neighborhood. Decision-makers in China will be aware of that volatile environment where 90% of its trade operates. The significance of sea-routes will never wither away. However, one can surely explore land routes to minimize reliance on sea lanes.

China's response to maritime challenges: Diversification of trade routes

China's One Belt One Road is an effort to diversify trade routes. OBOR can be further subdivided into six corridors: The Eurasian Land Bridge, 2: China-Mongolia-Russia Corridor, 3: China-Central Asia-West Asia Corridor, 4: China-Indochina-Peninsular Corridor, 5: Bangladesh-China-India-Myanmar Corridor and 6: China-Pakistan-Economic Corridor.

The Eurasian Land Bridge: The Chinese have already have operational land routes such as Yoxinou Rail, which links the interior China with Germany since 2011 onwards. This is rightly known as the Eurasian Land Bridge as it travels through China, Kazakhstan, Russia, Belarus, Poland, and Germany.[19] The same service has now been extended to reach Netherland and to Spain as well, thereby making it the longest rail service in the world. This train takes its freight in 16 days as opposed to 36 days by sea. Although, the sea route still remains economically more feasible as the economy of weight, volume and cost favors it, however, relatively light weight yet high-end finished goods such as computers, electronic gadgets, and automobile parts are preferred to be taken via train. There are certain operational constraints as well, for example, Yuxinou Train has to face frequent border checks as well as transfer of cargo from one train to another owing to changing gauge of railways track in different states en route. [20]

China Mongolia Russia Corridor: This entails two pronged railway tracks, one shorter, and other longer track. The shorter one is to link Chinese northeastern port Dalian with Russian far eastern town of Chita whereas the longer one will connect Beijing and Tianjin with European Russia via Mongolia. This two pronged corridor will draw largely on Trans-Siberian Railways.[21]

China Central Asia West Asia corridor: This one is apparently more complicated one but it intends to have oil and gas supply route established from Persian Gulf going northwards via Iran and joining the already mostly operational Central Asian Gas Pipeline (CAGP) providing natural gas to China. CAGP already supplies 52% of China's gas imports since 2009 and is bound to rise when it expands within the Central Asian region. Russia, despite its small percentage of gas supply of 2%, has agreed with China in 2014 on a massive gas supply deal worth 400 billion dollars over next 30 years.[22] As of 2014, Oil pipelines (from Russia and Kazakhstan) account for around 13% of total Chinese crude oil imports. If this corridor gets accomplished, it will provide a much needed relief to China's heavy reliance on sea routes for crude oil imports.[23] This corridor further extends to Turkey and beyond.

The Indochina Peninsula Corridor: China plans to connect Asian mainland states on its south-east via fast speed rail track. The proposed railway track will begin in China and reaches all the way to Singapore.[24] This maybe coupled with a Chinese proposed navigation canal through Thailand's Isthmus of Kra, thus, bypassing the Malacca strait.

Bangladesh-India-Myanmar Corridor: Myanmar is linked via oil and gas pipelines with south-eastern China. Myanmar supplies 400 BCF/year gas to China from its off-shore extraction points in Indian Ocean. Myanmar can be termed as the nearest of PRC's overland international oil and gas supply source. Gas pipeline was operational since 2013, whereas oil started flowing in pipeline since 2015.[25]

China Pakistan Economic Corridor: Perhaps apparently the simplest of all of them is the CPEC. The plan is to provide PRC with a logistical short-cut to the Arabian Sea and further to Persian Gulf. This involves building of north-south road and rail network that will join Pakistan's Gawadar port with China's Kashgar city. This will expand the already existing Karakoram Highway in northern Pakistan which will upon completion be split into western and eastern prongs of the road network.

