
Review of China's Role in Development of Gwadar Port

Ahmad Ejaz

UnsaJamshed

Pakistan-China strategic relations have been strengthened more since China has become the primary investor for building the Gwadar deep sea port. Chinese initiative to develop Gwadar port is good indicator of the steady expansion of Chinese maritime interest and strategic influence in South Asian region as well as Central Asia Persian Gulf and West Asia as port would connect these regions.

Gwadar Port endures excessive strategic and economic significance for Pakistan and China as well. After Karachi and Qasim, it is the third most important deep-sea port of Pakistan. It is situated at the junction of international sea shipping and oil trade routes.

The port offers China with a influential strategic base in the Arabian Sea and also the Indian Ocean. This could have regional effects in the long run. The Port will help Pakistan monitor the sea lines of communications (SLOCs) originating from the Persian Gulf and the Strait of Hormuz. It will provide strategic leverage to Pakistan vis-à-vis India, as the port is far from Indian reach as compared to the other two Pakistani ports.

Introduction

Two major operational ports in Karachi and Bin Qasim were not properly meeting the requirements of shipment on regional level. After collapse of the Soviet Union, the central Asian region comprised of landlocked states also had acute need to have some access to port for trade. In 1992, the Ministry of Communication of Pakistan came up with an advertisement in the newspapers calling for 'expression of interest' in the Gwadar 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 in 1993. After that Omani government also showed interest in the port to start

some project there. Commerce Minister of Pakistan Chaudhri Ahmad Mukhtar visited Oman to discuss the project. But deal with Omani government could not be matured because the opposition parties in Baluchistan Assembly and National Assembly alleged that the Gwadar would be under the US control as Oman had cordial relations with US. Finally Oman government lost its interest in the port.¹ An international Consortium of Port Consultants, M/S PosfordDuvivier 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 complete in two phases.² But no progress was made.

China's Interests

General Pervez Musharraf took the construction of Gwadar port seriously. In May 2000, in the 11th session of Pak-China Joint Economic Commission, China had showed its interest in the construction of Gwadar port.³ When Chinese Primer Zhu Rongji visited Pakistan in May 2001 General Musharraf discussed with him the construction of Gwadar port.⁴ Communication Minister of Pakistan Javed Ashraf Kazi explained to him the strategic importance of the port.⁵ The construction of the port was expected not only to attract the trade and industry but also to open the door for tourism there and create more jobs in Baluchistan leading to the alleviation of poverty in the province.⁶ Zhu Rongji expressed his willingness to provide financial and technical assistance for the development of port.⁷ Later on Chinese Communication Minister Huang Zhendong visited Pakistan in June. He met Musharraf and discussed with him some details of the construction of port. The Chinese delegation also visited the site of port. Huang told Pakistani officials that China was willing to extend all possible support based on the recommendations of experts.⁸ Chinese experts rejected the initial design of Gwadar port that was made by a British firm.⁹ According to Chinese experts it lacked the planning to accommodate long term requirements. Following the experts' recommendations, 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 Gwadar with rest of the Pakistan as well as with other countries such as Afghanistan, Central Asian States and Iran.¹⁰ Consequently the Chinese government announced \$198 million financial assistance for construction of the phase-I of the port.¹¹ Rest of the money was to come from the government of Pakistan, as the total cost of the project was \$ 248 million.¹² 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.¹³

Pakistan Minister of Finance and Economic Affairs Shaukat Aziz visited China in August 2007 to negotiate the terms of credit for the project. He also signed three agreements relating to the construction of port. These agreements were,

- Pakistan-China Agreement on Financing the Construction of phase one of Gwadar Port Project.¹⁴
- Pakistan-China Protocol on Implementation of the Gwadar Port Project Phase-I¹⁵
- Pakistan-China Framework Agreement for Provision of Concessional Loan to Pakistan¹⁶

The terms and conditions of this agreement was, included the loan will be for 20 years at the annual interest rate of 2 percent.¹⁷

