National Conference Report

Maritime Economy and the Geopolitics of Indian Ocean Rim: Challenges for Pakistan

February 22, 2018

Institute of Strategic Studies Islamabad

in collaboration with

Bahria University, Islamabad

National Conference

Report

Maritime Economy and the Geopolitics of Indian Ocean Rim: Challenges for Pakistan

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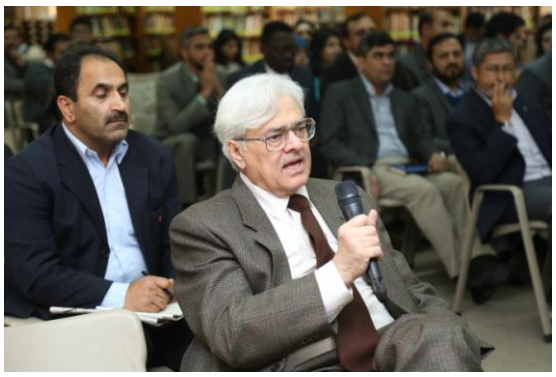

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CONFERENCE PROGRAMME

Inaugural Session

0930 hrs:	Registration
1000 hrs:	Recitation from the Holy Quran
1005 hrs:	*Welcome Address* **Ambassador (R) Khalid Mahmood,** Chairman, ISSI
1015 hrs:	*Keynote Address* **Rear Admiral (R) Mukhtar Khan HI (M),** Director General, Institute of Maritime Affairs, Bahria University
1025 hrs:	*Address by the Chief Guest* **Lt. General (R) Nasser Khan Janjua,** National Security Advisor
1040 hrs:	Group Photo
1045 hrs:	Refreshments

Session One:
Pakistan and the Geopolitics of the Indian Ocean Rim: Where Do We Stand?

Session Chair:	**Vice Admiral (R) M. Haroon,** Former Rector, Bahria University
1100 hrs:	*Indian Ocean Politics and Pakistan's Maritime Compulsions* **Dr. Azhar Ahmad,** HOD, Department of Humanities and Social Sciences, Bahria University, Islamabad
1130 hrs:	*Current Global Maritime Trends and Pakistan* **Commodore Zafar Mansoor Tipu,** Former Director, Maritime Policy Research Centre, Bahria University
1145 hrs:	*The Maritime Asia-Africa Growth Corridor (AAGC): Opportunities for Pakistan* **Muhammad Abbas Hassan,** Research Associate, Institute of Strategic Studies, Islamabad
1200 hrs:	Q & A Session
1230 hrs:	Concluding Remarks by Session Chair
1240-1400 hrs:	Lunch

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Session Two:
Maritime Economy: Opportunities and Challenges for Pakistan

Session Chair:	**Ambassador Khalid Mahmood,** Chairman, ISSI
1400 hrs:	*Potential of Pakistani Ports: Strengths and Shortcomings* **Mr. Waqar Ahmed,** Sr. Joint Secretary, Ministry of Maritime Affairs
1415 hrs:	*Development of Maritime Potential, An Essential to Country's Progress* **Cdre. Babar Bilal,** Director, National Centre for Maritime Policy Research Islamabad
1430 hrs:	*Reclaiming Pakistan's Ship Breaking Industry: Recommendations* **Dr. Idrees Khawaja,** HOD, Air University School of Management, Islamabad
1445 hrs:	*CPEC and Prospects of Blue Jobs in Pakistan* **Dr. Safdar Sohail,** Director General, National Institute of Management and Member Governance Planning Commission
1500 hrs:	*Pakistan: Utilizing International Law of the Sea for Maximum Benefits* **Mr. Ahmer Bilal Soofi,** President, Research Society of International Law
1515 hrs:	Q & A Session
1545 hrs:	Concluding Remarks and Vote of Thanks **Ambassador Khalid Mahmood,** Chairman, ISSI
1555 hrs:	Tea/Coffee

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CONCEPT NOTE

Indian Ocean is the third largest ocean in the world spanning over an area of 73,556,000 square kilometers that covers three continents. The ocean serves as a connecting route between the Pacific and Atlantic Oceans. Important international choke points like the Strait of Hormuz, Bab el Mandeb, Horn of Africa, Suez Canal via Red Sea and Strait of Malacca add to the geopolitical significance of Indian Ocean. With known reserves of over 65% of world oil and 35% of the world gas in the littoral states, Indian Ocean is the epicenter of maritime economy and military presence of the world. The American, British, Russian, Chinese, Indian and Pakistani navies maintain a strong military presence which highlights the importance of the Indian Ocean rim.

Pakistan, located at the center of Indian Ocean is an important littoral state which carries out more than 95% of its trade through the sea via its ports at Karachi, Qasim and Gwadar. Pakistan also utilizes its 290,000 sq km of Exclusive Economic Zone and Continental Shelf for numerous purposes including, fishing, mining, exploration and marine research. Over 15 million barrels of crude oil is shipped right across the Pakistani coast from the Gulf States daily through the Persian Gulf. Pakistan also provides the shortest sea access to Afghanistan, Central Asian States and China. This adds not only to the importance of Maritime Economy potential of Pakistan, but also highlights its geo-strategic and geo-military significance.

Realizing the importance of maritime affairs and its significance towards the national security, Pakistan has recently changed the nomenclature of Ministry of Ports and Shipping to Ministry of Maritime Affairs. Knowing how much Pakistan can capitalize by extending its Exclusive Economic Zone (EEZ) from 100 nautical miles to 200 nautical miles from the baseline, the 1976 Maritimes Zones Act (MZA) was passed by the Pakistani government of the time. Later on, in May 2015, Pakistan extended its Continental Shelf to 350 nautical miles under the ambit of UN Commission for Limits of the Continental Shelf (UNCLCS). However, MZA is losing its relevance with every passing year as we have failed to amend the Act periodically. Despite ratifying the 1982 United Nations Law of Sea Convention (UNLOSC) in 1997, the negligence of not incorporating it into our local legislation has resulted in losing a number of international privileges such as benefit sharing and commercial entitlements. This has heavily dented the Pakistani maritime economy. Also, the lack of oceanographers and “blue jobs” in the country

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and not enough resources to explore the ocean has prevented Pakistan from exploring its maritime potential to the fullest. A revision of MZA is required in line with the international law and the incorporation of Pakistan Maritime Security Agency Act 1994 into one comprehensive law. This would allow Pakistan to expand its area of influence at the sea.

With the anticipated growth of shipping from 638,307 active vessels to double by 2020 worldwide, Pakistan needs to invest heavily on its maritime economy and maritime transportation capabilities. The local shipping industry too has not performed well over the past few years and it is imperative to explore and implement not only new and innovative ways to buttress this industry, but also find ways to attract and retain people for the smooth operations of its vessels. The "blue jobs" hold great potential for the growing youth bulge. A sincere effort needs to be made for highlighting the importance of this industry and the benefits it can reap for the country.

Given the right focus, maritime economy can play a vital role in supporting the country's economy. The Institute of Strategic Studies in collaboration with Bahria University organized a one-day conference on "*Maritime Economy and the Geopolitics of the Indian Ocean Rim"* on February 22, 2018. The aim of this conference was to look into the challenges, plausible options and recommendations for Pakistan in order to promote a new momentum and vigor to this vital and important pillar of Pakistan's national power.

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WELCOME REMARKS

Ambassador Khalid Mahmood
Chairman, Institute of Strategic Studies Islamabad

Honorable Chief Guest, National Security Advisor General Naseer Khan Janjua, Rear Admiral Mukhtar Khan, DG Institute of Maritime Affairs, distinguished conference participants, Ladies and Gentlemen.

It is a matter of great pleasure for me to welcome you all to the National Conference on "Maritime Economy and the Geopolitics of Indian Ocean Rim: Challenges for Pakistan", organized by the Institute of Strategic Studies Islamabad in collaboration with the Bahria University, Islamabad.

Two third of the earth is water and only one third constitutes the landmass. Oceans are a source of wealth, a medium for trade and communications, as well as provide critical life support system. The oceans are rich in living and non-living resources and can generate wind, tidal, thermal and biomass energy. They are also a major source of food and an avenue for livelihood in such industries as fisheries, tourism, ports, shipping and ship building, to name a few.

As the third largest ocean, spanning the shores of Africa, the Middle East, as well as Australia and the Malay Peninsula, the Indian Ocean is a key transit region for inter-continental trade in energy and commercial goods. The estimated annual value of two-way international trade passing through the Indian Ocean sea lanes is almost $1 trillion. While its importance as a transportation hub is expected to increase further over the next two decades, it is also increasingly becoming a trade destination in its own right.

With its 1000 km long coast, located at the center of Indian Ocean, Pakistan is an important littoral state which carries out more than 95% of its trade through the sea. The launch of China-Pakistan Economic Corridor (CPEC) and development of the Gwadar Port have further consolidated Pakistan's geo-strategic and geo- economic importance.

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Gwadar is not going to be just an ordinary port - it will be the lynchpin of CPEC multi-billion strategic investment because of its location on the intersection of land and sea arteries of One Belt, One Road.

Apparently, there is also ignorance about the all-important 'natural deep sea' characteristics of Gwadar port just when Karachi Port Trust and Port Qasim Authority are struggling to maintain dredged depths at enormous cost. The evolving global shipping environments demand deeper channels, as vessels sizes increase for reasons of economy of scales. This will push back shallow water ports into oblivion. Gwadar will survive the challenge of modern shipping.