The eastern prong is crossing Punjab and Sindh whereas the western prong is traversing through Khyber Pakhtunkhwa and Balochistan. PRC's president Xi Jinping signed agreements worth 45 billion dollars during his April 2015 visit to Pakistan, thus solidifying both the sides' commitment to the corridor.[26] To forestall some of the apprehensions about the security of the corridor,[27] Pakistan government has decided to establish a dedicated military force of around 10,000 soldiers.[28]

Conclusion

PRC's decision to kick start One Belt, One Road program, is caused by multiple reasons. However, one major reason is that China's trade routes mainly rely on Sea Lanes of Communication (SLOCs). Given the overall volatile strategic environment in China's nearby seas, such as Western Pacific and relatively distant Indian Ocean, makes it imperative for China to explore additional trade routes. That is why One Belt One Road is that alternative where China will make the most of its own geographic location on Eurasian land mass. Having said that, China – or for that matter any major trading country – cannot and should not abandon sea-routes for obvious reasons. In fact, OBOR itself is composed of both the domains – sea and land – One Belt refers to the land component and One Road refers to the sea component.

Some critics point out the whole plan as ambitious, since it entails a lot of financial, political, diplomatic, and even military commitment as well as mutuality of consent and interest from the partner states. Critics have also voiced their concerns about the overall feasibility of the entire plan given the tumultuous security environments in which OBOR will operate. On the other hand, a major reason for optimism is the fact that some portions of the OBOR are already operational for instance Eurasian Land Bridge / Yuxinou Railway is functional for half a decade now, Central Asian Gas Pipeline is largely functional, Myanmar-China oil and gas pipeline is operational, China-Mongolia-Russia corridor is going to anchor around the already operational Trans-Siberian Railway, CPEC is welcome project across Pakistan, works have been started on certain portions of the corridor, Pakistan's Gwadar port's first phase of development is already completed, a ten thousand strong military force will be deployed to provide security to CPEC construction staff.

Regardless of the outcome, One Belt One Road is and will remain a significant point of discussion in the field of geopolitics for a long time to come.

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ECONOMIC COOPERATION BETWEEN PAKISTAN AND CHINA: GWARDAR DEEP SEA PORT

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Abstract: *Various economic projects in Pakistan were done with the technical and financial assistance of China. Construction of Gwardar deep sea port in Balochistan province is the best example in this regard. The geographical location of Gwardar port has increased the geo-strategic position of Pakistan at regional and international level. This paper will highlight the facts about the construction of port, its economic significance and also try to elaborate those elements that created hurdles in the construct. Almost all the Pakistani newspapers-both English and Urdu were consulted to write this paper besides other secondary sources of information.*

Keywords: Gwardar, Sea port, Economic, China, Pakistan

After the disintegration of Soviet Union and formation of Central Asian States it seemed essential for Pakistan to develop the port at Gwardar because Karachi and Qasim port were not large enough to offer an outlet to these landlocked States.[1] In 1992, the Ministry of Communication of Pakistan came up with an advertisement in the newspapers calling for 'expression of interest' in the Gwardar deep sea port. Eighteen foreign companies and twelve local companies submitted their expression of interest. It was decided to start the project with a Dutch company but before the agreement could have been signed to start the work on the port the National and Provincial assemblies in Pakistan were dissolved (1993). After that Sultan Qaboos of Oman showed his interest to assist the project. Commerce Minister of Pakistan Chaudhri Ahmad Mukhtar visited Oman to discuss the project there. But again the project could not be started as the opposition parties in Balochistan Assembly and National Assembly alleged that the Gwardar had been indirectly given to USA as they had cordial relations with Oman. Due to long wait Sultan of Oman lost his interest in the project although Chief Minister of Balochistan Nawab Zulfikar Magsi tried to revive his interest but failed to do so.[2] An international Consortium of Port Consultants, M/S Posford Duvivier and Gifford & Partners of U.K in association with M/S Techno Consultant of Pakistan were appointed in 1996 to work out the detailed design of the port. The consultants suggested that port would be completed in two phases.[3] But no progress was made.