There were speculations that due to Pakistan's decision to support the United States in war against terror, China would stop the construction of port. But Islamabad and Beijing both denied these rumors. In March 2002, a high level delegation led by Pakistan's Secretary, Communication Iftikhar Rashid visited China to finalize the technical details of the project.¹⁸ After detailed negotiations with the Chinese officials, an agreement was reached on 15 March, regarding the technical details of construction of the phase-I of port.¹⁹ 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.²⁰ The construction work was taken by Chinese Harbour Engineering Group.²¹ This company had a vast experience as it had completed many international projects like airports, highways and bridges.²²

Chinese vice Prime Minister Wu Bangguo visited Pakistan with a delegation of high officials from 21 to 24 March to attend the ground breaking ceremony of Gwadar. Gwadar port was inaugurated by President Pervez Musharraf with Wu Bangguo on 23 March.²³ Both side leaders vowed that port would serve as symbol of Pak-China friendship in 21st century.²⁴

Terrorism also not avoided the construction workers as it happened in May 2004. Eleven Chinese engineers working on Gwadar port was attacked by a group of terrorists.²⁵ Three engineers lost their life on the spot while other were injured. Government of Pakistan and China condemned this attack. The unfortunate incident could not interrupt determination. In 2004, MoU was signed between Pakistan and China to expand the Gwadar 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. The cost of the project was raised to 40 million dollars.²⁶

When in 2005, Chinese Premier Wen Jiabao visited Pakistan he did not inaugurate the Gwadar 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.²⁷ However according to the 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.²⁸ Wen Jiabao in a statement said that the project was very important for both States.²⁹ Privatization and Investment Minister Dr. Abdul Hadeez 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.³⁰ The agreement for the additional dredge work was concluded in Beijing on August 10, 2005.³¹

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.³² He said that Pakistan was ready to cooperate with China in the construction of oil pipeline from Gwadar to Xinjiang, enabling China to import oil from Saudi Arabia, Iran and Africa.³³ 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.³⁴ President Musharraf also met with members of All-China Federation of Commerce and Industry in Shanghai. He assured the Chinese businessmen that they would be given privileges in setting up industries in the Economic Free Trade Zone (EFTZ) near Gwadar. Government of Pakistan had announced that the industries established in EFTZ would be exempted from paying custom duty and sales tax.³⁵ 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.³⁶ 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.³⁷ Shaukat Aziz invited China to invest in oil refineries, storages and pipelines to develop Gwadar as an 'energy and transshipment port'.³⁸ Addressing to the 9th Summit of the Economic Corporation Organization in Baku, capital of Azerbaijan on May 5, he expressed his high expectations from the Gwadar port due to its geo-strategic location.³⁹ He hoped that the completion of the port would boost up the economic activity in the whole region.⁴⁰ It was added that the Government of Pakistan had selected the site for proposed oil city, in an area of 22,000 acres of land near the Gwadar.⁴¹ It was to be the biggest refinery of Pakistan with a capacity to refine 60,000 barrels of oil per day.⁴² President Hu Jintao agreed to develop Pakistan as an

energy corridor through the Gwadar port.⁴³ China planned to invest \$ 12 billion in multiple projects in Pakistan and one of them was the oil refinery at Gwadar.⁴⁴

On the completion of the Phase-I of the port, China handed over to Pakistan the completion document of Gwadar port.⁴⁵ Gwadar port was inaugurated in March 2007.⁴⁶ Phase-I of the port was handed over to the World's best Port Operators-Port of Singapore Authority (PSA) for forty years. In beginning, due to the unrest in Baluchistan 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.⁴⁷

The Gwadar development plan was further extended as in February 2007, Islamabad approved the construction of an airport at Gwadar. About 6500 acres of land was provided for the purpose.⁴⁸ The estimated cost of the project was \$ 70 million.⁴⁹ A MoU in this regard was signed between Pakistan Civil Aviation Authority and China Harbour Engineering Corporation.⁵⁰ 750 million rupees were allocated in federal budget 2008-09 for the construction of the airport.⁵¹ 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.⁵²

China –Pakistan Economic Corridor is also further extension of the Gwadar port connecting it with western China via land rout.⁵³

