
Saima Butt  
*University of the Punjab, Lahore, Pakistan.*  
Rehana Saeed Hashmi  
*University of the Punjab, Lahore, Pakistan.*

**ABSTRACT**

Economic development tends to bring stability in conflict ridden areas and mostly acts as a prescription for political stability and sustainability. In this context, Balochistan is one such study which implicates that deprivation and economic backwardness have been key players in intensifying conflict within and between the federal and provincial governments. Relative economic deprivation in Balochistan has become one of the root causes of conflict in the area. This study would focuses on developmental projects introduced by President General Pervez Musharraf in 2005 to pacify the intensity of insurgency in Balochistan.

**Key Words:** Conflict Transformation, Economic Deprivation, Natural Resources, Mega Projects, Insurgency, Gwadar

**Introduction**

Conflict transformation is a recent development in conflict studies which focuses on utilizing the conflict energies in such a way that it would not only help to manage conflict on short term basis but also brings long term solution of a conflict (Lederach, n.d, Defining Conflict Transformation). Transformational theorist believed in transforming individuals, structures and relations to bring a positive change in the society (Galtung, 2000). Balochistan is blessed with abundant natural resources, especially in minerals and precious metals. However, lack of any meaningful planning on the part of successive regimes, civilian as well as military, has resulted into these deposits and resources lying unexplored even years after independence.

**General Musharraf economic development plans and its impact on balochistan**

Development projects for Balochistan, as announced by General Musharraf, soon after he took-over the country in 1999, met with stern resistance by the local nationalist groups, who termed these projects, as discriminatory and exploitative. Sardar Ataullah Mengal opposed these mega projects on the plea that these were a ploy by the federal government, who was trying to settle Punjabis in Balochistan,

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1 Gold, Silver, Uranium, Aluminum, Platinum, and Coal.
in this garb (Laif and Hamza, 2009). Akhtar Mengal once said that “Balochistan has been turned into a colony, all its resources have been usurped and the Baloch are being treated as slaves in their own land” (Jetly, 2009, p. 217). Other Baloch leaders believed that the development projects had nothing to do with the interests of the common man and were only designed to benefit the other provinces (Punjab and Sindh).

The commitment of the central government to develop Balochistan was expressed through various steps taken by the central government and by allocation of funds for different projects. There were a number of steps that had been taken by General Musharraf regime to uplift the province till 2005 (Emmad, 2005). General Musharraf allocated Rs. 135 billion in the development budget of Balochistan. He announced the construction of number of mega projects in Balochistan which included Gwadar port project, Makran Coastal Highway, Sabakzai Dam, Mirani Dam, Water supply scheme for Quetta city, a Railway line connecting Gwadar to Khandahar and a road track to connect Gwadar to Indus Highway via Rato Dero (Budhani and Mallah, 2007).

The federal government blamed that local Sardars were afraid of development in Balochistan as it would weaken their centuries old hold on Balochi. The nationalist leaders like Mengal, Marri and Bugti also rejected the claims of federal government. Due to decades of mistrust, between the federal and the provincial governments, Balochi people were reluctant to buy what General Musharraf was promising them (Laif and Hamza, 2009). Federal government allocated total amount of Rs.104, 615 Million in this connection. The total cost of Balochistan’s mega projects is given below (Budhani and Mallah, 2007).

Figure: Total Cost of Balochistan Mega Projects in 2005

<table>
<thead>
<tr>
<th>Cost in Millions</th>
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<tr>
<td><strong>Access to Justice Program (Provincial)</strong></td>
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<td><strong>National Program for Improvement of...</strong></td>
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<tr>
<td><strong>Gwadar Deep Sea Water Port Ph-I</strong></td>
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<td><strong>Gwadar-Khuzdar Highway</strong></td>
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<td><strong>Coastal Highway</strong></td>
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<td><strong>Balochistan Effluent Disposal into...</strong></td>
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<td><strong>Sabakzai Dam</strong></td>
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<td><strong>Mirani Dam</strong></td>
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<td><strong>Kachhi Canal</strong></td>
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<td><strong>Total</strong></td>
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(Budhani and Mallah, 2007).
Gwadar port, inhabitants and property issues