General Pervez Musharraf took the construction of Gwardar port seriously. In May 2000, in the 11th session of Pak-China Joint Economic Commission, China had showed its interest in the construction of Gwardar port.[4] When Chinese Premier Zhu Rongji visited Pakistan in May 2001 General Musharraf discussed with him the construction of Gwardar port.[5] Communication Minister of Pakistan Javed Ashraf Kazi explained to him the strategic importance of the port.[6] The construction of the port was expected to not only attract the trade and industry but also open the door for tourism there and create more jobs in Balochistan leading to the alleviation of poverty in the province.[7] Zhu Rongji expressed his willingness to provide financial and technical assistance for the development of port.[8]

According to the promise of Premier Zhu, Chinese Communication Minister Huang Zhendong, officially visited Pakistan in June. He met Musharraf and discussed with him some details of the construction of port. After his meeting with General Musharraf the Chinese delegation visited the site of port.[9] Huang told Pakistan that China was willing to extend all possible support based on the recommendations of experts.[10] Chinese experts rejected the initial design of Gwardar port that was made by a British firm.[11] According to Chinese experts it lacked the planning to accommodate long term requirements. On the experts recommendations Government of Pakistan requested China to take over the design of the project itself. The new design of the port included a large railway track and stations to connect Gwardar with rest of the Pakistan as well as with other countries such as Afghanistan, Central Asian States and Iran.[12] In July, the Chinese government announced $198 million financial assistance for construction of the phase-I of the port.[13] Rest of the money was to come from the government of Pakistan, as the total cost of the project was $ 248 million.[14] The break-up of Chinese assistance was as follow,

- ✓ Grant $ 18 million
- ✓ Interest free loan $ 31 million
- ✓ Consumer loan $ 58 million
- ✓ Buyers Credit $ 60 million
- ✓ Total $ 198 million.
- ✓ Pakistani component $ 50 million.[15]

Chinese ambassador to Pakistan Luo Zhaohui during an interview said that China had provided its biggest foreign aid for the construction of Gwardar port.[16] Pakistan Minister of Finance and Economic Affairs Shaukat Aziz visited China from 7th to 10th August to negotiate the terms of credit for the project. He also signed three agreements relating to the construction of port.[17] These agreements were:

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- ✓ Pakistan-China Agreement on Financing the Construction of phase one of Gwardar Port Project.[18]
- ✓ Pakistan-China Protocol on Implementation of the Gwardar Port Project Phase-I[19]
- ✓ Pakistan-China Framework Agreement for Provision of Concessional Loan to Pakistan[20]

The terms and conditions of these agreements, included that the loan will be for 20 years at the annual interest rate of 2 percent.[21]

There were speculations that due to Pakistan's decision to support the US on War against Terror, China will stop the construction of port. But Islamabad and Beijing both denied these speculations. Pakistan Communication and Railway Minister Javed Ashraf Kazi while denying the reports stated that if there was any delay it could be just because of some technical reason. He said the work on the Gwardar port had been postponed till 23 March next year by the Chinese and Pakistani experts due to technical reasons and not because of any political reason.[22] A statement by China was also issued on the subject. Chinese ambassador in Pakistan Lu Shulin said, work on Gwardar will start as per schedule and will not stop due to 11 September incident. He added that it had temporally been stopped because of National day holidays of China and it would be resumed as soon as the holidays were over.[23]

In March 2002, a high level delegation led by Secretary Communication Iftikhar Rashid visited China to finalize the technical details of the project. After detailed negotiations with the Chinese high ministers, officials and experts an agreement was reached on 15 March, regarding the technical details of the construction of the phase-I of port.[24] According to this agreement the port was to be completed in three years, both States were to jointly supervise the project ensuring the timely completion and quality of work, manpower on the project was to be hired locally and technical experts were to be provided by Chinese government.[25] The construction work was taken by Chinese Harbour Engineering Group.[26] This company had a vast experience as it had completed many international projects like airports, highways and bridges.

