

# Baluchis, Beijing, and Pakistan's Gwadar Port

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On 3 May 2004, three Chinese engineers were killed and eleven others, including nine Chinese and two Pakistanis, were injured when a remote-controlled car bomb hit their van. The engineers had been traveling to the Gwadar port in the southwest Pakistani province of Baluchistan. In response, President Pervez Musharraf and then Prime Minister Zafarallah Jamali immediately sent messages of condolences to their Chinese counterparts, assuring them that a few terrorists could never undermine the Sino-Pakistani friendship. Within the week, the Frontier Corps was deployed to the port and armed escorts were assigned to the Chinese workers. Following the detention of eighteen people, Pakistani officials declared on 9 May that they had arrested the "key suspect" behind the attack. Since then, obscure reports periodically appear in the Pakistani press regarding other culprits who have been apprehended with scant information provided on their background.

The alacrity of Islamabad's response shows the immense premium it places on the Sino-Pakistani relationship and the Gwadar deep seaport project. The port lies at the heart of President Musharraf's vision of prosperity for Pakistan. It is meant to transform Pakistan into a vibrant hub of commercial activity among the energy rich Gulf and Central Asian states, Afghanistan, and China, and to provide the Pakistan

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Navy with strategic depth along its coast-line as a naval base. The port will also enable China to diversify its crude oil

While Pakistan and China believe that the port will deliver significant economic and military gains, India, Iran, and the local Baluchis view it as a potential threat to their economic interests and security, and al-Qaeda presumably rejects it as Pakistan's stepping-stone to becoming a stronger, more prosperous state. Realizing the Gwadar dream in such an inimical environment will not be easy; however, Islamabad can bolster its position by adopting a two-pronged strategy.

**“It is not possible to tell who the perpetrators of this crime are. The president has ordered an inquiry and said that the culprits would be given [the] severest punishment. What we can say with certainty is that it was a terrorist act. The Gwadar port is a symbol of Pak-China cooperation and is part of our joint efforts to build modern infrastructure projects in Pakistan. Once built, the port will act as a strategic hub for commercial activity for the entire region. So some vicious mind has tried to target Pakistan-China friendship, the port project, and increasingly Pakistan’s positive economic profile.”**

**-Masood Khan,  
Pakistan Foreign Ministry Spokesman<sup>1</sup>**

import routes and extend its presence in the Indian Ocean. Thus, China's contribution of technical assistance, 450 workers and 80 percent of the funds for the construction of the port, is one of the latest chapters in the storied “all-weather” friendship.

Certain regional state and non-state actors, however, do not share China and Pakistan's enthusiasm for the port. The port has raised eyebrows in neighboring India and Iran over Sino-Pakistan maritime activities and has sparked a tacit competition over whether Pakistan's Gwadar port or Iran's Chabahar port, built with Indian assistance, will serve as Central Asia's conduit to warm waters. The port fuels bitter discontent among local Baluchi nationalists who believe that the benefits of the project will bypass them and who maintain longstanding grievances against the federal government. The port also presents a potentially irresistible target to al-Qaeda as payback for Pakistan's cooperation in the U.S.-led war on terror.

First, it must recognize that the port's greatest opponent is its own people, the local Baluchis, and it must assure them of their stake in a project of critical importance to national security. Failure to build a consensus on the port could result in its violent derailment and possibly preclude future Chinese manpower and technical assistance on development projects due to security concerns.<sup>2</sup> Second, Pakistani officials should leverage the port to attract Chinese investment and to forge a vibrant economic relationship with China that reflects their strong politico-military relationship. For Pakistan to reap the dividends of the Gwadar port, the Baluchis and Beijing need to be firmly anchored to it.

**Gwadar Dividends.** China and Pakistan have a history of collaboration in the military realm and international political fora stemming from a shared view of an adversarial India. The joint construction of large-scale development projects has further cemented ties. Both sides have

hailed the Karakoram Highway, connecting Kashgar in China's Xinjiang province with Islamabad, as the symbol of their "all-weather" friendship. Despite improving Sino-Indian relations, Sino-Pakistani development projects have continued with the Gwadar port and the Chashma II nuclear power plant, as per an agreement concluded in May 2004. Symbolically, Premier Zhu Rongji announced China's decision to underwrite the port project in May 2001 during his visit to Pakistan on the fiftieth anniversary of the establishment of Sino-Pakistani relations.