Gwadar is situated in the southernmost part of Balochistan. It has 600 kms long coastal line along the Arabian Sea. Its southern neighbors are Dasht Valleys and Kulanch, while Kech and Awaran districts are to its north. Lasbela is on East. Gwadar shares its Western border with Iran (jabeen, 2007). The deep-water port of Gwadar was built as an agreement between General Musharraf and the Chinese premier Zhu Rong Jhi in 2002. The total estimated cost of the project was US $ 1.16 billion. China has invested US $ 198 million in the first phase whereas Pakistan invested US $ 50 million. China also provided technical assistance for the construction of Gwadar port. Development of Gwadar Port is to be accompanied by construction of its road links with China, Afghanistan, Iran and Central Asian Republic. China is keenly interested to import oil from the Gulf States through these road links of Balochistan, utilizing Gwadar Port as the main conduit of its Imports (Jabeen, 2008).

In the annual budget of 2003-04 government of Pakistan declared Gwadar port as a “Special Economic Zone”, to encourage local and foreign investors. Government of Oman also invested US $ 100 million in various Gwadar development sub-projects. Out of US $ 100 million, US $ 7 million would be spent on the building of Gwadar airport runway, Gwadar Hospital and Gwadar power plant, Gwadar-Hoshab road and for construction of one irrigation Dam. Initially a Singapore based Port-Development Company has won the bid to run Gwadar Port for forty years started from 2007. According to certain experts, the port, when fully operational, is likely to generate revenue to the tune of 17 to 31 US billion $ during the said lease period (Anwar, 2010). Later, contract with Singapore Company was cancelled and Chinese company win the bid. The local people have however had perception that these foreign companies shall not hire them. That’s why local people of Gwadar were opposing these foreign company contracts.

From a defense and strategic viewpoint, analysts believe that Gwadar Port has the ability to serve as a ‘Default Port’ for Pakistan navy, in case India would be able to block Karachi and Bin Qasim ports, during a military clash between two countries, as it happened earlier in 1971 war, and there was another possibility of such blocked in 1999 Kargil war.

Within Gwadar, local authorities have allotted substitute land, in lieu of the land acquired for the Gwadar port project, to the local fisher-men, and other small traders associated with the local fishing industry. However, most of these displaced persons are acutely aggrieved as in many cases the allocated land is too far away from the coastal/fishing area, while in many cases the displaced persons could not get any compensation at all, as they were unable to prove the title of their acquired land. Senate report on Balochistan also addressed the issue of the rehabilitation of the local people. The total land so far allotted to the actual effectives, as compensation, is only 44,460 acres, while the rest of 241,600 acres has been allotted to different politicians, bureaucrats and ministers, against the law and without any merits. This matter was raised before the Supreme Court of
Pakistan who took immediate action against these illegal allotments of the land at the cheap price. The local authorities were not taken into confidence while deciding the future of Gwadar which accentuated the grievances of the locals. The infrastructure of the port is owned by the federal government and the province is unable to generate revenue in return of its land (Budhani and Mallah, 2007).

Gwadar port head office was established in Karachi city which was again heart burning issue for the province, who raised its voice in the national assembly and demanded the shifting of the office to Balochistan. Balochistan Committee of the Senate also examined this issue and recommended early relocation of Gwadar office from Karachi to Balochistan. Committee also suggested a 7% share of the gross revenue collected from Gwadar Port to the provincial government and further directed to settle the local fisher men near the coastal/fishing areas (Senate of Pakistan, 2005).

**Beneficiary of Gwadar port at international level**

Gwadar port would bring prosperity for the region and could serve the world at large. The unique location of the port offer Middle East, Iran, India, Russia, CARs, China, Europe, Africa and Pacific to reap the fruits of this port. It would facilitate USA to fulfill its long desire to utilize the resources of CARs. China can expand its business through the port. The long desire of Russia to approach warm waters may turn to reality. The CARs can offer their resources to the world and Afghanistan can get the transit fee from the venture. Europe can access Central Asia with much ease. India can also get benefit due to short route to the northern parts. India can reduce the cost of the products by reducing the transit cost. China realized the importance of Gwadar port and already made heavy investment on it. It’s the time for the rest of the states to realize the importance of the port and further the project (Afridi, 2010).

