



South Asia

Mar 4, 2005



China's pearl in Pakistan's waters

By Sudha Ramachandran

BANGALORE - When Chinese Premier Wen Jiabao visits Pakistan this month to inaugurate the Gwadar deepsea port, China will take a giant leap forward in gaining a strategic foothold in the Persian Gulf region. It will advance what a recent Pentagon report describes as Beijing's "string of pearls" strategy that aims to project Chinese power overseas and protect China's energy security at home.

Gwadar is a fishing village on the Arabian Sea coast in the Pakistani province of Balochistan. Balochistan shares borders with Afghanistan and Iran to the west - Gwadar is just 72 kilometers from the Iranian border. More important is Gwadar's proximity to the Persian Gulf. It is situated near the mouth of this strategic body of water, and about 400km from the Strait of Hormuz, a major conduit for global oil supplies.

Pakistan identified Gwadar as a port site in 1964. However, it was only in 2001 that significant steps toward making the proposal a reality were taken, when China agreed to participate in the construction and development of the deepsea port. The arrival of the United States in late 2001 in Afghanistan - at China's doorstep - nudged Beijing to step up its involvement in the Gwadar project. In March 2002, Chinese vice premier Wu Bangguo laid the foundation for Gwadar port.

China's involvement in the Gwadar project is immense. The total cost of the project is estimated at US\$1.16 billion, of which China has contributed about \$198 million for the first phase - almost four times the amount Pakistan has forked out for this phase - which includes construction of three multi-purpose ship berths. China has invested another \$200 million toward building a highway connecting Gwadar port with Pakistan's largest city, Karachi, which is also a port on the Arabian Sea.

The second phase, which envisages nine more berths, an approach channel and storage terminals, will also be financed by China. In addition to its financial contribution, China has sent about 450 engineers and provided technical expertise for the project.

In recent years, bilateral trade has steadily increased between China and Pakistan, with a 35% rise to \$2.4 billion in 2004, half the trade volume registered between China and India. The balance of trade remains overwhelmingly in China's favor, whose exports amounted to \$1.8 billion compared with Pakistan's \$575 million. Both Pakistan and China have highlighted the immense economic returns that development of the Gwadar port holds out for the two countries, as well as others in the region.



For Pakistan, the economic returns from Gwadar port stem from its location near the Strait of Hormuz, through which 40% of the world's oil passes. Gwadar could emerge as a key shipping point, bringing Pakistan much-needed income, and when combined with the surrounding areas could become a trade hub, once road and rail links connect it to the rest of Pakistan, Afghanistan and Central Asia.

A road from Gwadar to Saindak, said to be the shortest route between Central Asia and the sea, is under construction. Gwadar would provide landlocked Afghanistan and the Central Asian republics with access to the sea. Goods and oil and gas reserves from these countries could be shipped to global markets through Gwadar port. Pakistan's business community seems to be in favor of Gwadar port being designated a free trade zone and an export-processing zone.

The development of Gwadar could bring economic gains to backward Balochistan province as well. The infrastructural development of the province could make it an attractive investment destination. Meanwhile, land prices around Gwadar are said to be shooting up.

China's gains

Zia Haider, an analyst at the Washington-based Stimson Center, writes that Gwadar provides China "a transit terminal for crude-oil imports from Iran and Africa to China's Xinjiang region". The network of rail and road links connecting Pakistan with Afghanistan and Central Asian republics that is envisaged as part of the Gwadar project and to which China will have access would provide Beijing an opening into Central Asian markets and energy sources, in the process stimulating the economic development of China's backward Xinjiang region.

But it is the strategic significance of Gwadar port that is perhaps more important for Pakistan and China - and a number of other countries as well. For Pakistan, Gwadar's distance from India is important. The value of this distance becomes evident if one considers how vulnerable Karachi port, which handled 90% of Pakistan's sea-borne trade in 2001, is to Indian pressure.

During the 1971 India-Pakistan war, India's blockade of Karachi had a serious impact on the Pakistani economy. Again in 1999, during the Kargil conflict, India threatened to blockade Karachi port. That Gwadar is situated 725km to the west of Karachi, which makes it 725km further away from India than Karachi, provides "Pakistan with crucial strategic depth [vis-a-vis India] along its coastline", writes Haider.