Chinese Vice Premier Wu Bangguo visited Pakistan with a delegation of high officials from 21 to 24 March.[27] The purpose of his visit was to attend the ground breaking ceremony of Gwardar.[28] Gwardar port was inaugurated by President Pervez Musharraf with Wu Bangguo on 23 March.[29] The ceremony was attended by government ministers and elite of the city.[30] President Musharraf paid special thanks to Chinese Premier Zhu for taking keen interest in providing technical assistant for the construction of port.[31] While talking to the ceremony Wu Bangguo said port would promote economic activities of the whole region and it would also serve as symbol of Pak-China friendship in 21st century.[32]

In May 2004, an unfortunate incident happened when eleven Chinese engineers working on Gwardar port were attacked by a group of terrorists.[33] Terrorists attacked engineers when they were moving towards the port in a vehicle with their guard and driver. Three engineers lost their lives on the spot while other were injured. Government of Pakistan and China condemned this attack. Chinese government did not stop her assistance on the project after this incident.[34] In late 2004, MOU was signed between Pakistan and China to expand the Gwardar sea port channel up to the depth of 14.7 m to make it the deepest port in the country and to facilitate big vessels.[35] The cost of the project was raised to 40 million dollars.[36]

When in 2005, Chinese Premier Wen Jiabao visited Pakistan he did not inaugurate the Gwardar port because it needed four or five more months to be completed. Although there were reports in the media that Wen did not inaugurate the project due to security reasons.[37] However, according to Chinese ambassador to Pakistan, the delay in the completion of port was due to incomplete civil work on port which was the responsibility of Pakistani authorities.[38] Wen Jiabao in a statement said that the project was very important for both States.[39] Privatization and Investment Minister Dr. Abdul Hafeez Sheikh informed the reporter that after the completion of first phase of the port, China had agreed to expand the project further and the Chinese government was ready to invest $ 70 million for deepening the port from 11 to 14 feet.[40] The agreement for the additional dredge work was concluded in Beijing on August 10, 2005.[41]

During his fifth visit to China in February 2006, Musharraf offered to China trade corridor, energy corridor and transport hub to meet the future Chinese energy requirements.[42] He said that Pakistan was ready to cooperate with China in the construction of oil pipeline from Gwardar to Xinjiang, enabling China to import oil from Saudi Arabia, Iran and Africa.[43] Prime Minister Shaukat Aziz added that for this purpose feasibility study had been conducted to provide the shortest possible route and the alternate one, via the Strait of Malacca.[44] President Musharraf also met with members of All-China Federation of Commerce and Industry in Shanghai. He assured the Chinese businessmen that they will be given privileges in setting up industries in the Economic Free Trade Zone (EFTZ) near Gwardar. Government of Pakistan had announced that the industries set at EFTZ would be exempted from paying custom duty and sales tax.[45] Hu De Ping, first Vice Chairman of All-China Federation of Commerce and Industry expressed gratitude to President Musharraf and Prime Minister Shaukat Aziz for establishing exclusive industrial zone for Chinese investors.[46] According to a report submitted by the delegation from Xinjiang on the annual session of the 10th National People's Congress in March, the channel of transportation of energy through Pakistan was 20,000 km shorter as compared to via Cap of Good Hope reducing the transportation fee by 25% and transportation time to be cut by a month.[47] Shaukat Aziz invited China to invest in oil refineries, storages and pipelines to develop Gwardar as an 'energy and transshipment port'.[48] Addressing to the 9th Summit of the Economic Cooperation Organization in Baku, capital of Azerbaijan on 5th May, he expressed his high expectations from the Gwardar port due to its geo-strategic location.[49] He hoped that the completion of the port would boost up the economic activity in the whole region.[50] The Government of Pakistan had selected the site for proposed oil city, in an area of 22,000 acres of land near Gwardar.[51] It was to be the biggest refinery of Pakistan with a capacity to refine 60,000 barrels of oil per day.[52] President Hu Jintao agreed to develop Pakistan as an energy corridor through the Gwardar port.[53] China planned to invest $ 12 billion in multiple projects in Pakistan and one of them was the oil refinery at Gwardar.[54]

In November 2006 after the joint inspection of the Phase-I of the port, both Pakistan and China agreed that it will be completed and ready to be handed over to Pakistan by the time of the visit of President Hu Jintao to Pakistan who will hand over the completion document of Gwardar port to President Pervez Musharraf.[55] On its completion, Gwardar port was inaugurated in March 2007.[56] Phase-I of the port was handed over to the World's best Port Operators-Port of Singapore Authority (PSA) for forty years, due to unrest in Balochistan and American influence in the region, China had shown little interest in using this port, but in February 2013 the right of port was given to China.[57]