**Natural resources (Metals)**

**Saindak copper and precious mineral project**

Saindak town is the place where reserves of copper and gold were discovered in 1970s with the help of Chinese engineering firm. The project was named after its home town. The first contract was given to the company owned by the government of Pakistan, Saindak Metals Ltd (Baloch, 2013) (Saindak Copper-Gold, 2011). The Saindak copper project had been estimated to have 412 tons of copper reserves. The project was started in 1989 and hoped to be finished in 1996 at the cost of $23 billion. This project to explore copper and other precious minerals was signed a decade earlier with 1.5 $ billion royalty to the provincial government as a working capital. The clause of the contract with company said that the companies who explored the copper or other metals would have to open training institutions to educate the locals with the relevant education. The project was not completed on time and the revised contract was concluded with the Chinese Metrological
Construction Company (MCC) in 2002. The Chinese government got 50% profit of the project rest 50% lies with the central government and out of 50% only 2% given to the provincial government. The revised agreement also excluded the previous commitment of the government that the local youth would be employed in the project, and trained as well (Nizamani, 2007). The Balochistan package proposed the share of provincial government should be increased up to 20% and after the end of the agreement it should be handed over to the provincial government. It was also proposed that central government should share income, profit and royalty with the provincial government in copper and gold projects (Daily Times, 2010).

Copper reserves were first discovered in British era and it got attention of the government of Pakistan in 1970. The project was one of the most ill-defined, as it lacked planning. The project was started for more than two decades and still it has not been completed. The reasons for the delay are changing government policies, non-serious attitude of the companies who were associated with it. In this context, the main issue is investment. The mining of copper and then its refining takes lots of money. Pakistani government tried to arrange funds for the project and conducted meetings with the National Bank of Pakistan and other international or regional banks (Zahid, 1999).

Nawaz Sharif the ex-Prime Minister of Pakistan visited the Saindak site in 1997 along with the Finance Minister, Governor and Chief Minister of Balochistan. He was briefed about the development of the project. The Managing Director of the project Muhammad Yaqub Bezenjo updated the Prime Minister that only Rs 15000 million was required to restart the project. Prime minister showed his concerns over the delays and directed the finance minister to take immediate steps to restart the projects. The finance minister started negotiating with ABN Amro and the Bank of America; they were ready to finance the project.

In the year 1998 Pakistan conducted her first nuclear test and sanctions were imposed on it. Resultantly, the project remained incomplete as the banks refused to give loans. General Musharraf took over the government in 1999 and in his term the project leased to the Chinese company for ten years. The Chinese company also ready to build refinery for the refining of copper. The copper is previously sent to China or Iran for refining which added to its cost (Rizvi, 1999). The lease year to Chinese company ended in 2010, the contract was renewed for more two years with the company.

Reko diq copper gold project

A large discovery of copper and gold reserves had been made in Reko Diq a district of Chagai. The estimated cost of Reko Diq reserves were about 3 trillion dollars. Riko Diq was the part of same geological belt i-e discovered in Afghanistan and estimated of worth one trillion (Baloch Media, 2011). Riko Diq project was licensed to the Australian Company by the Balochistan government, Australian Tethyan Copper Company (TCC) in General Musharraf era. The terms
of project were that 75 percent of the share goes to the TCC and rest 25 percent share to the provincial government. The provincial government terminated the contract with the company on the grounds that TCC violated the terms of the agreement. The cancelation of the project went against the international law who gave preference of mining to the exploring firms. The stance of provincial government was invalid in this context. Samia Shah, Public Relation Manager of TCC said that company already spent $100 for research and feasibility report in Reko Diq. TCC also provided education, health and technical facilities to the local people and conducted social work for flood victims, spent $1.5 million in this connection. The feasibility report was almost complete and TCC was responsible for the development which took in the year 2006. The cancelation of the project left bad image on investors who were looking for save places for their investment. Pakistani scientist Samar Mubarak was consulted by the provincial mining department, asking that why Government of Pakistan could not refine copper herself if they had technology to refine Uranium (Haider, 2010).

