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Issue Brief

CPEC: Benefits for Balochistan

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The China-Pakistan Economic Corridor (CPEC) will open up new avenues of opportunities for the people of Balochistan. With estimated 7.1 billion initial investment¹ through CPEC, Balochistan ranks second in its share from \$ 46 billion according to the statistics of the Ministry of Planning, Development and Reform. Balochistan, in general, and Gwadar, in particular, is the linchpin of CPEC. The project will subsequently contribute to the development of the whole province and address various economic and social problems of Balochistan. It is envisioned that Gwadar would soon be transformed into an economic hub.

Though rich in mineral resources, so far Balochistan's contribution to the economy of Pakistan has not been high. This has consequently affected its development. One of the major reasons of this was the geographical ruggedness of the terrain and poor population. For example, Turbat has only a population of 180,000 people and has the most difficult terrain of the western route in Balochistan. Pangjur, a district in the west of Balochistan, comprises three tehsils with a population of around 350,000. Now, with the construction of the western route of CPEC, property value has skyrocketed in these areas where roads have been built. Other cities like Qalat, Quetta and Zhob will also become more vibrant with the completion of planned road network which will give a boost to economic activities and other development projects under CPEC.

The CPEC would indeed prove to be a “game changer” linking up a vast sweep of regional markets from China to Asia to the Middle East to Europe, and opening up new markets with vast trade opportunities, both inter- and intra-regional, worth billions of dollars. Gwadar forms one of the four pillars of CPEC, the other three being energy infrastructure and industrial development. Pakistan, and Balochistan in particular, will benefit tremendously as all the four pillars are strengthened along the western route that will traverse through Balochistan. The proposed sites for industrial zones in Balochistan would include major cities of the province - Quetta, Gwadar, Khuzdar, Uthal, Hub and Dera Murad Jamali. The proposed mineral economic processing zones will also be set up in Khuzdar (chromite, antimony), Chaghi (chromite), Qila Saifullah (antimony, chromite), Saindak (gold, silver), Reko Diq (gold), Qalat (iron ore), Lasbela (manganese), Gwadar (oil refinery) and Muslim Bagh (chromite).

Gwadar, with a coastline and natural harbour, is geo-strategically located at the crossroads of sea lanes and is being developed to connect China and Pakistan to West Asia, the Middle East, and Africa. Gwadar will become both a conduit and a destination for new investment, making Pakistan a regional hub for

trade, transportation, and economic activity. The port will be a catalyst for industrial production on a mass scale.

The following projects have been planned in Balochistan under CPEC.

Land for the Free Zone: Some 2282 Acres (923 Hectare) of land has been acquired by the Gwadar Port Authority (GPA)² under a land lease agreement, which was signed during the visit of Chinese President Xi Jinping in April 2015. Earlier, in June 2014, the Executive Committee of the National Economic Council approved “Acquisition of Land for Gwadar Port Free Trade Zone” project at a cost of Rs 6.499 billion. China Overseas Ports Holding Company and its subsidiary Gwadar Free Zone Company have finalised the project documents of the initial project of the Free Zone, as well as master plan of the entire Free Zone.

Gwadar Free Zone Plan: Initial project and phase-1 (2015-2020) known as the period of market cultivation will be launched. The basic objective of the project is to develop a commercial logistics center, exhibition hall and some industries with local resources, for example, fisheries and livestock. Under phase-2 (to 2025), described as the period of expansion and development, processing and manufacturing industries will be developed. Industrial parks will be developed gradually. Similarly, during phase-3 (to 2030), described as maturity period, the scale of Free Zone would be enlarged. The Free Zone will be an important part of the CPEC commercial and industrialisation initiatives and serve as the engine of local economic and industrial development in Balochistan.

Southern Commercial Logistics Area: Based on the existing port, commercial logistics area is being constructed nearby as the initial area of the Free Zone. Exhibition and sales, and logistics processing will be a dominant feature of this project.

Northern Manufacturing Area: This project will include development of industries which will cover service and household appliances, textiles and garment processing machinery.

Construction of East-Bay Expressway, Gwadar Port: Currently, Gwadar deep-sea port is connected through a narrow 16 feet wide thoroughfare of Gwadar town at the West-Bay. All the trawlers and trucks loaded with imported shipments pass through this strip causing disruption of normal traffic. The port does not have dedicated wide highway to cater to the transporting requirements. The operationalisation of the port, even with the available three multi-purpose berths, necessitates construction of the planned East-Bay expressway. This 18.981 km 4-lane expressway with embankments

for 6 lanes, along with a provision of 30 meters for railway corridor, shall connect the Gwadar port with the Makran coastal highway through the 2300 acres Free Zone of Gwadar Port.