In February 2007, Islamabad approved the construction of an airport at Gwardar. About 6500 acres of land was provided for the purpose.[58] The estimated cost of the project was $ 70 million.[59] An MOU in this regard was signed between Pakistan Civil Aviation Authority and China Harbour Engineering Corporation.[60] Federal budget 2008-09 had allocated 750 million rupees for the construction of the airport. China agreed to provide an assistance of $ 500 million to build the phase-II of the port, having nine more berths, an approached channel for larger oil-tankers vessels, storage terminals and related infrastructure facilities.[61] The work on Phase-II is still under process.

In April 2015, Pakistan and China signed an agreement (China Pakistan Economic Corridor), which included projects worth of $ 46 billion. The crux of CPEC is further development of Gwardar Port and to connect it with Western China via land rout.

The USA, India and Iran had reservations about the Chinese help in the construction of port.[62] Susanne Koelbl, an analyst wrote on the German Web Portal 'Spiegel Online' that India and America viewed presence of China in Gwardar as threat to their interests in the region.[63] There were reports that China was developing Gwardar port for stationing Chinese warships in future. The reports also disclosed the views of Indian analysts who were of the view that construction of Gwardar would give a chance to China to set a well-equipped stage on Indian Western border.[64] It was believed that Gwardar would give China a Naval access of Arabian Sea to keep an eye on American ships and signals and Indian Navy.[65] Americans were also of the views that China tries to seek bases all along the oil routes.[66] This port was also the part of Chinese assistance to Pakistan in defense build-up to boost up its Naval and air power.[67] During the time of crises it could move its naval assets further from Indian Naval and air threats. Richard Fisher, an Asian specialist at the Jamestown Foundation, quoted, "From what we know now, this is a commercial deal, but it can easily set the stage for military cooperation in future."

Both Pakistan and China denied these reports. Chinese presence in Gwardar and Myanmar was more related to energy concerns than any challenge or threat to India. As China was the largest consumer of oil after the America.

Conclusion

Pakistan has constructed first phase of its third sea port at Gwardar with the assistance of China. Few regional and international elements played their negative role during the construction of port by targeting the Chinese workers and engineers. Their main objective of killing Chinese was to give a signal to Chinese government to stop their assistance to Pakistan in this project of economic significance, as it will serve as transit route for trade to neighboring states of Pakistan and also to Central Asian States. But their objective was not materialized as Chinese government continued her assistance and the first phase of port had been completed in 2007. An agreement was also made between government of Pakistan and China to connect Gwardar with Xinjaing via CPEC. Once the CPEC project will be completed, Gwardar will serve as economic hub for whole region.

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CHINA-PAKISTAN ECONOMIC CORRIDOR: A VITAL COMPONENT OF EMERGING STRATEGIC SIGNIFICANCE OF INDIAN OCEAN

Zainab Ahmed *

Abstract: *In the twentieth century, the Indian Ocean – a water body connecting North Africa, South Asia, Southeast Asia, and Middle East – has garnered exceptional strategic significance. Oil trade has amplified the significance of this water body manifold. China being emerging global power and second largest economy of world is one of the most important actors in Indian Ocean. Passage of China's $4 trillion trade and 7 million barrels of oil per day via Persian Gulf has pressed it to look for more feasible alternative routes. United States and India, often perceived as geostrategic rivals of China, are also focusing on Indian Ocean. China-Pakistan Economic Corridor (CPEC) is the first leg of China's vision of One Belt One Road. It shortens trade route of China by approximately 10,000 kilometers. This route provides China with the shortest possible access to Indian Ocean at the critical chokepoint of Strait of Hormuz. Recognizing that the global economic, political, and strategic focus is shifting rapidly to Indian Ocean, this study endeavors to unfold the prospects of China Pakistan Economic Corridor since CPEC is poised to decidedly enhances this significance by increasing inter-regional and intra-regional connectivity.*

Keywords: Indian Ocean, CPEC, One Belt One Road, regional economic integration, global connectivity