The USA, India and Iran had reservations about the Chinese help in the construction of port.⁵⁴ Susanne Koelbl, an analyst wrote on the German Web Portal 'Spiegel Online' that India and America viewed presence of China in Gwadar as threat to their interest in the region.⁵⁵ There were reports that China was developing the Gwadar port for stationing Chinese warships in future. The reports also disclosed the views of Indian analysts who were in view that the construction of Gwadar would give a chance to China to set a well-equipped stage on Indian Western border.⁵⁶ It was believed that Gwadar would give China a Naval access of Arabian Sea to keep an eye on American ships and signals and Indian Navy.⁵⁷ Americans were also of the views that China try to seek the bases all along the oil routs.⁵⁸ This port was also the part of Chinese assistance to Pakistan in defence build-up to boost up its Naval and air power.⁵⁹ During the time of crises it could move its Naval assets to counter the Indian Naval and air threats.⁶⁰ 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."⁶¹

Both Pakistan and China denied these reports.⁶² Chinese presence in Gwadar and Myanmar was more related to energy concerns than any challenge or threat to India.⁶³ As China was the largest consumer of oil after the America.⁶⁴

Concluding Remarks

The development of Gwadar port is a multidimensional project. It is deemed very valuable for Pakistan, China and landlocked Central Asia. Its importance and vitality can vary from economic, strategic, and diplomatic gains. Gwadar port is expected to play a role as a game changer in South Asia, Persian Gulf and Central Asia. Situating at the western line of Baluchistan's coastline, Gwadar has larger capacities to function as a global trading hub. Gwadar's significance for China is very notable. China can get huge benefits from Gwadar port which through CPEC is connected with the Xinjing, the least developed province of China, establishing a road link. Gwadar port is also, locating in Arabian Sea, near the entrance of the Persian Gulf, a gate to the Strait of Hurmoz. It has enormous economic potentials for China that can provide direct route to China through road. Shanghai's port is around 10000km away from the Strait of Hormuz, while Gwadar and Kashgar has distance of only about 2800km. Gwadar -Kashgar route is also safe for Chinese cargo ships moving through the sea-lines in Malacca Strait which US can block any time. Thus the trade route from Gwadar to Kashgar is more safe and economical for China. This is irrefutable reason that motivated China to support Pakistan to build and develop the Gwadar port.

Notes and References

1 Sultan Ahmed, "Gwadar_A Port with Great Promise," Dawn, March 22, 2002

Ghazanfar Mehdi, "Ground-Breaking of Gwadar Port a Landmark in Pak-China Cooperation," The Nation, March 23, 2002

3 Foreign Office Year Book, 2000, Ministry of Foreign Affairs, Government of Pakistan

4 Nawa-i-Waqt, May 14, 2001

5 The News, August 10, 2001

6 Dawn, March 22, 2002

Daily Jang, August 8, 2001

7 Dawn, May 13, 2001

8 The Nation, June 14, 2001

9 Nawa-i-Waqt, August 6, 2001

10 Absar Alam, "China to Extend & 400m Soft-term Credit," The Nation, August 5, 2001

11 Foreign Office Year Book 2001, Ministry of Foreign Affairs, Government of Pakistan

12 India, China to form Alliance, <<http://www.detnews.com/2005/business/0504/12/co3-147484.htm>> IPRI Factfile, Sino-Indian Relations (2004-2005), VII, 10, Oct : 2005

13 The Nation, March 27, 2003

14 Under this agreement China agreed to help Pakistan in the construction of Phase-I of the project, which included three multiple purpose berths accommodating 50,000 DWT cargo vessels. The main scope of the work included search work, marine construction, civil, public works and supplying of port cargo handling equipment etc. Both sides also agreed for an addition fund of RMB 150 million to be utilized for the project.