Pak-China Technical and Vocational Institute at Gwadar: People of Gwadar are the fundamental stakeholders of the Port City of Gwadar. Their participation in operation and management of the deep-sea port, industrial and commercial businesses, and urbanisation processes is key to all long-term developmental initiatives. This project is proposed to shape and enhance the skills of the active population of Gwadar to participate in the growth of the port city.

Dredging of Berthing Areas and Channels, Gwadar Port: Besides the operation of the existing port facilities, expansion work all along the seashore of Gwadar East Bay to construct additional terminals and port infrastructure has to be carried out. Under the agreement with the Chinese government, signed in August, 2015 China would provide a concessional loan of Rs. 2.800 billion for the construction of breakwaters and dredging works which are the responsibility of the Gwadar Port Authority.³ For the construction of berthing facilities on the eastern side of the existing multi-purpose terminal (4.200 km), 1.200-1.500 km long breakwater has to be constructed.

New Gwadar International Airport: The new Gwadar airport, which will be completed in July 2018, will be Pakistan's by far biggest and state of the art airport. It will be built on more than 4,000 acres. China is also building a road network to link the free economic zone to the new airport and the seaport.

Western Route: The CPEC's primary route through Balochistan is called the western route also known as (M-8). It is the shortest route to Kashghar. Starting from Gwadar, it would pass through Turbat, Panjgur, Nag, Basima, Sorab, Qalat, Quetta, Qilla Saifullah and Zhob in Balochistan to reach Dera Ismail Khan in Khyber-Pakhtunkhwa and then would head towards Hassan Abdal before reaching Islamabad. Nearly 556 kilometers out of the 870 kilometers road network in Balochistan has already been completed. The rest is expected to be completed by December 2016.

CPEC-Energy Projects for Balochistan
Ministry of Planning, Development and Reform.⁴

Sr. No	Projects	Location	MW	Est'd. Cost (US\$ M)
1	Gwadar Coal Power Project	Gwadar	300	360
2	HUBCO coal power plant 1X660 MW	Hub Balochistan	1320	1940
3	Gaddani Power Park Project, Gaddani	Balochistan		
	(i) 2×660MW		1320	3,960
	(ii) Jetty + Infrastructure			1200
	TOTAL Energy Projects		2,940	7,460

All Parties Conference: January 2016

At the conclusion of the All Parties Conference (APC) on January 16, 2016, Prime Minister Nawaz Sharif set a two and a half years deadline for the completion of the western route which would be personally monitored by the Prime Minister who has also formed a high-powered 11-member committee to hold periodic consultations with the provinces on matters pertaining to the CPEC. The committee will include chief ministers of all the four provinces and Gilgit-Baltistan, in addition to federal ministers of planning, water and power, railways, communications and the Chairman of the Parliamentary Committee on CPEC. The major concerns of the KPK and Balochistan political parties were on the establishment of the special economic zones along the CPEC's routes, especially the western route. The Prime Minister said that priority would be accorded to the western alignment of CPEC with a provision to expand the Rs. 40 billion allocation for this alignment as per requirement. In the first phase, it would only be limited to a four-lane expressway. However, it could be expanded to a six-lane motorway, but the responsibility of finalising land acquisition for this would rest with KPK, while the centre would provide the funds for it. The Prime Minister also announced that the location of industrial parks will be decided in consultation with the provinces.

Social and economic activities have picked up in Balochistan following the construction of road networks as part of the China-Pakistan Economic Corridor (CPEC). Local people have started setting up hotels, shops and houses along the completed portions of the CPEC's western route linking Gwadar with China. Boom in construction industry and mining of marble and granite industry is expected. New oil storage facilities will also come up. Already social and economic change in Balochistan is becoming visible and this will be further strengthened as more jobs and business opportunities for youth of Balochistan are

created. Along with the CPEC projects, completion of the Iran-Pakistan (IP) gas pipeline and its linkage with CPEC would bring new economic dividends for Balochistan.

Notes and References

- ¹ Tariq Butt, "Sindh, Balochistan to get maximum in CPEC," *The News*, January 22, 2016, accessed January 27, 2016, <http://www.thenews.com.pk/latest/92964-Sindh-Balochistan-to-get-maximum-in-CPEC-Ahsan>.
- ² Peer Muhammad, "Pakistan to hand over 2,281 acres of Gwadar's free trade zone to Chinese," *Express Tribune*, November 10, 2015, accessed January 27, 2016, <http://tribune.com.pk/story/988331/gwadars-free-trade-zone-pakistan-to-hand-over-2281-acres-to-chinese-on-nov-11/>.
- ³ "Initial work on CPEC Economic Zones starts," *Board of investment*, January 1, 2016, accessed 27 January 2016, <http://boi.gov.pk/ViewNews.aspx?NID=88>.
- ⁴ Informed by Asad Ali Shah, Ministry of Planning, Development and Reform, December 30, 2015, to the author.