Introduction

China-Pakistan Economic Corridor (CPEC) is being considered as a strategic game changer for regional integration in South Asia and Central Asia. The prospective net investment under CPEC is twice the amount of Foreign Direct Investment Pakistan received since 2008[1]. This investment includes a range of infrastructure and energy projects-some of which are expected to be completed within a timeframe of one to three years, while others may take more than ten years[2]. Although the project is a bilateral engagement between China and Pakistan, its end-goals render it relevant to regional and global actors. CPEC is the first part of China's vision of connecting various regions of Asia, Europe and Africa under its ambitious One Belt One Road (OBOR) initiative.

Indian Ocean attracts enormous geostrategic attention by almost all regional and global powers. In its broader outlook, Indian Ocean connects a range of littoral states stretching from Horn of Africa to Indonesian archipelagoes. CPEC, as a flagship project under China's broader 'One Belt, One Road' vision, envisions a wide array of maritime and road networks. Pakistan is geostrategically positioned to offer China a viable route to Arabian Sea[3].

Strategic Significance of Indian Ocean

With the geopolitical tilt towards Asia Pacific, Indian Ocean dominates the debate over global strategic concerns. The process of Asia's industrialization was initiated in Japan during 1920s. The same course was later followed in South Korea and Taiwan. In the past few decades, China has rapidly industrialized. India has also been following the suit since 1990's. Industrialization led to increased demand for energy and fuel as the manufacturing sector expanded in both China and India. Major portion of China's oil is supplied from Middle East through Strait of Hormuz which also accounts for about 20% of global oil trade. A decade ago, supply of oil to Asia had become double than that to European Union. Manufactured goods from Asia to Africa and Europe are also enrouted through same sealines of communication. It is estimated that oil and energy supplies from Persian Gulf will remain at the same pace for another two decades until these reserves are exhausted[4].

Many emerging economies of the world are inhabited in coastal regions. BRICS as the emerging trade bloc of developing economies, which is spread out across different continents, has displayed huge interest in Indian Ocean. One of the major projects in Indian Ocean under development is fiber optic cable connecting Pacific and Atlantic through Indian Ocean. This is 34,000 km long with a capacity of 12.8 terabits[5]. Indian Ocean is the third largest water body of the planet joining Asia, Africa, Indo-China and Antarctica. It extends from Bay of Bengal in North to Antarctica in South with a length of about 9,600 Km and from Southern Africa to Western Australia with a width of about 7,800 Km. This water body encompasses about 20% of global water and possesses a total area of 68.556 million square kilometers[6].

Strait of Hormuz is the most important chokepoint of Indian Ocean which is critical in the supply-line of Persian Gulf's oil resources to the broader world. According to an estimate, it carries 88% of Persian Gulf's oil to the world and 20% of the total global oil. Strait of Malacca, on the other hand, is a critical chokepoint in the trade link between Asia and Persian Gulf. It connects Indian Ocean with South China Sea and Pacific Ocean. It is estimated that about 50,000 vessels pass than through this strait in a year. This Strait accounts for about 30% of global trade and 80% of oil imports of China, South Korea,

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Japan and other Pacific Rim States. Bab-el-Mandeb is the third largest strait of the ocean allowing passage of vessels carrying Europe's oil from Persian Gulf. The strait has the passage capacity of of 3.3 million barrels oil per day[7].

Indian Ocean acquired renewed significance as Britain announced its withdrawal from the Indian Ocean region by 1971. After this, United States and USSR increased their activities in the ocean. Oil price hike of 1973-74, Iranian revolution, Iran-Iraq war, Soviet intervention in Afghanistan further increased its strategic relevance[8]. Approximately all the littoral states along the Indian Ocean have been colonies at some point in time. Some of them are nascent nations passing through political transformations and challenges[9].

Although minerals resources including oil and gas attract most strategic attention, Indian Ocean is also rich in gold, tin, uranium, cobalt, aluminum, cadmium and fishing resources. Roughly 55% of global oil reserves and 40% of gas reserves are located in Indian Ocean region. Gulf and Arab states alone produce 21% of global oil. Daily oil export of this region is 17,262 million barrels accounting for 43% of total trade. Indian Ocean ports handle about 30% of global trade[10].