The Chinese have acted upon this pledge. Construction of the Gwadar port began in March 2002 after the Chinese agreed to provide \$198 million of the \$248 million required for Phase I of the project. Phase I involves the construction of three multipurpose ship berths and is slated to be completed early next year. In a sign of the near completion of Phase I in mid-November, a Chinese cargo vessel carrying port-related equipment successfully berthed at Gwadar, an occasion marked with much fanfare and fireworks. Phase II, estimated at \$600 million, will include the building of nine additional berths, one bulk cargo terminal, one grain terminal, and two oil terminals.<sup>3</sup>

world's oil supplies flow, the port is strategically located to serve as a key shipping point in the region. Second, the port will provide the landlocked Central Asian republics, Afghanistan, and the Chinese Xinjiang region with access to the Arabian Sea's warm waters. A road from Gwadar to Saindak, which is currently under construction and runs parallel to the Iran-Pakistan border, will be the shortest route between Central Asia and the Arabian Sea. The port will also enable the transfer of Central Asia's vast energy resources to world markets, earning Pakistan significant profits in transit fees.

By making Gwadar the pivot of regional trade, Pakistan will also attract considerable investment into its most underdeveloped province, Baluchistan. These funds will allow for the construction of roads and rails linking the coastal region to the rest of Pakistan, Iran, and Afghanistan; will cultivate the region's vast and unexplored natural resources; and theoretically will allow for the socio-economic uplift of the local Baluchis through various development projects. Certain Pakistani press reports have suggested that foreign investors have expressed an interest in investing some \$8 billion in Baluchistan.<sup>4</sup> While this number seems somewhat inflated, the

## **Local Baluchi nationalists** believe the benefits of the port will pass them by.

The economic significance of the port is two-fold. First, in light of the chronic instability in the Gulf region, the Gwadar port will provide a stable and proximate point of access to the Gulf ports. Just 250 miles from the Straits of Hormuz, through which nearly 40 percent of the

potential of the port is not lost on investors who will continue to factor Pakistan's domestic security situation into their calculations.

The Gwadar port has also been described by Pakistan's Navy Chief as the country's third naval base after Karachi

and Ormara and as an improvement in Pakistan's deep-sea water defense.<sup>5</sup> The port is 450 kilometers farther from the Indian border than Karachi, which handled 90 percent of Pakistan's sea-borne trade in 2001; Pakistan expects it to alleviate the congestion that Pakistani maritime assets face in Karachi. Pakistan has critically felt this constriction in the past, including when India blockaded Karachi during the 1971 war and threatened to do so again during the 1999 Kargil crisis.<sup>6</sup> Consequently, the Gwadar port will provide Pakistan with crucial strategic depth along its coastline.

China's primary interests in the Gwadar port are to continue consolidating its relationship with Pakistan through large-scale collaborative development projects, to diversify and secure its crude oil import routes, and to extend its presence in the Indian Ocean. In 2003 China imported 51 percent of its total

U.S. naval activity in the Persian Gulf, Indian activity in the Arabian Sea, and future U.S.-Indian maritime cooperation in the Indian Ocean.

### **Watchful and Wary Neighbors.**

Two key regional players, Iran and India, have warily watched the construction of the Gwadar port in their backyard. In fact, on 2 July 2004, the Pakistani police claimed that it had arrested an Indian agent in Karachi who "provided strategic and sensitive information to India's spy agency, including maps of the Gwadar port."<sup>8</sup> Some Indian analysts compare the construction of the port to China's establishment of facilities at Coco Island in Myanmar to monitor Indian maritime activity and missile testing in Orissa. In an interview with *Jane's Defence Weekly*, Indian Navy Chief Admiral Madhavendra Singh stated that India was closely observing Chinese activity on the

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crude imports from the Middle East; however, increasing piracy in the Straits of Malacca has compelled China to look for alternate routes.<sup>7</sup> Chinese officials have publicly stated their interest in turning the port into a transit terminal for crude oil imports from Iran and Africa to China's Xinjiang region. Furthermore, a Chinese presence at Gwadar allows China to ensure the security of its energy-related shipments along existing routes. It could also monitor

Makran coast, along which Gwadar is located, and expressed concern about the Chinese Navy's close interaction with "a few neighboring countries" that could "seriously endanger vital Indian shipping routes in the Gulf."<sup>9</sup>

India's new naval doctrine specifically seeks to address India's need to secure energy routes and counter the Chinese presence in the Arabian Sea. Released in May 2004, the doctrine calls for building a nuclear ballistic missile submarine as

part of India's envisioned triad of nuclear forces—the ability to launch land-, air-, and sea-based nuclear weapons—and developing a blue-water fleet that can project power into the Arabian Sea and beyond. Indian Navy long-range planning officers have stated that as the depletion of the world oil reserves will bring more regional powers to the Indian Ocean, India needs to bolster its striking power and command-and-control, surveillance, and intelligence capabilities. The doctrine particularly highlights China's nuclear missile submarines and its ties with Indian Ocean rim nations, including Pakistan.<sup>10</sup>