Although Pakistan has benefitted from expanded mandate of the 1982 United Nations Convention on the Law of the Seas (UNCLOS) and has acquired jurisdiction over a 200 nautical miles Exclusive Economic Zone and 350 nautical miles Continental Shelf, it is still lagging behind significantly in translating policy frameworks of a 'Blue Economy' through such institutions as United Nations Department of Economic and Social Affairs (UNDESA), Global Ocean Commission, and Global Partnership for Oceans.

Nor have we benefited from the opportunity opened up by the Common Heritage of Mankind, lying beyond the national maritime jurisdictions. Pakistani Provincial governments in collaboration with a few business houses should apply to the Seabed Authority for an exploration license.

In the region around us also, a number of multilateral institutions like SAARC, APEC, East Asia Summit, and Indian Ocean Rim Association are engaged in developing cooperative strategies and action plans for sustainable development of marine resources. Under its One Belt, One Road initiative, China has gone even further and initiated Five Years Development Plans for National Marine Economy which monitors progress of various marine sectors on a regular basis.

For Pakistan, its maritime sector is a vital component of national economic and military power and there is an inevitable linkage between economy and security. To ensure security of maritime traffic and ports it has become an immediate necessity to beef up the capabilities of Pakistan Navy, Pakistan Maritime Security Agency and Pakistan Coast Guards.

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Apart from ensuring conventional security, security concerns now extend to mitigating threats from piracy, terrorism, weapons proliferation, drug trafficking and other illicit activities Yet, arguably, the UNCLOS apart, matters of the sea are least regulated by consensual rules and instruments amongst littoral states. This has allowed the influence of militarily strong and financially better endowed to menacingly creep in Some powers are working to disrupt and foil CPEC and the Gwadar projects. India has vowed so publically. We have to be vigilant and guard against it.

Our fishing community routinely protests about violations of the country's fishing resources by vessels from afar but doesn't get much attention. As per estimates, our fishery industry has the potential of $US 2 billion worth of seafood exports, which remain untapped. Exploitation of this potential can bring economic prosperity, particularly to the impoverished coastal belt of Pakistan.

If we are aspiring to be a rising Asian economic power in the decades ahead, we will have to pay more attention to developing our maritime sector especially in such aspects as ship construction, expansion of national shipping fleet, and improvement of port infrastructure for docking modern vessels with much larger cargo carrying capacity, as it is being done in some neighbouring countries.

All this illustrates not only the importance of Maritime Economy potential of Pakistan, but also highlights the geo-strategic and geo-military significance of the country. Yet, the maritime sector has not been adequately exploited for accrual of optimal benefits and advantages. Maritime issues have not been high on the national strategic thinking.

Maritime sector is both financially and techno intensive and requires significant capital for building, operating and making it economically profitable. Once that investment has been made and infrastructure is in place, it also requires highly skilled manpower, which regretfully we just do not have in sufficient number at this point of time.

Not long ago, Karachi Shipbuilding and Engineering Works (KSEW) used to construct vessels for Pakistan National Shipping Corporation. This capability has 'withered away' with the passage of time. It is important to revive it, since there are positive signs for the future of global ship building industry.

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The Gadani ship-breaking yard was once the largest in the world. Gadani today is producing less than one fifth of the scrap it produced in the 1980s. The failure to sustain Gadani as the largest ship-breaking yard in the world speaks volumes about the deficiency on our part to capitalize on its potential.

Gwadar too will need ship-repair facility in the years ahead when CPEC-related traffic picks up. A beginning needs to be made in this field now.

Lastly, attention needs to be given to develop expertise in Maritime International law, UNCLOS in particular, to guard our vital national interests.

This is the most opportune time for Pakistan to step up exploration and exploitation of the 'Blue Economy' in order to harness the opportunities presented by the maritime sector and make optimal use of natural resources within ecological limits. Ignoring the maritime sector any longer would be a grave mistake in view of its overwhelming economic benefits and fast changing global trends. The need of the hour is to shift gear from identifying reasons for our past failures in maritime sector, and move towards finding solutions for the future. This would only be possible if maritime awareness is promoted with a greater degree of seriousness to a wider spectrum of strategic community, political class and public at large. It is my hope that this conference will be the beginning of a new awakening and understanding of our maritime shortcomings, capabilities and the potential they hold.

I am grateful to Lt. Gen. Nasser Khan Janjua and the speakers for taking time out to joins us at this conference on Maritime Economy and the Geopolitics of Indian Ocean Rim: Challenges for Pakistan and explore the theme from various angles. It is my hope that their keen analyses and recommendations will help us to chart a future course of action that is so very essential for the greater good of Pakistan and its Maritime economy.

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KEYNOTE ADDRESS

Rear Admiral (R) Mukhtar Khan HI (M)
Director General, Institute of Maritime Affairs, Bahria University

The Indian Ocean covering 37% of the maritime space of the world and 14% of the total globe, has become the hub of intense global activity over the decades. Housing the most important trade routes of the world, Indian Ocean provides the predominant outlet for oil from the Persian Gulf through Strait of Hormuz to various destinations around the world. The Malacca Strait is a critical choke point through which the oil bound for the West coast of USA, China, Japan, Australia and other countries of South-East Asia must pass. Oil being of vital interest to most nations, major powers, especially the USA, maintain a visible and credible presence in the region. Since dependence on oil and raw material will continue to increase in the future and trade by sea from emerging economies and landlocked states would also have to be routed through the ports of this region, the Indian Ocean is likely to witness divergent politico-economic interests and a turbulent security environment.

More significantly, the end of the Cold War and subsequent events have witnessed a shift in the focus of world attention to the Indian Ocean Region (lOR). The nuclearization of the region and proliferation of terrorism, piracy, drug trafficking and internal turmoil in several countries have not only made the region extremely volatile, but have also drawn naval forces of key global players to the region. External powers are keen to intervene, not only to mediate or reduce this volatility but in their attempt to extend their influence in the lOR through sustained physical presence.

The regional states, on the other hand, have so far failed on collective efforts to create a common forum to cope with the situation. The primary reason for this failure being the bilateral problems between nations which impact their conduct and response in multilateral fora, restrictive trade regimes imposed by economically superior world powers and technological backwardness of most of the countries, necessitating their continued dependence on technologically superior nations for infrastructure and industrial development. The lOR suffered the most in terms of sea

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trade because of the security dilemma resulting from interstate conflicts, maritime terrorism and piracy. I must mention here that Pakistan has played a key role and contributed more than its share by participating in Counter Terrorism and anti-piracy maritime forces for maintaining the maritime order and ensure safety of sea trade.

The Indian Ocean region offers a metaphor for the challenges of governance in the age of globalization. It is a common understanding that the strategic interests of states often require cooperative approaches. The trade-offs between exploiting the sea born resources and its sea lanes for economic benefit and maintaining its biodiversity over time are often too hard for governments to balance. Cooperation is easiest on the soft security agenda, although some states do not allocate significant resources for those purposes or have not yet created effective mechanisms at the national level for the integration of expertise from fields as diverse as national security, fisheries, maritime pollution and climate change effects. While regional organizations have structural constraints, effective leadership could well channel states' interests in the direction of making these organizations relevant for 21st century priorities, rather than remain hostage to their weaknesses. Here, South Asian Association for Regional Cooperation SAARC is the glaring example which could not play its role in maritime arena primarily because of lack of trust among the member states. Furthermore, these difficult trade-offs between short-term economic interests and the long-term stability and viability of the Indian Ocean as a natural resource for its 36 littoral states, or the security of local actors when seen against the strategic interests of great power – make the scenario even more complex.

The modern concept of maritime economy, also termed as Blue Economy has introduced oceans as Development Spaces for sustainable growth. Moreover, the maritime economy model establishes a sustainable development framework for emerging countries focusing on sharing of benefits from marine resources; proposing opportunity for re-investment in human development and the mitigation of crippling national debt burdens. Furthermore, it is to be undertaken in a manner that does not lessen the natural resources in the long term. In fact, the key component of the Blue Economy is to balance the economic, social, and environmental dimensions of sustainable development in relation to oceans.

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Today, nearly 20 million shipping containers are moving around the globe carried by fewer than 4000 hulls. The explosion of trans-oceanic trade has made commerce more vulnerable, not only in the obvious sense that economies have grown more interdependent, but also because, even as the volume of shipped loads increased, the number of significant cargo carriers has reduced because of the increasing size of commercial vessels, from supertankers to over 22000 TEUs container carriers and ULCCs. The Straits of Malacca, the world's second busiest sea lane, assumes relevance here, 80% of Japan's oil supplies and 60% of China's oil supplies are shipped through the Straits of Malacca. US$ 70 billion worth of oil passes through the Straits each year. Almost half the world's containerized traffic passes through this choke point.

Pakistan has suitable environment for Blue Economy with immense maritime economic potential which has played very important role for overall economic growth. It's some 1000 km long coastline makes Pakistan 74th in the list of 142 coastal states. Pakistan's 95% of all goods including total oil/coal import is traded through sea. Pakistan seaborne trade carry around 83 M annually. It has luxury of cheap and trained manpower available for ship operation, construction and demolition and hardworking manpower available in fishery sector. Ship demolition or recycling industry is 4th largest in the world with capacity to expand further. Development of Gwadar deep sea port and its full operationalization as CPEC hub will give tremendous boost to country's maritime sector.