**Water supply projects and related development**

**Mirani and sabakzai dam**

Mirani Dam was constructed in Kech district which was in the north of Gwadar. The dam was built for the irrigation purpose on Dasht River. Dasht River obtained water from Nihang River and from flood water, supplied water to Kech area for irrigation. The Dam was designed to irrigate the 33,200 acres’ land of Dasht plane territory. The local people fulfill their water needs by building “bunds” on the river which diverts the flow of water to their lands. The locals were afraid that the dam converts the flow of Dasht River. This project was non-commercial in nature and built for agriculture purpose. It is believed that the dam would meet the future water needs of Gwadar city (Budhani and Mallah, 2007). The project was completed but in the flood of 2007 the part of Mirani dam was also demolished. General Musharraf inaugurated the dam in 2006. He hoped that the dam would bring good fortune to the agriculture sector of the area. The Baloch nationalists rejected the claim and said that it was built to fulfill the future water needs of the Gwadar city. The opposition leaders from the parliament raised voice about the destruction of the dam and asked to hold inquiry over the issue. The demolition of dam became a cause of flood in the Turbat, Kharan, Naseerabad and other southern districts. The minister of water and power supply said to reconstruct the dam but refused to took responsibility of the breach of the dam or to pay damages to the effected (ICG, 2007).

Sabakzai Dam was inaugurated by ex-President General Musharraf and its estimated cost was Rs 1.58 billion. It was constructed in Zhob district. Dam was designed to fulfill the agriculture needs of Balochistan and had capacity to store the flood water. The dam would also support the drinking water needs of 15000 people. The dam would boost the fishery and agriculture activity in the nearby areas. The dam construction would allow economic activities and would create job
opportunities for the people. The project delayed and now the cost of the project rose to almost double than the original one. Officials of WAPDA said that the dam would be completed by the end of July 2012, work still in progress. (WAPDA, 2007).

**Kachhi canal project**

Kachhi canal was an agriculture based project, its estimated cost was Rs 31 billion and had capacity to supply water to 0.7 million acres of barren land of Balochistan. The total length of the project was 500 Kilometer. The canal provided 6000 cusecs water under the Indus River System Treaty. The canal was inaugurated by ex-President General Musharraf in 2002; it was named after the Kachhi area which is the major recipient of water from the canal. The canal irrigated four districts Dera Bugti, Naseerabad, Bolan and Jhal Magsi of Balochistan. The province would receive 2.02 MAF water according to the 1991 Water Accord. The canal enters in Balochistan through Dera Bugti. The Rs1.69 billion would be spent as compensation of land to the land owners. The project was huge one and involved five contractors. Agriculture sector of Balochistan had 50 percent share in Balochistan economy and approximately 68 percent of the population was associated with agriculture. The project is still under the process of completion (Agri-community, 2007).

There are number of reservation attached with the project. The total length of the project is 500 Km out of which 300 Km passes through Punjab. This length increased the overall cost of the project. The alternative route of the canal was Pat Feeder Canal which was hardly few Kilometer away from Kachhi canal route. Feeder canal was taking water from Guddu Barrage on the Indus River and 20 Km away from Sui. In the original plan Kachhi canal takes water from the Taunsa Barrage on Indus River which is almost 300 Km from Sui. The large route was deliberately adopted to facilitate the barren land of Punjab. The project raise question that whether it is for the benefit of Balochistan or to make happy the land lords or the industrial owners (Budhani and Mallah, 2007).

**Gas consumption and associated concerns**

Natural gas reserves were discovered for the first time in Pakistan near ‘Sui’ (Balochistan) in 1953. Even today, Balochistan caters for 36 percent of Pakistan’s total gas production. Pakistan meets bulk of its energy needs by consuming natural gas, out of which 48 percent is consumed by the power producers of Pakistan. This percentage is much higher when compared with countries like India (3 percent), China (2.5 percent) and USA (23.8per cent). The reason for such high consumption rate is the abnormally low tariff for the domestic and the industrial sectors, as compared to the other neighboring states. Between the years 2002-2007, Pakistan’s GDP increased up to 6.3 percent, causing a commensurate hike in
gas consumption (Hasan, 2011), due to increased demand by the industrial and power sectors.