Emerging Significance of Indian Ocean and China-Pakistan Economic Corridor

With the changing global economic and political scenario, dynamics of maritime politics have also changed. As the ocean is surrounded by developing nations facing immense economic, social and political challenges its security and strategic outlook has also transformed manifold. Economic subtleties increasingly draw security vulnerabilities for the regional states. Much of the futuristic political backdrop of the ocean is likely to be set by Chinese foreign policy objectives.

China's foreign policy is currently being driven by its long-term economic priorities. China has the strategic vision of reviving the Silk Road under the emblem of 'One Belt One Road.' This is an unprecedented project encompassing about 70% of global population, 55% of world's GNP and 75% of known energy reserves. It is being estimated that China plans to invest about $300 billion in related infrastructure projects which will be implemented over next 35 Years. It is expected that its completion will coincide with 100 years of Peoples' Republic of China in 2049 [11].

This long-term initiative would extend an economic linkage spreading from South East Asia to Europe. Fujian on Chinese coast will be connected to the outer world through Strait of Malacca, ultimately linking it to Venice. 'One Road' is the cluster of these maritime routes linking all in 'one road' via Indian Ocean. The other half of the vision 'One Belt' is the bunch of road and rail links connecting Central Asia, Middle East and ending in the heart of Europe[12]. This would possibly translate into the vision of common development for sixty countries[13].

China-Pakistan economic Corridor lies at the point of conjunction of Silk Road Economic Belt and the 21st Century Maritime Silk Road. This is the flagship project of the long-term initiative. Owing to its significance, China is investing $46 billion on CPEC which is about 20% of Pakistan's annual GDP. All of the projects related to CPEC will be fully operational within coming thirty years. This will help China cut short its oil import route from Middle East by about 12,000 Km. China's Western regions will be connected to deep sea-port of Gwadar and thereby, China will get shortest access to Indian Ocean.[14]It will also cut short China's distance to the outer world through a bunch of 3,000 Km roads from Gwadar to Kashghar in the middle of Chinese Xinjiang Region[15].

Robert Kaplan believes that Indian Ocean holds the key in determining Eastern Hemisphere's hegemon in the near future. Even the struggle for determining contours of democracy, independence, and religious freedom would be determined in this water body[16].

China-Pakistan Economic Corridor is built into China's goal for developing its economy through variegated global connectivity. China seeks to pursue global connectivity by connecting different regions into a string of joint policy vision. This will leave Chinese mark on connected states to develop their infrastructure, energy resources and industries.

CPEC provides a link to the distinct regions. Gwadar port is at the mouth of Strait of Hormuz from where a huge cycle of raw material and manufactured goods is traded across the world[17]. Pakistan provides China the ultimate gateway to Gulf States and Middle East.[18] The importance China is giving to this project can be comprehended by the fact that China poured into Pakistan the largest investment ever in Pakistan's entire history. United States gave away about $ 15 billion into Pakistan since 2002[19] while Pakistan remained the frontline ally in War on Terror. Indian Ocean already links world mass with Pacific Ocean, already directly linking six continents, three big oceans and about sixty nations. The dependence of all these nations on the trade through Indian Ocean will increase its significance manifold.

The US is also attempting to maneuver its weight vis-a-vis Chinese ascendency in Indian Ocean. The US-led Trans Pacific Partnership (TPP) involving a range of South East Asian nations is indicative of American strategy of 'rebalance towards Asia.'The joint interests of all global and regional powers ultimately require safeguarding the smooth flow of trade through Indian Ocean.

Conclusion

Naval Strategist Mahan had declared that political and strategic landscape of Asia and world would be determined in Indian Ocean. The global prism has already shifted considerably to this part of the world. China's foreign policy is being driven by an ambitious economic vision encompassing inter-regional connectivity on the global horizon. China-Pakistan Economic Corridor is the manifestation of China's deeply-held aspirations.

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