Iran's response to the Gwadar port has been to construct its own Chabahar port and tacitly compete with Pakistan in capturing access routes and energy-related trade from Afghanistan, Kazakhstan, Kyrgyzstan, and Tajikistan. Stemming from President Mohammed Khatami's January 2003 visit to India and the signing of the "Road Map to Strategic Cooperation," India has agreed to assist Iran in constructing the Chabahar port and road links between Iran, Afghanistan, and northward to Tajikistan. According to Iranian officials, a transit route will be established that will run from Iran through Herat in western Afghanistan and Mazar-e Sharif and Sherkhan Bandar in northern Afghanistan to Tajikistan, and from there up to China. In its efforts, Iran has a partial upper hand over Pakistan due to its warmer relations with the Central Asian states, particularly with Afghanistan under President Hamid Karzai, which remains cool toward Pakistan for supporting the Taliban. That Iran is permitting Afghanistan to use the Chabahar port with a substantial discount on port fees, with the exception of

oil tankers, aptly reflects the Iran-Afghan entente.<sup>11</sup> Meanwhile, the Chabahar port has not escaped the notice of Pakistani officials who have stated, "Pakistan is pinning huge hopes on the Gwadar project as the transit point for goods from Russia and the CARs (Central Asian Republics) bound for the Gulf and the East, but the Chabahar port would inflict a huge financial setback for Pakistan."<sup>12</sup>

The strategic competition surrounding the Gwadar port and the transit routes need not be viewed solely through a confrontational lens. Recent thaws in Sino-Indian, Indo-Pakistani, and Iranian-Pakistani bilateral relations augur well for regional economic prospects across the board. Talks of links between the Gwadar port and Iran occur against the backdrop of improving Iran-Pakistan relations since the fall of the Taliban and China's interest in acquiring Iranian natural gas and developing its oil fields. The inter-port rivalry may in fact prove to be beneficial by stimulating even greater trade in the region. The resumption of the Indo-Pakistan composite dialogue parallels the warming Sino-Indian relations. China and India's overtures to Central Asia can be viewed as a westward extension of their "relaxed" jostling for influence in Southeast Asia. Looking ahead, China and India's burgeoning energy appetites imbue their advances in Central Asia with a more ominous overtone.

Other critical factors in the emergence of vibrant regional commerce include significant transportation and infrastructure advances and stability in Afghanistan, the latter giving common cause for all parties to support President Karzai and refrain from king making in Kabul. The competition and cooperation over the Gwadar port thus demon

strates the increasingly important and fluid linkages between countries in the Middle East and Central, South, and East Asia as economic ties are created, cultural and historical relationships are revisited, and new security relationships are formulated.

**Internal Fissures.** India and Iran's wariness toward the port pales in comparison to the deep-seeded mistrust with which local Baluchis view the Gwadar project. As Pakistan's backward hinterland, the province is plagued by rampant poverty, illiteracy, and unemployment. Many Baluchis have long harbored nationalist sentiments with tensions having reached their zenith in the 1970s. Between 1973 and 1977, the federal government ordered the armed forces to quell a popular uprising, resulting in thousands of casualties. In addition, gas fields in Baluchistan account for 70 percent of the country's natural gas capacity; nevertheless, Baluchistan only receives a marginal amount in royalties.<sup>13</sup> Today, Baluchis continue to chafe under what they regard as domination by the Punjabis, Pakistan's largest ethnic group, manifested in the Punjabi-dominated military's prevalence in the province, the inequitable allocation of federal resources, and the exploitation of the province's vast natural resources with little benefits seen locally.

Having been largely excluded from the decision making process surrounding the port, Baluchis worry that the economic gains of the project will be siphoned off to the other provinces; the influx of non-Baluchis in the region seeking employment will displace Baluchis and dilute their culture; and the Pakistan Army will continue to consolidate its military presence in the region by opening more can-

tonments. As the cost of land in Gwadar has skyrocketed, with the price of a 500-square yard plot reportedly having risen from \$130 to \$7000, a major source of bitterness has been the acquisition of local land by real estate agencies at low prices and the subsequent sale to non-Baluchis with huge profit margins.<sup>14</sup> Prominent Baluchi nationalist leaders have vociferously condemned the project for some time and have threatened to resort to violence in order to drive away investors and derail the project.