According to recent geological surveys, Balochistan still has ample untapped gas reserves, which speaks of our collective failure as nation. It is also ironical that natural gas, discovered in 1953, was made available to the house-holds of Balochistan, as late as in 1986, and that too, only when Army decided to establish more garrisons in the province. The immediate home of gas, i.e. Dera Bugti and Piroch received gas in 1990s. Even today, only 2 out 30 districts of Balochistan received gas supply, while the remaining districts languish in misery, made to face the brunt of the extreme weather conditions of the area. Article 158* of the Constitution of Pakistan, proclaims that the province owning a natural reserve would have the first right to its use. Needless to say, however, that in the case of Balochistan, this article of the constitution has been blatantly violated by the federation itself. In this way the federal government is itself responsible for fueling the emotions of deprivation, dismay, anger and frustration in the province. Even today, Balochistan consumes a mere 17 percent of the total gas produced by it (Synnott, 2009).

Balochistan received only Rs 5.9 billion on account of gas royalty while Sindh got Rs 19 billion, in the financial year 2004-2005. There was a difference between the oil and gas royalty received by Balochistan and other provinces (Minhas, 2005). The issue is the price which federal government pays when it purchases gas from different provinces. The difference of well-head price between Punjab and Balochistan is 12.5%. Whereas more gas is utilized in fertilizer companies according to the statistics of 2002-03 (Nizamani, 2007).

**Figure: Electricity consumption in the year 2004**

<table>
<thead>
<tr>
<th>Province</th>
<th>Electricity Consumption 2004</th>
</tr>
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<tbody>
<tr>
<td>Punjab</td>
<td>62%</td>
</tr>
<tr>
<td>Sindh</td>
<td>20%</td>
</tr>
<tr>
<td>Khyber Pakhtnkhwa</td>
<td>12%</td>
</tr>
<tr>
<td>Balochistan</td>
<td>6%</td>
</tr>
</tbody>
</table>

(Nizamani, 2007).

* Article 158 of Pakistani constitution said “The province in which a well head of natural gas is situated shall have precedence over other parts of Pakistan in meeting the requirements from that well head”.  

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The Senate committee on Balochistan presented a formula to overcome the grievances of Balochistan in the following terms:

- The provincial government should pay 15% of the revenue, received from federal government, to the area or district where gas is extracted from.
- The Executive Boards of the gas distribution companies would be enlarged and representation of the local people in Pakistan Petroleum Limited (PPL) and Oil and Gas Development Company Limited (OGDCL) was proposed, subject to, fulfillment of the legal criteria.
- 5% of the profit of the gas companies should be spent on social sector (education, health) of the local areas. Ministry of petroleum and natural resources was asked to include a clause to the above effect, in the contracts made by it with the gas companies.
- Gas companies should supply gas to the areas from where it is extracted on top priority basis. Concessional connections should be made available for the poor people.
- Committee would work out the new formula of gas royalty in terms of the NFC award.
- The central government should pay debit (in terms of gas payments) to the provincial government by 2005.
- Gas companies should be bound to follow the agreement signed by them (Senate of Pakistan, 2005).

**Reservations of local people**

The Baloch people had reservations in many developmental projects as they had no role in these projects.

- There were total 1200 workers in Saindak Copper-Gold project and only 16 percent were from the local population.
- Gwadar is the mega project of Balochistan but the authorities had not established any marine educational institution in the area to raise capacity of the local people to serve in the projects.
- Balochistan enjoys the long coastal line but their quota in Marine Academy is just 3 percent.
- At the Sui gas plant less than 1% of higher jobs were allocated to the local people and 5-6 percent skilled and unskilled jobs are owned by the local people.
- The local people are rarely positioned in the Coast Guards.
- There is no technical training institute for the people in the area.
- The projects will be beneficial for the local if they are trained in this connection. If man power will be imported from outside the province, then the development is just superficial and will generate the feeling of relative deprivation among the local. (Nizamani, 2007).
Establishment of National finance commission commonly known as NFC was mentioned in the 1973 constitution of Pakistan. Constitution bound the President of Pakistan to call NFC commission after regular intervals of four years. Federation of Pakistan is responsible of the collection of revenue and then to distribute it among provinces. The main feature of federation is to look after the interests of its units whether small or big. Units like to become part of federation to overcome their weaknesses with the help of the federal government. NFC award is the mutual agreement among provinces. The awards are distributed among provinces according to the settled formula. The base of formula in Pakistani federation is population. According to the population funds are allotted to the provinces. Population remained criteria of award distribution till NFC 2009. Punjab is the province which is densely populated so it always had huge share in NFC awards. All three provinces criticized the loin’s share of Punjab. The voice against this population base formula raised by small provinces i-e Balochistan, they demanded to change the formula according to the development and revenue generation bases (Fasihuddin, 2010).