However, with our continental mindset and serious sea blindness on part of the masses, Pakistan is still under estimating the enormous power of our maritime potential. Pakistan cannot afford to be left behind and miss the significant opportunity to develop the maritime sector for a sustained economic growth.

One the national level, the government should take the strategic decision of adopting the Blue Economy approach. Some of national obligations are: to increase the carrying capacity and number of Pakistan National Shipping Corporation (PNSC) vessels, limit foreign ship dominance and dependence, increase the employment of Pakistani seafarers, reduce over and illegal fishing, increase mangroves production, provide better working conditions for demolition workers and increase shipyard capacity. Furthermore, there is lack of maritime awareness, political will, and lukewarm patronage which should be considered. The government should promote maritime

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education sector and introduce maritime courses and degrees at graduate level. In order to promoting more integrated effort, recently established Ministry of Maritime Affairs (MoMA) has to be made effective and viable. Over 50 stakeholder agencies and entities of maritime sector have to be brought under one umbrella. This will pave the way for a comprehensive study to identify Pakistan's maritime interests and how to harness the full potential of this important sector. Long pending National Maritime Policy needs to be approved and promulgated. Promotion of maritime sector must be included in the manifesto of leading political parties. Pakistan should develop and promote coastal tourism.

As regards to the effects of climate change, Pakistan has over 10% of its population living in the vicinity of the coastal zone, over 20% of coastal area of Pakistan is relatively developed, 40% of industry is situated on or near the coast. Protecting these human assets will be costly, particularly if the effects of climate change are sudden rather than gradual. A rise sea level of a few mm per year, although not threatening but direct and indirect impact of this rise would have a profound impact on the coastal resources for sustainable coastal zone management. The issue merits priority handling at national level.

Attention to regional and global development is equally important. Of late, it has been learnt that India has been awarded the operational control of Iranian port of Chabahar for 18 months while further negotiations are underway for further cooperation between the two countries. While it is clear that India, apart from its political and economic gain from this project will strive to negate the benefits of CPEC, particularly the Gwadar port. It is also expected that this route might benefit USA for its access to Afghanistan as an alternate route beside reducing Afghanistan's dependence on Pakistan for sea trade. It now depends on Pakistan how to balance this issue in order to mitigate the negative outcome of this cooperation.

Given the changing geo-strategic scenario in the lOR, reorientation of policies and emergence of new alliances will continue to haunt the littoral states particularly Pakistan. Massive naval build up by India in response to perceived Chinese presence in the lOR is also a persistent security challenge for Pakistan. This demands a robust diplomatic pursuit to mitigate the negative fallouts of the developing environment. Modernizing, upgrading and enhancing the security mechanism has to be undertaken on priority.

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INAUGURAL ADDRESS

Lt. General (R) Nasser Khan Janjua
National Security Advisor

I stand before you to talk about the Indian Ocean. Nothing is in isolation. I think that the Indian Ocean and the power politics that it holds within its folds is perhaps not fully understood by us. I would like to briefly draw your attention towards global power politics related to Indian Ocean. We truly have to zoom out of the Indian Ocean to understand what it holds and how significant it is. So when we zoom out, I want to indulge you into a mental exercise by showing you a map of the world to see how the population of the world is disposed of. What is the layout of our world and I ask you to connect his world mentally. How do the populations connect to each other? If you connect Europe to North America, you are connecting with 15% of the population of the world. If you connect Europe with South America, you connect 17% of the world population. Asia has 60% of the world population. How do you connect this ? The major conduit is the Indian Ocean. When you refer to Asia, we have the maximum resources, the maximum consumer markets, maximum manufacturing and natural resources and the development source and connectivity potential within. Virtually the world is here. Love is where the heart is. Asia is the future world and most of us live here.

There are 99000 trading ships, 9.48 billion tons of trading goods pass through the Indian Ocean every year. The trade is worth $1 trillion per annum. The Strait of Hormuz handles transport of 17 millions of barrels of oil everyday. A lot is happening here. Therefore, Asia plays an increasingly important economic and geopolitical role and the Indian Ocean region provides the foundation for the trading system that underpins Asia's economic importance. That is why it was said that whoever controls the Indian Ocean dominates Asia. This ocean is the key to the seven seas in the 21st century. The destiny of the world will be decided in this ocean.

This is the significance of the Asia and the Indian Ocean. Hence, the policy of rebalancing Asia. Indian Ocean does not exist in isolation. I would refer to you to two old theories. One, as long as

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China continues to operate from East and South China Sea, it can never become a super power. Through this theory came the theory of containment of China. When that was criticized, then it was called the Pivot to Asia. When that was criticized, then it was renamed Balancing Asia. The second theory that, in hindsight, we can criticize today is theory of warm waters. When erstwhile USSR tried to come to the Indian Ocean, it was dismembered. It got dismembered but was never allowed to reach out to these warm waters. If both these powers - China and Russia - can strategically be kept in their own backyard, they will never be able to pose a challenge.

Some future economic predictions are: US will be the leading superpower for another 20 years. Then it will be overtaken by China, then Russia, or perhaps the next century will belong to Canada. If you look at the GDP at present, the US is No. 1. It is likely to come down to No. 3 in 2050. Another study says that in 2040 China will cross US in projected GDP. As of today, US imports amount to a total of $463 billion from China and exports $116 billion. The trade balance is in favor of China. Today, the US is the richest economy but its growth has stagnated at about 5%. It has a debt of about $20 trillion, of which it owes $102 billion to China. In 2017, China's foreign currency reserves were around $3.14 trillion, highest among all nations. China also has a better growth rate of 8%. Both have budget deficits, but China's is less.

It is written on the wall that in 30 years China will surpass the US economy and the latter would no longer be a superpower. China has become the manufacturer, the banker and second largest economy in the world. It is geographically secure and hard to conquer.

Now zoom in on the Indian Ocean. Looking at the potential of the Asian population, the future economic block is also here in Asia. What is the US geo-strategic and geo-economic design then? We begin with containment of China, then Pivot to Asia, then rebalancing Asia. China and Russia have been declared revisionist states. North Korea and Iran have been declared as rogue states and India has been declared as a security partner and a net security provider. As luck would have it that this potential of Asia has challenged so much that such kind of design has come about.

China and Russia have been publicly declared as revisionist states seeking the old order. The transition from cooperation to competition is amazing. What is the China containment design and the rebalancing Asia design? As of today, the US maintains 800 military based in more than 70

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countries. So if you look at the presence of major bases, where do you find them? Most of it is in Eastern Europe to prevent resurgence of Russia. Other major presence of military bases is around South China Sea. Somewhere in the middle we come to India. India is using a phony rhetoric of posing China as its future enemy which is in fact an overlap of interest. India is being prepared as a counterweight to China. This is a geo-economic shift, a geo-military shift that looks to keep China and Russia in their backyards. India-US logistic and maritime agreements are an effort to manoeuvre and preposition in Indian Ocean. And they are not talking about an Indo-Pacific region. When you come to Indo-Pacific region then you see that 90% of China's trade passes through South China Sea. Therefore, all the countries of this region are being befriended. In Indo-Pacific 368,000 US military troops are already there. The US has already started to disperse these forces throughout the region. This is how the US is disposed of in the Indo-Pacific region and South China Sea. Hence, there is China's response in the form of One Belt One Road (OBOR) initiative.

There is great power rivalry that is being aggravated in Asia whether you like it or not. The perpetual war in Afghanistan, we do not see an end to it. There is the presence of Daesh there that is a threat to all. Pakistan continues to fight terrorism. Pakistan has already lost 60,000 lives to the menace of terrorism and suffered colossal economic loss. There is turmoil in the Muslim World.

India is growing militarily. There is a great military asymmetry between India and Pakistan. Unfortunately, Pakistan has started over relying on its strategic capability. There is a two-front situation for Pakistan. There is also a two-front situation coming up for India. There is no dispute resolution in the region. There is no solution to the Kashmir problem in sight.

Where do we go from here? The world is here. We are part of this world. Pakistan is in the midst of it. All the roads lead to and from Pakistan. Pakistan and Iran are two countries that can connect Asia with other parts of the world. Pakistan is one such great country. All we have to do is to re-alter the region and become a massive trade corridor. In order to do that, I see a common future with Iran, Afghanistan, Central Asian Republics, China, sometimes with Russia. This is how we have to look at our part of the world. This is the relevance of the Indian Ocean with Pakistan. If India can look at Pakistan by way of resolving it conflict, let us resolve out conflicts.

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We cannot be enemies forever. All we need to do is engage and resolve our differences. Both India and Pakistan have to belong to the future. The next question is do we do it ourselves or leave it to our children? It would be better for us to do it and give a better world to our children.

How do we see our common future in the region and if we can become a massive corridor? Pakistan can become a trade hub, thereby, we can be an economic hub. If it is an economic hub, it will be an industrial hub. Using its geo-strategic location and its proximity to the Indian Ocean, Pakistan will bring the world together. Pakistan was made to bring these worlds together. But Pakistan is looking at all this economically. Pakistan is looking at it for playing a better role for the world. We are not looking at this militarily. Pakistan is a country that has always worked for the betterment of the world. We are a great nation with warm hearts and resilience. We have a great future and that is where we want to belong to.

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Session One

Pakistan and the Geopolitics of the Indian Ocean Rim: Where Do We Stand?