Groups within Baluchistan are now violently venting their frustrations. Attacks on gas pipelines are virtually a daily occurrence, resulting in the disruption of energy and the loss of thousands of rupees. Army bases and personnel have been increasingly targeted. On 16 August 2004, five paramilitary troops were killed and twelve others were wounded near Sui, home to Pakistan's main gas facilities. Major General Shaukat Sultan, the Pakistani military spokesperson, accused India's foreign intelligence agency, Research and Analysis Wing (RAW), of abetting these attacks and being "involved in terrorist activities in Baluchistan."<sup>15</sup> Nevertheless, the primarily indigenous element of this ongoing quasi-insurgency is incontrovertible. Baluchi nationalists harbor sufficient antipathy toward the port and the federal government that some of their fringe elements may find common cause with al-Qaeda in severing the Gwadar knot that uniquely ties together Pakistan's national security interests and its foremost ally.

To reduce the internal threat facing the port, Islamabad must secure the confidence of the local Baluchis and provide them with a sense of ownership over its development. It should clamp down on the real estate sharks, provide technical

training and commit jobs to local Baluchis, provide compensation to all those displaced by the port construction, implement the project plan by building a consensus with local and provincial authorities, and pay attention to local

by successive rounds of talks on their border dispute and burgeoning economic ties, should make Pakistan consider how it can insulate its relationship from this warming trend. Pakistani policymakers can continue to expect

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sensitivities regarding the military presence in the region. The establishment of a parliamentary standing committee on Baluchistan and the initiation of a political dialogue between President Musharraf's de facto National Security Adviser, Tariq Aziz, and the nationalists is a step in the right direction. Failure to address Baluchi grievances will only breed greater frustration, more frequent and lethal acts of sabotage, and greater military heavy-handedness, thus locking all parties in a vicious cycle of violence. Moreover, in such a fluid and explosive environment, al-Qaeda and other external actors will have greater room in which to maneuver by plugging into the existing alienation, and perhaps will be able to derail plans for the port and thereby undermine President Musharraf's strategic vision for Pakistan.

**The Ties That Bind.** President Musharraf has repeatedly stated that Pakistan's economic growth and security are his primary priorities. China is capable of critically assisting Pakistan on both these fronts; however, China and India's warming relations, spearheaded

Chinese military assistance to maintain a strategic balance vis-à-vis India; nevertheless, they would be prudent to broaden the contours of their relationship and make inroads into the Chinese economy. The Gwadar port provides an important avenue to do just this.

In spite of the depth of Sino-Pakistani politico-military collaboration since the early 1960s, economic cooperation has been surprisingly deficient in the past. In recent years, however, bilateral trade has steadily increased, with a 35 percent rise to \$2.4 billion last year, half the trade volume registered between China and India. Still, the balance of trade remains overwhelmingly in China's favor, whose exports amounted to \$1.8 billion compared to Pakistan's \$575 million.<sup>16</sup> Pakistan's support for Islamic militancy in the nineties can partially explain the lack of land-based trade. During this period, China was reluctant to allow the free flow of goods along the Karakoram Highway because of its fear of the simultaneous trafficking in arms and radical Islamic ideology into its restive western province. Today, China has revived the land route through a series of bilateral agreements

signed in November 2003 that call for an expansion of border trade and the implementation of a preferential trade agreement. Meanwhile, China has also pledged to develop its western regions including Xinjiang as part of its "Go West" policy. Xinjiang has already demonstrated its economic potential by having registered \$4.8 billion in foreign trade and \$22.7 billion in GDP in 2003, up 10.8 percent from the previous year.<sup>17</sup> Seeking to capitalize on Xinjiang's rising fortunes and strengthen Sino-Pakistani economic ties, Prime Minister Shaukat Aziz vocally called for expanding trade links with Xinjiang and offered the Gwadar port's services for facilitating trade during the Governor of Xinjiang's October 2004 visit to Pakistan.

Pakistan should continue to leverage Chinese engagement in the port so that it can act as an indispensable trade conduit for western China and to attract Chinese investment for development and joint venture projects in and around the Gwadar port. Pakistani officials should open a consulate in Xinjiang and encourage private companies to establish representative offices there to facilitate cross-border trade. While no reliable figures exist for the Gwadar port's impact on Sino-Pakistani trade, Pakistani officials and the business community continue to maintain high expectations to not only expand the volume of trade, but also to address the gross trade imbalance. Discussions are already underway to designate the Gwadar port a free trade zone, while some members of the Pakistani business community advocate the eventual designation of the Gwadar port as an export-processing zone with special incentives extended to Chinese companies. Pakistani leaders should consider granting such concessions to the Chinese business community to diversify the port's

stakeholders within China.