Sixth NFC awards

The sixth NFC award had been held under General Pervez Musharraf in the year 2000. The finance minister Shaukat Aziz held eleven meetings with the members to arrive at a consensus but the meetings were failed in achieving the consent of the provinces. The demand of the province to have equal share in divisible pool and the criteria of distribution of the awards were the main issues in front of the commission. The commission remained unsuccessful in reaching the solution so the fifth award formula was continued in sixth award.

Seventh NFC Awards

Seventh NFC award were held in 2005 and they met the same fate as that was in the sixth one. This time provincial Chief Ministers and Finance Ministers authorized the president to decide the “Just Award” under the article 160(6)* of the constitution. The president decided the award which became effective from the year of 2006. The provincial share in the award is given below

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**“At any time before an order under clause (4) is made, the President may, by Order, make such amendments or modifications in the law relating to the distribution of revenues between the federal Government and the Provincial Government as he may deem necessary or expedient.”**
These are the regular shares transferred to the provinces under the seventh NFC award. Federal government had the authority to announce special grants* to the provinces. Federal government allotted grants of 3.9% and 4.8% respectively to the KP and Balochistan in the years 2005. Punjab and Sindh were not awarded with any grant in the year 2005. All four provinces were allotted with the grants in the financial year 2006, ratio was 9.16 and 9.71 to Balochistan and KP, 5.83 and 3.05 to Sindh and Punjab. 27.75 were the total grant which was distributed among province (Ahmad, Mustafa and Khalid, 2007).

The NFC criteria of population which had been a bone of contention for long finally changed under the 2009 NFC awards. According to the award the criteria of distribution were 82% population density, 10.3% poverty or backwardness, 5% revenue collection or generation and 2.7% for inverse population density. The long standing demands of small provinces were finally heard in the 2009 NFC award.

**Conclusion**

The Federal government during this era introduced number of developmental projects during ex-President General Musharraf era. These projects covered social, agriculture and industrial sectors. The positive impact of these projects on the Baloch society is however yet to be seen. These projects were not owned by the people. Gwadar port project removed a number of local people from their houses and government was unable to pay full compensation to the local people. They

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*The President may, by Order, make grants-in-aid of the revenue of the provinces in need of assistance and such grants shall be charged upon the Federal Consolidated Fund.*
were linked with fishing industry and allotted houses are away from coast line which would not compensate them. The Saindak and Reko Diq projects were unable to provide job to the local people. Local people were conscious about the building of Dams and Kachhi canal. They perceived these projects as to change their water course and benefit to other province (Punjab) or to supply water to Gwadar city. There were number of reservations like recruitment of the local in the projects, the direct benefit of the projects to the locals. Ex-President General Musharraf has made large investments in different projects but these projects must be beneficial to the masses of the province. Trust building between federal and provincial actors is the much needed phenomenon on of present time. All developmental efforts on part of federal government would be in vain if local stakeholders do not have trust over federal government and its projects. On part of federal government, it is must that it takes all local stakeholders, elites and politicians on board to resolve conflict. Conflict energies are not tapped in a constructive way that why Balochistan conflict became complex as central government failed to win their trust. Whole efforts to transform the ongoing conflict in Balochistan failed badly as central government is not taking all stakeholders on single board.

References


Biographical Note

Ms. Saima Butt is Ph.D. Scholar at Department of Political Science, University of the Punjab, Lahore, Pakistan.
Dr. Rehana Saeed Hashmi is Associate Professor at Department of Political Science, University of the Punjab, Lahore, Pakistan.