The session was chaired by **Vice Admiral (Retd.) M. Haroon,** *Former Rector, Bahria University.*

The speakers in this session included **Dr. Azhar Ahmad**, *HOD, Department of Humanities and Social Sciences, Bahria University, Islamabad;* **Commodore Zafar Mansoor Tipu,** *Former Director, National Centre for Maritime Policy Research Centre, Bahria University;* **Muhammad Abbas Hassan,** *Research Associate, Institute of Strategic Studies Islamabad.*

PRESENTATION

Indian Ocean Politics and Pakistan's Maritime Compulsions

Dr. Azhar Ahmad
Head of Department of Humanities and Social Sciences, Bahria University, Islamabad

More than two thirds of the earth's surface is covered with water. The world's oceans are the main medium of transportation, on which 90% of the global trade depends. Oceans are also a great resource of food and other organic and inorganic materials. It is said that almost 70% of the world's population lives on or near the coasts. With increase in population and dwindling resources on land, the significance of seas as an immense and scarcely utilized reservoir of food and other resources is obvious. Despite such overwhelming dependence on sea, the human understanding of the seas is very limited. If the First Sea Lord of Britain accuses his ministers of "Sea Blindness" countries like Pakistan need to take that very seriously. Pakistan, despite being a coastal state with a sea frontier of 1000 km, has failed to develop a maritime outlook. And, therefore, we need to invest more time and resources in trying to understand this domain.

Oceans have always been a major focus of mankind. The attraction for sea is founded in its riches as a repository of unending resource, a means of transportation, a dominion of power, and an arena for diplomacy and influence. It is often propounded, and not without reason, that the economic well-being and prosperity of the entire world is inherently linked to sea. Robert Kaplan argues that the most contested area of the globe in the last century lay on dry land in Europe. However, starting in the last phase of the Cold War, the demographic, economic, and military axis of the earth has measurably shifted to the opposite end of Eurasia where the space is, overwhelmingly maritime. The oceans are likely to be contesting grounds for the global power centres as evinced from US Pivot to Asia Pacific and opening up of polar routes.

I keep saying, at the cost of repetition, that the major source of conflict in the contemporary world is competition for its resources. Energy, raw materials, water, food supplies, how they can

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be accessed and how they can be transported, are key issues in geopolitics. Europeans fought each other for centuries, till they managed to appropriate all their resources and then they went to other regions to exploit theirs and the battle continues.

Indian Ocean (IO) was undoubtedly the first centre of oceanic activity millenniums before Columbus sailed the Atlantic and Magellan crossed the Pacific, the Indian Ocean had become an active thoroughfare of commercial and cultural traffic. Its semi-enclosed geography, densely settled rims, highly advanced societies and port towns, developed trade and culture, provided easy connectivity, of course, subject to seasonal monsoon winds. However, violence at sea, barring minor skirmishes with the pirates, was generally missing from the history of Indian Ocean till the arrival of the Europeans – the Portuguese in 1498, which abruptly ended the peaceful oceanic navigation that had been such a marked feature of Asian trade. What the Portuguese and their European successors brought with them was the notion of exclusive rights to maritime trade, something entirely alien to the tradition of long-distance commerce in Asia.

Pakistan, being a bona fide maritime nation and one of the most important littorals of Indian Ocean, is directly impacted by events in this Ocean and what lies in store for future, shapes our maritime policy. Needless to say that transportation of over 95% of national trade including critical POL supplies and industrial goods is reason enough for sea to assume even greater importance for Pakistan.

A strategic appraisal to identify potential sources of instability in the Indian Ocean region presents serious challenges in terms of its sheer scope and facets. From geographic standpoint, the IO covers nearly 20% of earth's water expanse and borders three continents. It is the smallest but the most strategic waterway encompassing 30 littorals and 11 land-locked states with close to 1300 islands. A key characteristic of Indian Ocean is that unlike the Atlantic and the Pacific as "Open Oceans", Indian Ocean can primarily be accessed through several choke points. Therefore, the security of these choke points or lack of it could have global ramifications.

It is evident from political map of the IO region that there are five distinct regions rolled into one with each generating its own peculiar dynamics:

- Middle East and Gulf

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- Red Sea and Horn of Africa.
- East Africa
- South Asia
- Southeast Asia

The littoral countries are widely dissimilar in size, population, per capita incomes and alarmingly include half the number of states that fall into first global quartile of the failed state index. A number of countries still have unresolved disputes on land and sea. This diversity has allowed the extra-regional powers to maintain their stranglehold on the area by exploiting the differences and weaknesses of the littorals. According to Heidelberg Institute of International Conflict Research, nearly 42% of world's conflicts are associated with IO countries.

From the economic aspect, Indian Ocean is one of the world's key lines of communication accounting for one half of the world's container traffic. The IO "Rimland," from the ME to the Pacific, accounts for 70% of the traffic of petroleum products and 35% of bulk cargo of the entire world. The combined appetites of China, Japan, Korea and India for oil from the Gulf are key factors in IO's economic significance. What is also unique about Indian Ocean is that only one-fifth of the total trade is conducted among the littorals of the IO themselves as 80% of the trade is extra-regional – that alone is a legitimate reason for global interest in this part of the world.

Most of the IO countries are heavily armed as half of them have forces in excess of 100,000 and military spending of at least 3% of the GDP. India, with over $63 billion defense spending per year, is a major source of imbalance in our immediate neighborhood. Of the three temperate oceans of the world, the IO presents the most awkward problems for security management. According to Thomas Barnett, no ocean is in need of strategic stability more than the IO, which is arguably the most nuclearized of the seven seas.

Pakistan's maritime challenges stem from both internal and external factors. Its geographical location is a blessing, as well as a challenge. Its long coastline right next to the energy jugular of the world - the Persian Gulf - is a virtual gateway to the "heartland". It not only provides access

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to the landlocked Central Asia and Western China but also provides connectivity to five important regions of the world: The South Asia, China, Central Asia, Persia and Arabia. Hence, almost the entire world has a stake in this region. Due to this geography, Pakistan has become an important actor in the global transition of power. Particularly, with the inception of CPEC.

Another important factor is the presence of extra-regional forces in the area. The presence of vast amounts of hydrocarbons and minerals and geopolitical significance of the North Arabian Sea has attracted a number of extra-regional players in the area. The Persian Gulf is particularly infested with foreign bases. The US has about 12 bases in the Indian Ocean, including a base in every GCC country. Similarly, other European countries, also have their bases in the Gulf. Djibouti offers military bases to a number of countries including the US, China, Japan, France and Italy, right at the confluence of the Red Sea and the Arabian Sea. At any given time, there are 70-100 Extra Regional Force (ERF) units present in the Indian Ocean, majority of them in our neighborhood. The presence of such a large number of extra-regional forces is a constant flashpoint and impinges upon national security interests of the littorals.

But the problem is not just of the extra-regional forces. A number of regional countries are also investing heavily in their military, especially the naval forces. Our arch rival India is the most ambitious military player in the ocean. India with its hegemonic Blue Water aspirations has spent lavishly in its maritime capability. It has become one of the largest arms importers and manufacturer of modern ships and aircrafts, nuclear and conventional submarines and aircraft carriers. In addition to numerous naval bases and air stations along its own coast, it continues to expand its arc of influence by acquiring basing rights in other countries of the Indian Ocean such as Mauritius, Madagascar, Seychelles, Iran and recently Oman. India's military intervention in neighboring states and its involvement in regime change such as in Nepal, Sri Lanka and lately Maldives, may have serious repercussions. The new US strategic thinking has linked the US economy and security to developments in the Indian Ocean, elevating India to the position of a regional anchor and a long-term strategic partner in the Indian Ocean. In 2016, India signed a logistics agreement with the US that will facilitate use of US facilities throughout the region, by the Indian Navy and Air Force. In November, India signed a deal with Singapore to extend its access to Changi naval base. Recently, India has announced the finalization of a logistics

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exchange agreement with France that will allow Indian access to French military facilities as well. India has also proposed use of Vietnam's Camh Ranh naval and air base.

Pakistan has almost complete economic dependence on sea with more than 90% of its total trade and 100% of its POL imports coming from the sea. This dependence is likely to increase manifold, with the operationalizing of the Gwadar port and CPEC. This would require a robust maritime infrastructure and a more developed shipping industry.

The non-traditional and asymmetric challenges of maritime piracy, terrorism, human/ drug and arms trafficking, challenges from marine pollution and climate changes also remain very important issues.

In short, the current security environment in IOR is characterized by some unique features. There is no region-wide security regime for the Indian Ocean. The sub-regional security regimes are relatively weak. And security arrangements are essentially Western-oriented, principally orchestrated by the US. Furthermore, there is an emphasis on stronger bilateral, rather than multilateral, security relationships. It is against this complex geostrategic backdrop juxtaposed with challenging internal security and economic situation that Pakistan has to formulate its maritime strategy.

However, for me, after internal stability, Pakistan's primary challenge is lack of maritime outlook. Due to various understandable factors, Pakistan's strategic orientation has remained continental since its independence. This is not going to work in the new world order. Pakistani policy planners, decision makers and intelligentsia have all to realize the importance of the maritime sector and shift the focus to the sea. Changing mindsets is never easy, but the transition has already begun, especially after CPEC, we need to give it direction and momentum.