Pakistan-China Agreement on Financing Arrangements for Construction of the Gwadar Port Project Phase-I, Ibid

15 Pakistan-China Protocol on Implementation of the Gwadar Port Project Phase-I, between the Government of Pakistan and the Government of People's republic of China, Beijing, 10 August 2001, Foreign Affairs Pakistan, XXXV, I, Jan: 2008

16 Pakistan-China Framework Agreement for Provision of Concessional Loan to Pakistan, between the Government of Pakistan and the Government of People's republic of China, Beijing, 10 August 2001, Foreign Affairs Pakistan, XXXV, I, Jan: 2008

17 Framework Agreement between the Government of Pakistan and the Government of Peoples Republic of China to Pakistan, on Provision of Concessional Loan by China to Pakistan, Beijing, 10 August 2001, Foreign Affairs Pakistan, XXVIII, 7,8, July-Aug: 2008

Lu Shulin said, "October 01 is the Chinese National day and there is a week-long mid-autumn Chinese festival. The festival is a sort of yearly family reunion when members of a family get together. The Chinese workers were absent because of this reason." The Nation, March 14, 2002

19The Nation, March 16, 2002

Text of the Handing over Certificate Regarding China-Aided Gwadar Port Phase-I in Pakistan: Islamabad; 24 November 2006, Foreign Affairs Pakistan, November 2006

20The Nation, March 16, 2002

21MisbahMomin, "Unveiling the Rugged Terrain,"The News, May 23, 2002

22 Sultan Ahmed, Ibid

23Dawn, March 22, 2002

24The Nation, March 22, 2002

The Nation, March 25, 2002

25 A Report on "A Terrorists Attack Killing three Chinese Engineers in Gwadar: Islamabad 4 May 2004," taken from Foreign Affairs Pakistan, XXXI, V, 1-25 May 2004

26BahzadAlam Khan, "China Pakistan Sign 7 Accords in Vital Sectors," Dawn, December 16, 2004

The Nation, December 17, 2004Daily Jang, December 17, 2004,

SalimBokhari, "Beijing Promises Extensive Investment," The News, December 16, 2004

27KhaleeqKiani, "Pakistan, China to Sign 10 Accords," Dawn, April 2, 2005

28Nawa-i-Waqt, July 5, 2005

29Daily Times, April 4, 2005

30 “We are happy to see the smooth completion of Phase-I of the project, thanks to the concerted efforts of both sides. I believe that the port will play a key role in promoting social and economic progress in the region and provide new opportunities for China-Pakistan trade and commerce.” Dawn, April 5, 2005

The Nation, April 13, 2005

31Contrat Agreement Between China and Pakistan for Additional Dredging Works of Gwadar Deep Water Port, Phase-I: Beijing; 10 August 2005, Pakistan Treaty Series 2004-2005, XI, Ministry of Foreign Affairs, Government of Pakistan

32The News, March 9, 2006

ZiadHaider, “Challenges Ahead in Sino-Pakistan Ties,” Dawn, March 11, 2006

33“55 Years of Pak-China relations” An Article by Syed Ali Nawaz Gilani, Secretary-General, Pak-China Friendship Association NWFP, As Appeared in Daily ‘The Nation’ on 24 May 2006, Foreign Affairs Pakistan, XXXIII, V, May: 2006

Syed Fazl-e-Haider, “Local Market China’s Growing Stake in Pakistan,” Economy in Focus, Daily Times, December 11-17, 2006

Daily Times, February 23, 2006

34 Excerpts from an Address by Prime Minister Shukat Aziz to a Seminar on “55 Years of Pak-China Relation”, Organized by the Institute of Strategic Studies, Islamabad on 23 May 2006, Foreign Affairs Pakistan, XXXIII, V, May: 2006

Syed AM Nawaz Gilani, “55 Years of Pak-China Relation,”The Post, May 27, 2006

35‘Energy Corridor Could became an Economic Bonanza for Pakistan’ A Write-up by Kaleem Omar, As Appeared in Daily ‘The News’ on 19 June 2006, Foreign Affairs Pakistan, XXXIII, VI, June : 2006

36 Excerpts from An Address by President General Pervez Musharraf to the Delegates of Pak-China Energy Forum: Islamabad; 27 April 2006, Foreign Affairs Pakistan, XXXIII, IV, April : 2006