For China, Gwadar's strategic value stems from its proximity to the Strait of Hormuz. About 60% of China's energy supplies come from the Middle East, and China has been anxious that the US, which has a very high presence in the region, could choke off these supplies to China. "Having no blue-water navy to speak of, China feels defenseless in the Persian Gulf against any hostile action to choke off its energy supplies," points out Tarique Niazi, a specialist in resource-based conflict, in the Jamestown Foundation's China Brief.

A presence in Gwadar provides China with a "listening post" where it can "monitor US naval activity in the Persian Gulf, Indian activity in the Arabian Sea and future US-Indian



maritime cooperation in the Indian Ocean", writes Haider. A recent report titled "Energy Futures in Asia" produced by defense contractor Booz Allen Hamilton for the Pentagon notes that China has already set up electronic eavesdropping posts at Gwadar, which are monitoring maritime traffic through the Strait of Hormuz and the Arabian Sea.

Drawing attention to China's "string of pearls" strategy, the report points out that "China is building strategic relationships along the sea lanes from the Middle East to the South China Sea in ways that suggest defensive and offensive positioning to protect China's energy interests, but also to serve broad security objectives". The port and naval base in Gwadar is part of the "string of pearls".

The other "pearls" in the string include facilities in Bangladesh, Myanmar, Thailand, Cambodia and the South China Sea that Beijing has acquired access to by assiduously building ties with governments in these countries.

The Pentagon report sees China's efforts to defend its interests along oil shipping sea lanes as "creating a climate of uncertainty" and threatening "the safety of all ships on the high seas". This perception overlooks the fact that China's "string of pearls" strategy has been triggered by its sense of insecurity. The United States' overwhelming presence in the Gulf and the control of its exercises over the Malacca Strait, through which 80% of China's oil imports pass, has contributed enormously to Beijing's fears that Washington could choke off its oil supply, in the event of hostilities over Taiwan.

China's foothold in the Arabian Sea has set off alarm bells in India, Iran and the US. For India, China-Pakistan collaboration at Gwadar and China's presence in the Arabian Sea heightens its feeling of encirclement by China from all sides. Iran sees the development of Gwadar port in its neighborhood as likely to erode the significance of its ports - especially Chabahar port that India has helped construct - to Central Asia and Afghanistan. However, Iran's good relations with Afghanistan and the Central Asian republics would help it maintain its advantage vis-a-vis Pakistan's Gwadar port.

Ultimately, the extent to which Pakistan and China are able to reap economic and strategic gains from the Gwadar project would depend on the challenges to it from within their borders. The Gwadar project is bitterly opposed by Baloch nationalists who see it as yet another example of Pakistan's Punjabi-dominated ruling elite siphoning away Balochi wealth and resources without this backward region or its people gaining.

For instance, it is non-Balochis who are said to have gained from the sharp rise in real estate prices around Gwadar. This has, not surprisingly, triggered angry and violent attacks on pipelines carrying oil from Balochistan and on those working on the Gwadar project. Last May, three Chinese engineers were killed and 11 others, including nine Chinese and two Pakistanis, were injured in a bomb attack by the Balochistan Liberation Army.

Pakistan has often blamed "a foreign hand" (read India or Iran) for the violence in Balochistan. But the threat to the port project or the oil pipelines comes from disaffected Balochis. Similarly, Uighur separatists angry with Beijing's "Hanification" of their land, could target Chinese workers at Gwadar.

Unless Islamabad ensures that the Baloch people have a sizeable share of the



prosperity that is expected to come from Gwadar port, and Beijing ensures that the Uighurs gain from the trade with Central Asia, both Pakistan and China could find the scale of their economic and strategic ambitions diminished.

Sudha Ramachandran is an independent journalist/researcher based in Bangalore.

(Copyright 2005 Asia Times Online Ltd. All rights reserved. Please contact us for information on [sales, syndication](#) and [republishing](#).)

Contributed by PakistanFirst