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PRESENTATION

Current Global Maritime Trends and Pakistan

Commodore Zafar Mansoor Tipu
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Introduction

The Indian Ocean is fast becoming the new centre of economic gravity, as it ties together the economic fortunes of emerging Asia, the US, and Europe. One can witness maritime rivalries, as well as international cooperation in the Indian Ocean. The future trajectory of events in the Indian Ocean may not be very clear, but the economic and strategic importance of the Ocean's major Sea Lines of Communication (SLOCs) – particularly its choke points – will continue to grow. But it's not just about sea lanes and trade. A large percentage of the world's armed conflicts are presently located in the Indian Ocean region, while the waters are also home to continually evolving strategic developments including presence of extra regional forces, emerging competition between China and India, nuclearization of the Indian Ocean littorals, the US interventions in the regional countries with allied support, threat of terrorism, continued threat of piracy in and around the Horn of Africa and severe threat to vital living resources.

Current Global Maritime Trends and Pakistan

I will cover the following trends:

- Maritime Security
- Piracy and armed robbery
- Illicit trafficking
- Economic trends

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- Blue Economy
- Overfishing
- Demarcation of maritime areas
- Inadequate Legal and Management Framework

Maritime Security

The naval response to the needs of maritime security in the Indian Ocean has been through deployment of navies by a number of countries and alliance partners. US-led Combined Maritime Forces (CMF) is a multi-national naval partnership. CMF's main focus areas are defeating terrorism, preventing piracy, encouraging regional cooperation, and promoting a safe maritime environment. It comprises three Task Forces: *CTF 150 (maritime security and counter-terrorism), CTF 151 (counter piracy) and CTF 152 (Arabian Gulf security and cooperation) with 31 member nations.* Besides CMF, EUNAVFOR, the EU Naval Force, Chinese naval task force (CTF 525), warships from several countries including India, Iran, Japan, Malaysia, Singapore, Republic of Korea are deployed in the region for anti-piracy and anti-terrorism operations. Pakistan is part of CTF 150 and CTF 151 and has commanded these forces several times. Pakistan has also been active in improving mutual understanding and interoperability of the world navies contributing to the maritime security through AMAN series of exercises. The latest was held in 2017 in which 35 navies participated, 09 with their units. I must mention here that it is an exercise which has brought together the US, Chinese and Russian navies in an exercise which is unprecedented.

The external powers have significant interests in the Indian Ocean region including freedom of navigation and uninterrupted flow of trade and maritime commerce. Some Indian Ocean states are of the view that the responsibility for Indian Ocean maritime security should rest primarily with the littoral states. However, external powers have their legitimate interests to protect and they also have the capacity to contribute. They are here to stay as long as their interests remain. The answer to the issue is effective maritime security cooperation catering to needs of both the

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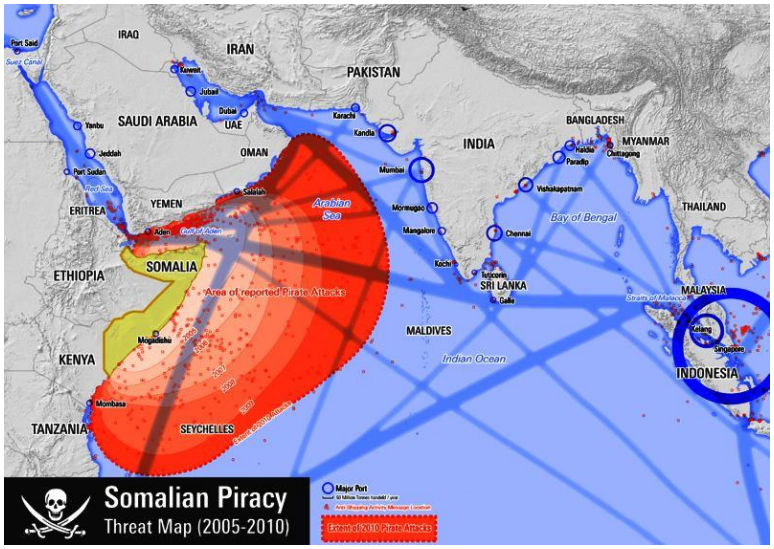
littorals, as well as external powers. The experience of anti-piracy operations proves that this is possible.

The Indian Ocean is also a major testing ground for great-power relations between the US and the potential emerging contenders, China and India, who harbor mutual mistrust. The US naval supremacy will continue, however China will slowly catch up in some capabilities. In view of their respective interests and ambitions, both China and India are starting to consider the Indian Ocean in terms of prerogatives and responsibilities which is a potential source of future conflict. Pakistan remains cognizant of the situation and naval developmental strategy caters to the national defense needs.

Piracy and Armed Robbery

The map below shows the areas in the world where piracy threat exists. Besides the threat to life of seafarers and cargo and disruption to trade, another implication is increased shipping costs because of imposition of war risk surcharges by the insurers**.** The sharp increase of piracy activity from 2008 to 2012 led to an unprecedented international action to address the problem. This included naval deployments in the shape of coalitions, as well as independent deployments aided by UN and other agencies providing the governance framework for coordinating the fight against piracy. The measures showed success, and since 2012 no large scale piracy attack were reported. Only recently, there have been some attacks on ships in the Gulf of Aden. This also led to redefining of the piracy high risk area in 2015.



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Pakistan is the pioneer regional country in the fight against piracy. Piracy incidents came closer to the waters of Pakistan, but vigilance of the navy ensured that no pirate attack occurred in our waters. The Pakistani Navy is the only regional navy which has taken a lead role in the international missions in the Gulf of Aden in commanding the Combined Task Forces 151 several times.

The drop in maritime piracy in recent years may prompt nations and shipping companies to reduce counter-piracy measures around the world, particularly in the Horn of Africa. These would be premature as the potential for its resurgence exist particularly in an environment where counter-piracy efforts are reduced.

Illicit Trafficking

Illicit trafficking includes trafficking of narcotics, illegal arms, human smuggling and general smuggling of contraband items like liquor. Such trafficking involves transnational organized crime syndicates. They also have a nexus with pirates as the medium and means used by the traffickers, as well as pirates, and for that matter terrorists too, is the same. Illicit trafficking happens all over the world and oceans are a preferred medium for this activity. Pakistan is affected by all types of illicit trafficking which is either headed to or from Pakistan's coast. Significant efforts on the coastal belt and at sea are employed to counter the illicit trafficking. Besides curbing this criminal activity, it also contributes to countering piracy and terrorist activity.

Economic Trends

The oceans are destined to be the next economic frontier in this increasingly congested world. We are seeing a new, multi-polar, world economic configuration emerging in terms of resource demand and allocation, trade and consumption patterns and a shift in the centre of economic activities from West to East. It poses many challenges but also opens many new opportunities for the maritime sector. These will have profound impacts on commercial shipping requirements and natural resource exploitation. Increasing demand for sustainable energy sources also seems to be driving the search offshore. The maritime sector in a decade or so will be almost unrecognizable. There will be increase in the demand for naval vessels and platforms, bulk

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carriers, oil and LNG carriers and container ships requiring an upgrade of the respective port and shipbuilding infrastructure. The trend for exploration of fossil energy sources will continue to offshore locations and to deeper waters and harsher environments. Energy production on offshore wind farms will significantly increase, and also, other water-based energy production devices using wave and tidal current energy will have a larger market.

The volume of seaborne trade will double from nine billion tonnes per annum to somewhere between 19 and 24 bn tonnes in the next decade with China emerging as a maritime superpower in shipping, maritime trade and shipbuilding. CPEC and development of Gwadar port is a step in this direction. Indian investment and recent acquisition of control over Chabahar is in response to these developments. The ports of Karachi and Bin Qasim have invested in expanding and improving their cargo handling and are well poised to compete for national, transit and CPEC trade as the connectivity with hinterland improves. Our shipyard however, does not have the capacity to benefit from the expected shipbuilding boom. A new shipyard at Gwadar is planned which can compete for orders once it is operational.

Blue Economy

The world's oceans are a significant contributor to global GDP and provide food, energy, jobs, and recreation for a large portion of the world's population. Our oceans drive economic activity, a medium for 80% of global trade, 32% of hydrocarbons extracted for energy needs, and for both domestic and international tourism for almost 200 countries. As more and more countries look to the ocean as a new economic frontier and new source of industrialization and growth, the ecosystems upon which many ocean economic activities depend are deteriorating at an unprecedented rate. Maintaining and restoring the functions and integrity of these ecosystems (i.e. 'ocean health') is now synonymous with growing ocean wealth. Sustainably developing ocean spaces for a nation's economic advancement and growth is the cornerstone to deriving economic benefit.

The 2012 Rio+20 conference first raised the notion of a "Blue Economy" and the need to stimulate "blue growth," particularly for island nations and developing countries with significant coastlines and/or maritime areas. This concept has captured the imagination of policy makers and international organizations alike. How to stimulate economic growth in ocean areas may be

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understood by many; but it is not clear what a sustainable ocean economy or Blue Economy should look like, and under what policies, conditions, and pathway is it most likely to develop. Sustainably developing ocean spaces for economic growth and development while maintaining and improving ocean health can define a new era of economic opportunity for littoral countries. This requires better understanding of ocean ecosystems to better define a pathway to support the growth of a country's Blue Economy. There is also a need to develop joint measures for dealing with illegal, unreported and unregulated (IUU) fishing, climate change, and environmental security for the pursuit of a Blue Economy.

Many coastal nations have already introduced a mix of sector and industry-specific policies for economic activities in the ocean, and increasingly, countries have undertaken efforts to develop more integrated policies reflecting the underlying ecosystems, including coordinating the actions of various government agencies.