37The Nation, April 6, 2006

38Dawn, April 26, 2006

39“Gwadar’s Scope as a Free Trade Zone in ECO Region” A Write up by Syed Fazl-e-Haider, As Appeared inDaily‘The News’ on 15 May 2006, Foreign Affairs Pakistan, XXXIII, V, May: 2006

40 Excerpts from a Press Conference by the Prime Minister on return from a Nine-day tour of South East Asian Countries and China: Islamabad: 29 April 2004, Foreign Affairs Pakistan, XXXIV, XII, 11-31 DEC 2007

41 The Nation, November 17, 2006

42 Dawn, March 7, 2006

43 Dawn, June 17, 2006

44 The Nation, March 9, 2006

45 Text of the Handing Over Certificate Regarding China-Aided Gwadar Port Phase-I in Pakistan: Islamabad; 24 November 2006, Foreign Affairs Pakistan, Nov: 2006

“China, A Factor of Global Stability” An Article by Former Foreign Secretary Shamshad Ahmad, As Appeared in Daily ‘The Nation’ on 18 November 2006, Foreign Affairs Pakistan, XXXIII, II, Feb:2006

46 The Nation, April 26, 2007

47 Address by President General Pervez Musharraf to the Opening Ceremony of JF-17 Thunder: Kamra; 21 March 2007, Foreign Affairs Pakistan, XXXIV, III, Mar: 2007

Syed Ali Zafar, China, India and Pakistan?, The Nation, August 11, 2008

Babar Ayaz, What's Wrong with Pakistan, (India: Hay House, 2013)

48 ‘Non-Functional Gwadar Port,’ An Analysis by Syed Fazl-e-Haider, As Appeared in Daily ‘Dawn’ on 11 July 2008, Foreign Affairs Pakistan, XXXV, VII, July : 2008

49 Syed Fazl-e-Haider, “Moves Towards Trade Corridors,” Dawn, September 24, 2007

50 “Spellbinding Visit to China,” An Article by Fazal Hakeem, As Appeared in Daily ‘Pakistan Observer’ on 7 May 2007, Foreign Affairs Pakistan, XXXIV, V, May : 2007

“Gwadar : An Emerging Gateway to Central Asia,” A Write-up by Kaleem Omar, As Appeared in Daily ‘The News’ on 22 April 2007, Foreign Affairs Pakistan, XXXIV, V, May : 2007

51 ‘Non-Functional Gwadar Port,’ An Analysis by Syed Fazl-e-Haider, Ibid

52 ‘Gwadar: An Emerging Gateway to Central Asia’, A Write-up by Kaleem Omar, As Appeared in Daily ‘The News’ on 22 April 2007, Foreign Affairs Pakistan, XXXIV, V, May: 2007

53 https://wikipedia.org/wiki/China-Pakistan_Economic_Corridor accessed on November 26, 2015

54 Daily Jang, September 29, 2001

55 Daily Times, May 11, 2006

56 Amir Mateen, "China Eyeing Persian Gulf through Gwadar," The News, June 1, 2001

57 Rajshree Jetly, ed., *Pakistan in Regional and Global Politics*, (London: Routledge Taylor & Francis Group, 2009)

58 Musarrat Jabeen, "China and Economic Development in South Asia : A Case Study of Balochistan," *South Asian Studies*, 23, 2, July 2008

59 The Sentinel, Dec 16-31, 2002

60 Musarrat Jabeen, *Ibid*

61 Amir Mateen, *Ibid*

62 *Ibid*

63 Siadharth Varadarjan, "Fuel Enough for Dragon and Elephant," *The Hindu*, April 14, 2005, <http://www.hindu.com/2005/04/14/stories/200504140125100.htm>
IPRI Factfile, VII, 10, Oct 2005, Islamabad Policy Research Institute

64 <http://www.fmprc.gov.cn/eng/wjb/22jg/tyfls/tyfl/t1q5496.htm> China-Pakistan Relations: A Profile of Friendship, IPRI Journal, VII, 3, March 2005, Islamabad Policy Research Institute