A survey of regional views of the Gwadar port suggests that the port's importance lies in its ability to connect vital Central Asian and Middle Eastern energy sources to world markets, to facilitate trade, and to project naval power in the Indian Ocean. The substantial economic and military potential of the port has propelled regional players to maneuver around each other by establishing trade links and engaging in development projects with other states, upgrading their own internal infrastructure, and expanding their naval capabilities. While this competition is currently in its incipient stages, it foreshadows the growing linkages amongst countries of South, Central, and East Asia and the Middle East, who are breaking out of their regional bloc molds and looking to the Indian Ocean as a critical venue of inter action. Pakistan clearly stands to benefit immensely from the successful operationalization of the port; however, the 3 May attack is a reminder that endeavors of great reward are usually fraught with risk. For Islamabad to minimize its risks and maximize its returns on the port, it needs to gain Baluchi support and to reinforce Beijing's long-term investment. By addressing Baluchi concerns, Islamabad can begin to integrate a long-alienated segment of its population into a larger Pakistani consciousness by providing them with a stake in the country's prosperity. The Gwadar port also offers Pakistan an invaluable opportunity to cash in on the Sino-Pakistan friendship and root it in even firmer ground. Ultimately, the construction of the Gwadar port acts as a litmus test for Pakistan's ability to operate on a consensual basis with the Baluchis and to convert the port from a vulnerable link to an impregnable cornerstone of the Sino-Pakistan friendship.

NOTES

1 "Beijing Lauds Best Medical Care to Injured Chinese," *The News* (Pakistan), 6 May 2004.

2 Chinese workers in Pakistan have since fallen victim to instability in other parts of Pakistan. On 9 October 2004, two Chinese engineers were kidnapped while working at the Gomal Zam Dam project in the South Waziristan Agency where a large-scale Pakistani military operation is underway against alleged al-Qaeda fighters. The kidnapping climaxed in a rescue operation that left one of the engineers dead while the mastermind, former Guantanamo Bay inmate Abdullah Meshud, remains at large. While Beijing has vowed that such incidents will not deter it from engaging in development projects, work on the dam project has been suspended and further such attacks may induce more caution and perhaps even the withdrawal of Chinese workers, all to the detriment of the relationship.

3 "Gawader," Government of Pakistan Board of Investment Report, Internet, <http://www.pakboi.gov.pk/html/Gawadar.html> (date accessed: 12 July 2004).

4 Sarfaraz Ahmed, "The Latest Hotspot: Gwadar," *Daily Times*, 5 May 2004.

5 "Navy to Build Base in Gwadar," *Daily Times*, 19 April 2004.

6 See Aysha Siddiq-Agha, "South Asia: Nuclear Navies?" *The Bulletin of Atomic Scientists* 56, no. 5 (September/October 2002).

7 "Gwadar Port Could Be Transit for China's

Crude Imports," Dow Jones, 10 May 2004.

8 The frequency with which Indian and Pakistani officials accuse each other's intelligence agencies of backing domestic individuals and groups and stirring violence diminishes the credibility of the report; however, the specific mention of the Gwadar port demonstrates that Pakistani officials view it as a project of vital importance to Pakistan's national security that needs to be shielded from Indian scrutiny. "Indian Spy Held, Claims Pakistan," *Times of India*, 2 July 2004.

9 "Indian Navy Concerned Over China's Expanding Reach," *Times of India*, 21 May 2003.

10 "India's New Naval Ambition," *DefenseNews*, 7 June 2004.

11 Ibid.

12 "New Iranian Port to Hurt Gwadar Port's Prospects," *Daily Times*, 15 September 2003.

13 "Calls for Baluchi Independence Grow," *United Press International*, 2 November 2003.

14 "Chinese, Pakistanis Back at Work in Gwadar," DAWN (Pakistan), 7 May 2004.

15 Sarfaraz Ahmed, "Interview with Major General Shaukat Sultan," *Daily Times*, 15 September 2004.

16 "Pakistan, China Trade Volume Reaches \$2.4 b," *Daily Times*, 17 November 2004.

17 "Xinjiang Seeks Balanced Investment," China Internet Information Center, 9 March 2004, Internet, <http://www.china.com.cn/market/hwc/401925.htm> (date accessed: 13 July 2004).