Although "Blue Economy" has become a major political buzzword, but it remains a major challenge to implement this agenda. The Indian Ocean Rim Association (IORA) is the largest regional organization with a membership of 21 countries. It discusses the issues related to maritime cooperation and building a 'Blue Economy', but geopolitical competition and a lack of resources are hampering any practical implementation. It lacks representation from countries like Pakistan, and therefore, have limited effectiveness within the Indian Ocean.

'Blue Economy' concept is likely to get more traction in the region as it embodies the necessary aspect of sustainable exploitation of maritime resources for the food and energy security.

Pakistan has over 1000 km long coastline, the Exclusive Economic Zone covering about 240,000 sq km and extended Continental Shelf of over 50,000 sq km. This holds promise for a thriving Blue Economy, but little has been done in this regard. It requires a thorough understanding of and the commitment to the concept and concerted efforts with international assistance to achieve the goal.

Overfishing

One of the targets of Sustainable Development Goal (SDG) 14 is:

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Effectively regulate harvesting of fish stocks and end overfishing, illegal, unreported and unregulated fishing by 2020 (including prohibiting subsidies that contribute to overfishing), to restore fish stocks in the shortest time feasible to levels that can produce the maximum sustainable yield.

The most common and global threat to living resources in the sea is that of overfishing. It is commonly referred to as *illegal, unregulated and unreported* or IUU fishing. Both state and non-state actors engage in IUU fishing which costs between $10 and $23 billion annually. These figures, comparable to piracy in scope, often have an immediate impact on the lives of local populations, and at least one study has suggested that fishery depletion from illegal fishing is a contributing cause of maritime piracy around the Horn of Africa. Despite various initiatives, it has been estimated by FAO that 75% of fishery resources in the south-western Indian Ocean had been fished to their limits, while the remaining 25% had been harvested beyond ecological sustainment. The situation is similar elsewhere too. The consequences of over fishing, which is actually largely a result of activity by countries outside the region, could eventually have serious consequences for littoral states that depend heavily on maritime resources to feed their populations and also provide valuable export revenues. The mechanisms to establish sustainable fisheries have not been effective. There are serious challenges to establishment of these mechanisms and cooperation because of the region's existing security architecture. Moreover, the majority of institutions, such as the Indian Ocean Tuna Commission, only operate at a sub-regional level or focus on specific species.

Stock assessment in our waters have indicated that some important resources including shrimp, lobsters, sharks and crabs have already crossed their maximum sustainable limits and this trend continues. Pakistan's coastal area produces more than 625,000 tonnes of fish, out of which only 131,000 tonnes is exported. If fully materialized, the exports can fetch an additional $2 billion. There are over 30,000 fishermen in Pakistan, with another 700,000 people associated with the trade. Many use trawlers and small nets to catch fish, a practice considered harmful for marine life. Unsustainable practices in fishing, destructive gear, uncontrolled fleet size, and poorly-planned development are other factors leading to untapped potential, as well as over fishing of valuable species. Fishing by foreign trawlers is under licence and generally there is limited or no poaching by foreign trawlers due to effective monitoring of our waters by the MSA and PN.

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There are regular incidents of poaching by Sindhi and Balochi fishermen in each other's waters. Poaching by Indian fishermen also occurs in Sir Creek area where the maritime boundary is yet to be delimited.

Demarcation of Maritime Areas

There is a global scramble to claim and demarcate all possible maritime areas and boundaries to bring them under respective sovereignty or sovereign control. This brings in maritime boundary and resource disputes which have potential for conflict and friction. Countries try to resolve these issues and disputes through all means possible; use of force, negotiations and arbitration. The *last frontier* in this regard is the extended Continental Shelf. Pakistan was the first country in the region to claim and successfully defend extension of its Continental Shelf, whereas Indian claim will come under consideration this or in 2019. Oman has also submitted its claim recently. While Pakistan has demarcated its maritime boundaries with Iran and Oman, Sir Creek issue remains unresolved between Pakistan and India. Till the time it is resolved, delimitation of EEZ and Continental Shelf boundaries would not be possible.

Inadequate Legal and Management Framework

Legal Framework and regimes available for handling the maritime issues are as follows:

- Charter of the United Nations.
- United Nations Convention on the Law of the Sea (UNCLOS).
- Global conventions like Prevention of Pollution from Ships (MARPOL) & Safety of Life at Sea (SOLAS). It also includes conventions and agreements covering transnational organized crimes, resource security and prevention of pollution from vessels.
- Regional and bilateral conventions, agreements and arrangements.
- National legislation and management measures.

UNCLOS maintains a balance between interests of the coastal states and the rights of other nations who want to enjoy the freedom of seas, but the good order at sea can only be achieved

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through international cooperation and robust international and national legislation and mechanisms. Pakistan, unlike many other maritime nations, is weak in keeping its national legislation up to date to cater for the international law related to maritime matters.

Maritime zones management and exploitation requires an integrated approach as it encompasses a wide scope covering military protection and policing, environmental control, fiscal and customs management, scientific exploration and industrial activities. It not only requires appropriate resource allocation, but also legislation and legal regimes for enforcement of requisite measures. Many states with huge maritime zones lack requisite legislation to manage and protect these zones. Legal framework is either missing, inadequate or outdated. A typical and relevant example is legislation and penal code for piracy. Whereas piracy is covered in UNCLOS, many states including Pakistan lack any legislation which defines piracy as a crime thereby limiting a state's capacity to prosecute pirates. Pakistan's Maritime Zones Act of 1976 is outdated and has been under review. The new draft is languishing for cabinet approval for period spanning years now. It includes provisions for prosecution of pirates if apprehended in Pakistani waters.

Management of our maritime potential is disjointed, resource starved and lacking institutional capacity both at federal and provincial levels. The erstwhile Ministry of Ports and Shipping has recently been named as Ministry of Maritime Affairs, but it essentially continues to handle ports and shipping issues. There are dozens of Ministries and Departments which deal with maritime matters, but there is no coordination amongst these entities. This has resulted in a situation where even our true maritime potential and resources are not known. The 18th amendment has complicated the matter further as the coastal and internal waters now fall within the jurisdiction of provinces.

Conclusion

Maritime arena is developing at a fast pace and staying abreast with the evolving trends and opportunities will ensure success and benefit to a littoral state. This requires a continued analysis of the trends to adapt own plans and measures for best advantage. Lack of our understanding of and approach to anything *maritime* is a big barrier to any meaningful development and exploitation of our maritime resources and potential. Maritime awareness among the decision

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makers and general public is woefully low and there is lack of institutional capacity both at federal and provincial level to tackle important maritime issues. It is best summed up in the words of Geoffery Till:

> *"In some ways (...) the biggest threat to the maritime future is an insidious one of ignorance and neglect amongst the general population and some parts of government".*
> *Geoffery Till, Seapower*

I am glad that this conference planned by Institute of Strategic Studies Islamabad (ISSI) and Institute of Management Accountants (IMA) is a step towards enhancing our understanding of the maritime potential of Pakistan, and I hope it will generate some academic activity to analyze and provide solutions to some of the many issues that we face in this regard.

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PRESENTATION

The Maritime Asia-Africa Growth Corridor (AAGC): Opportunities for Pakistan

Muhammad Abbas Hassan
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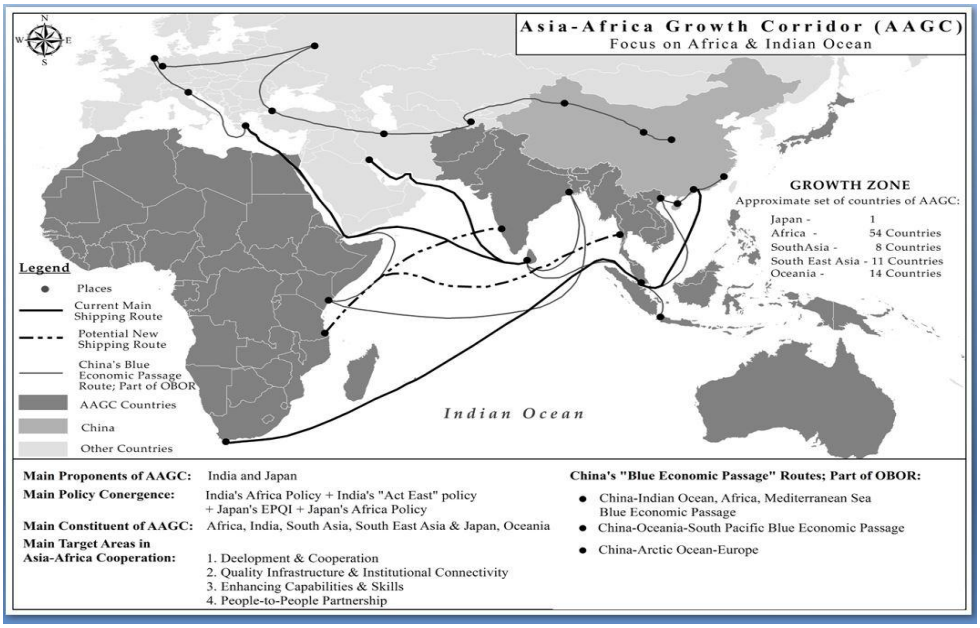
The Asia-Africa Growth Corridor (AAGC) is a relatively new idea in the maritime domain and was announced in 2017 in May at the African Development Bank summit which was held in Gandhi Nagar India. This corridor is the duplication of the 'Freedom Corridor' which was originally proposed by the Japanese Prime Minister Shinzo Abe during his meeting with Indian Prime Minister Modi in 2016. So what exactly is this corridor?

The Asia-Africa Growth Corridor is an India-Japan cooperation agreement which aims at the social economic development of Asia and Africa. This corridor is also built along the Belt and Road Initiative (BRI) of China, although BRI is a much larger and bigger project. The Asia-Africa Growth Corridor can be a complementary corridor to the BRI. I am flashing the map of corridor here and I will be coming back to this map later on by the time I am finishing my presentation so that we have a better understanding of this corridor.



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The idea of the corridor was initially discussed in the India-Japan annual summit meeting in Tokyo in November 2016 to better integrate Africa by establishing strategic linkages with other regions such as South Asia, South East Asia, East Asia and Oceania. The corridor suggests that the eastern side of the Africa onwards to Oceania, which technically means 75% of the population of the world, should be inter-connected.

When the idea was initially proposed in 2016 as the 'Freedom Corridor' there were many technical glitches that needed to be addressed. The governments of Japan and India hired three think tanks, namely Research and Information Security (RIS) from India, Economic Research Institute for ASEAN and East Asia in Indonesia, and the Institute of Developing Economies, Japan. These three think tanks in coordination with governments worked on the idea and as a result, the Africa-Japan corridor was announced.

The corridor aims at four target areas. First is a development and cooperation. The bulk of development is to be carried out in the Eastern rim of Africa where Japanese and the Indians will be building infrastructure, and this will lead to cooperation among the African countries, Japan and India. Second is the building of quality infrastructure which will not only be digitally connected, but will also have institutional connectivity. The third is enhancing capabilities and skills as the corridor aims to develop the capabilities and skills of the Africans, so that when the Japanese and Indians start building their infrastructure in Africa they can utilize the skilled labor trained by Japanese and Indians. The fourth one is to build people-to-people contact for establishing business in countries. The overall idea is enhancing growth and interconnectivity between and within Asia and Africa.

From the policy document of the corridor, we can safely say that there are three general objectives. Number one is to expand India and Japan mutual outreach towards the African continent by focusing on quality infrastructure. The second one is to link Africa to the Indian Ocean region within the intercontinental context of Asia-Africa cooperation where Japan and India will be playing the leading roles. And third is to shape the value-based liberal order in the Indo-Pacific which was explained in the inaugural session.

If we look into the key areas and general objectives, then we have to look at the relations between Japan and Africa at the moment. Japan's policy towards Africa came out in 1993 when

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Japan held an international conference on African development. However, despite having a 25 years old relationship, the amount of investment has not risen and that was more in line with Japanese assistance funding. But since Africa is a huge landmass of fifty-four countries, it is attracting investments from countries like China, India and Japan. So when you look at the investment made by the Japanese in Africa from 2000-2015, we see a general trend that its more or less on the same lines and it has not increased significantly with only 2006 as an exception.

Coming to bilateral trade of Africa. The US bilateral trade is not even 50 billion dollars according to 2015 statistics, where as Chinese bilateral trade with Africa is over 150 billion dollars. If you combine the trade of India, US and Japan it still does not come close to the Chinese trade. So the Chinese are investing in big numbers in Africa. When Prime Minister Shinzo Abe came to power, he took the conference that usually happens in Japan to Kenya and this happened in 2016 where they started to consider the idea of the corridor. Prime Minister Abe in his address said that he wants to have a quality Africa which will be centered around infrastructure and human resources.

I will briefly touch on Indian relations with Africa. When Modi came to power, he said that Africa is the top priority for India. In his speech, Modi said that he wants to forge closer cooperation in the field of energy, greater market access co-development of infrastructure and establishing greater maritime coordination.

Why are Indians and Japanese interested in Africa. Being a continent of 54 countries means 54 votes in the UN General Assembly which increases their position at this forum in terms of support for resolutions.

Based on what I have said till now, the corridor poses a lot of challenges for Pakistan, but then there is a famous Chinese proverb that “every challenge has opportunities”. So what are the opportunities of Pakistan?

The corridor actually allows us to expand our foreign policy options. Traditionally, our foreign policy has been focused towards developing ties with certain countries like US in past and now with China and Turkey. As the corridor will be developed, Pakistan can also have access to this corridor so we can have influence over these countries through trade and maritime cooperation.

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The next one is China-India example. All of us know that China and India have their own border disputes and India is opposed to CPEC and BRI projects, but despite of all that these two countries have a bilateral trade of over a hundred billion dollars. So Pakistan can follow the footsteps of China and without compromising our key stances, as we can develop trade ties with India through the use of Africa-Japan corridor.

It also allows us to deal with India outside the geographic reach of South Asia. Sooner or later, as the NSA pointed out earlier, we have to engage with India so that we can benefit from this corridor. This corridor also gives us a platform to deal with African countries and will allow us to explore new markets in Africa, a continent rich in strategic minerals that can be exploited by Pakistan. Also, a lot of Pakistanis have a strong presence in Africa.

We have been talking about maritime blindness throughout the day, so when the corridor is developed it will be monitored so this will allow us to access deep seas with minimum maritime blindness. We were talking about the region which was plagued by piracy for years and the main cause was maritime blindness, but when the corridor is developed, Pakistan can safely operate in this region.

As the National Security Advisor said in the inaugural session, all the roads pass from Pakistan. The CPEC is passing through Pakistan and the corridor will give a multiplier effect to CPEC and it will compliment it because Pakistan can use its new port facilities to access African markets. Also, if Pakistan actually embraces the corridor and uses it to the benefit of its own potential, our regional and international repute will increase.

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QUESTION – ANSWER SESSION

Q: Is there is any link between the recent development regarding India taking the control of Iranian Chabahar Port and Pakistan sending troops to Saudi Arabia ?

A: There is no linkage between the two developments, and moreover, it is wrong to assume that India has control of the port. Instead, India and Iran are developmental partners in Chabahar and it will be using Chabahar of course as India has the right to use the port. But the concern is valid about potential misuse and it was also reflected in NSA's speech. We should not be concerned with Pakistan-Saudi Arabia security partnership as it's an old cooperation and we should keep our influence in Saudi Arabia.

Q: What is being done to address the fishing concerns in the view of development of Gwadar port and the disturbances it has caused within the fishermen community?

A: Alternate area has been built in Gwadar for fishing. It is illegal to catch small fish and use small nets for fishing and this is part of the reason why fisher community are facing difficulties.

Q: What will be the role of Gwadar in handling Pakistan cargo as it is being handled presently and in an efficient way at Karachi and Port Qasim?

A: Gwadar will handle CPEC related cargos while Karachi and Port Qasim are dealing with Afghanistan and Central Asia bound cargo. At the moment, Gwadar Port facility cannot handle large cargo, but this will change in due time after completion of developmental plans there.

Q: Does importance of Gwadar Port pales as compared to ports like Colombo, Salalah and Kota Lumba as they have more advantage in terms of their close location to Sea Lines of Communications (SLOC)?

A: Gwadar is still in developmental process and it has to be built at depth of 18 meters to handle cargos. But as the trade grows, its capacity needs to be increased. Potential for

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transit and shipment is there at Gwadar, but we have to wait patiently to avail its full potential.

Q: What should be Pakistan's policy towards Asia-Africa Growth Corridor and towards East African countries given India's economic and political advancements there which are ahead of Pakistan?

A: BRI initiative is much larger that Asia-Africa Growth Corridor, but Pakistan should not limit its option to CPEC and BRI and explore other corridors as well such as Asia-Africa corridor. We don't have to go there and build roads and infrastructure, but instead we should optimize our investments where it is feasible. Pakistan needs to expand its exports to East African countries.

Q: What is the feasibility of Asia-Africa Growth Corridor given the financial and political difficulties faced by India and Japan, and what are public sources saying about its funding?

A: As per the initial reports, Japan has pledged to invest 30 billion dollars and India will be investing 10 billion dollars. This is just for the initial phase, later on, these countries plan to work on a public partnership basis where individuals and state-owned companies will invest in the eastern rim of Africa.

Q: Is there any plan to establish Bahria University campus in Gwadar and Baluchistan?

A: It is a good idea and discussions have been ongoing on this subject within Bahria University.

Q: What is the possibility of a formal military alliance in the Indian Ocean Region between like-minded nations aimed at China?

A: The possibility has increased manifolds that QUAD group may take a more formal and permanent form in the regional strategic milieu.

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Session Two

Maritime Economy: Opportunities and Challenges for Pakistan

The session was chaired by **Ambassador Khalid Mahmood,** *Chairman, Institute of Strategic Studies Islamabad.*

The speakers in this session included **Mr. Waqar Ahmed,** *Sr. Joint Secretary for Ministry of Maritime Affairs*; **Cdre. Babar Bilal**, *Director, National Centre for Maritime Policy Research Islamabad*; **Dr. Idrees Khawaja**, *HOD, Air University School of Management, Islamabad*; **Dr. Safdar Sohail**, *Director General, National Institute of Management, Member Governance Planning Commission;* **Mr. Ahmer Bilal Soofi**, *President, Research Society of International Law.*

PRESENTATION

Potential of Pakistani Ports: Strengths and Shortcoming

Mr. Waqar Ahmed
Sr. Joint Secretary, Ministry of Maritime Affairs

The Ministry of Ports & Shipping was created in September 2004 after bifurcation of Ministry of Communications. Renamed as Ministry of Maritime Affairs in October 2017, it has following functions:

a. Navigation and shipping including coastal shipping

b. Safety of ports and regulation matters

c. International shipping

d. Safety of shipping

e. Training of Seamen

f. Fishing and fisheries beyond territorial waters

Karachi Port

Karachi Port was established in 1987. It has 27 general cargo berths and 3 dedicated container terminals in private sector. It has been managed by Karachi Port Trust (KPT) under KPT Act, 1866. The Port's performance since 2013 is presented in the tables given below.

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Table 1:

Operational Performance of Karachi Ports Since 2013 (Million Tons)

Period	No. of ships	Total Cargo Volume	Imports	Exports
2013-14	1,674	41.350	30.343	11.007
2014-15	1,732	43.422	33.000	10.422
2015-16	1,893	50.045	40.259	9.786
2016-17	1,921	52.493	42.638	9.856
2017-18 Jul-Dec	1,066	27.199	21.673	5.526

Table 2:

Financial Performance of Karachi Ports Since 2013 (Rs. Millions)

Description	2013-14	2014-15	2015-16	2016-17	2017-18 (Jul-Nov)
Revenue	17,536.83	16,915.00	17,817.92	18,868.51	9,578.91
Expenditure	10,183.23	11,561.79	10,946.38	14,360.51	6,026.90
Profit before Tax	**7,353.60**	**5,353.21**	**6,871.54**	**4,508.00**	**3,552.01**
Provision for Income Tax	2,206.08	1,605.96	2,061.46	1,352.40	1,065.60
Net Profit for the year after Tax	**5,147.52**	**3,747.24**	**4,810.07**	**3,155.60**	**2,486.40**

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Port Qasim

The Port Qasim Authority (PQA) was established through an Act of Parliament, on June 29, 1973. The port became fully operational by early 1983. It has 10 total berths, which are managed by private sector, while Liquified Natural Gas (LNG) is handled only by PQA. The operational and financial performance of the port are given in the table below:

Table 3:

Operational Performance of Port Qasim Since 2013 (Million Tons)

Period	No. of ships	Total Cargo Volume	Imports	Exports
2013-14	1,072	25.775	18.076	7.699
2014-15	1,280	30.014	21.608	8.405
2015-16	1,376	33.321	25.857	7.464
2016-17	1,406	33.358	30.995	6.363
2017-18 Jul-Dec	754	21.367	18.432	2.935

Table 4:

Financial Performance of the Port (Rs. Millions)

Description	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18 (Jul-Nov)**
Revenue	7,298	8,959	11,996	14,161	5,927
Expenditure	(5,971)	(8,144)	(8,177)	(9,192)	(4,094)
Profit before Tax	**1,326**	**815**	**2,819**	**4969**	**1,833**
Provision for Income Tax	(451)	(269)	(1,222)	(1,540)	(550)
Net Profit for the year after Tax	**875**	**546**	**2,597**	**3,428**	**1,283**

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Gwadar Port

Gwadar Port Authority (GPA) was established through GPA Ordinance of 2002 and it became operational in 2008. It has 3 multi-purpose berths. China Overseas Port Holding Company (CPHC) is operating Gwadar Port under Concession Agreement and the commercial operations of the port are likely to commence in the second quarter of 2018.

Strengths and Weaknesses

Pakistani ports have various strengths. They have a specific geo-strategic location and enjoy an autonomous status. They are situated in a low competition environment and are blessed with skilled manpower. Ports Qasim and Karachi are of special importance because huge industrial estates are being developed there. On the other hand, Gwadar Port is emerging as a hub in the region on the account of China-Pakistan Economic Corridor (CPEC). Yet, these ports have certain shortcomings as well. They have a poor hinterland connectivity. Railway network is not well-developed, which accounts for low participation of railways in cargo handling. Karachi Port is relatively a busy port and traffic congestion becomes one of its shortcomings. Labor Union issues are there and ineffective resolutions are also one of the weaknesses. The environmental effects of dredging process are detrimental and their ineffective handling disturbs the marine life. Along with environmental pollution, dredging issues are a common weakness of all these ports.

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PRESENTATION

Development of Maritime Potential: An Essential to Country's Development

Commodore Babar Bilal
Director, National Centre for Maritime Policy Research, Islamabad

The exploitation of sea resources plays an important role in the economic prosperity and development of a nation and ultimately contributes to its strong defense. On the other hand, oceans provide key ecological services and support a wide range of human activities as most ancient activities known to human beings connected to maritime sector have been fishing and transportation over sea. There are other major activities associated with sea trade like ship-building and repairs, marine construction, and also the infrastructure and communications required for linking these ports with the hinterland. Thus, the scale of economic activity generated through sea trade is enormous and has the capacity to alone turn the fortunes of the coastal states.

Historically speaking, no nation in the past, whether, Muslims powers of earlier era like Tariq Bin Zayad, Mohammad Bin Qasim, Sultan Mohammad Fatah, or non-muslins powers like British, Dutch, French, Chinese or Portuguese could succeed without exploiting maritime resources. Other nations like Holland, Japan, China, Singapore and South Korea, who have emphasized and understood the importance of maritime sector, are now amongst the advanced nations of the world. China's Belt and Road Initiative, Maritime Silk Route and investment in Chinese Navy is the prime example of Chinese vision of path to the development and progress. Similarly, India is also investing heavily into maritime sector including upgrading its navy to protect and promote her maritime interests.

Globalization has brought a sea change effect on the maritime sector of the world. Because of the opportunities being offered by the globalization phenomenon, this world is shrinking fast and becoming like single village and has virtually made all states neighbors to each other. All nations

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are free to trade and export their products to far and distant locations. It can safely be said that globalization is critically dependent on maritime sector to sustain and flourish in the 21st century.

Coming back to Pakistan's maritime sector, we know that our country has been blessed with over 1000 km long coast line, 290,000 sq km EEZ including extended Continental Shelf, warm waters, all weather running ports and closer proximity to strategic Gulf region. Pakistan is also blessed with good quality sea products which include fish, sea-bed resources and other hydro-carbon assets. At the same time, Pakistan is also vulnerable because of its total dependence on Sea Lines of Communications for its import/export. Our coastline is also not very secure; hence, it can be penetrated at any hour of the day/night.

At present, we have more than 51 different maritime stake-holders to safeguard maritime interests of Pakistan. Furthermore, 18th amendment has also dealt a blow to administration of maritime sector in Pakistan as maritime sector deals with outside world, whereas, provinces have been assigned responsibilities prematurely. There is a dire need to understand the importance of maritime sector for following mentioned reasons:

a. Land resources with respect to population of the world in general and Pakistan in particular, are depleting fast.

b. No permission is required to use international waters as is the case of land boundaries and airspace.

c. Maritime nations have an edge over land-locked countries, due to better economic opportunities.

d. Sea is a cheap mode of transportation as compared to rail, road and air.

e. Pakistan's strategic location viz a viz its land locked neighbors, provides greater opportunity for maritime trade and commerce.

Pakistan is located at the heart of the main sea trade routes and in close proximity of the Gulf in the North Arabian Sea. Existence of untapped ocean resources, our reliance on the sea trade and the fact of providing Afghanistan and the Central Asian States an access to the sea, places Pakistan in a potentially viable commercial position. Despite being located at the sea, the people

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of Pakistan have no orientation for life at sea. The major reasons for lack of maritime orientation are:

a. Pakistan has inherited the Sub-continent mind-set of living off the rivers and plains rather than the seas.

b. Pakistan coast is scantily populated except Karachi and coastal towns of Gwadar and Pasni lack drinking water.

c. History taught in our schools and colleges deals mostly with the exploits of man on land and seldom about the role of sea power.

d. Pakistan has been facing security threats right from her independence, hence, could not spare enough financial resources for maritime sector.

e. Government policy makers' knowledge of maritime affairs is limited.

f. The absence of a communications network and other basic facilities in the coastal areas have aggravated the situation.

g. The maritime sector's development has been thwarted due to absence of maritime legislations. The first ever maritime policy was issued in 2002.

h. Pakistan failed to understand the benefit of its maritime geography, nor comprehend true potential of its maritime elements of power as defined by Admiral Mahan.

Today, Pakistan's annual trade is about 100 million tonnes, of which, the national carriers carry less than 10% against world recommended 40%. Resultantly, the annual freight bill exceeds US $ 4 billion, which is a colossal drain on the foreign exchange reserves of the country. Pakistan relies on sea transportation for over 96% of its imports and exports. It includes imports of over 35% of raw material for capital and commercial products and about 65% of oil. The state of Pakistan merchant fleet is not very healthy. Pakistan Shipping Industry has undergone various changes since her independence in 1947, which can broadly be divided into two phases:

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Phase 1 - Development of Shipping Before 1971 War

At the time of independence, the two wings of the country were separated by thousand miles of Indian territory and linked through sea. This situation demanded a Pakistan merchant fleet. Before 1971, Pakistan had 71 ships out of which NSC owned 32 vessels and the remaining 39 belonged to the private sector.

Phase 2 - Development of Shipping After 1971 War

The downfall of our shipping industry began in the aftermath of 1971 war. The present strength of merchant fleet consists of 14 cargo vessels and 04 oil tanker all owned by Pakistan National Shipping Corporation and Pakistan Tanker Company respectively.

Ports and harbors play an important role in strengthening the national economy and contribute significantly towards the prosperity of countries. In addition to maritime functions, port activities also include airports, bridges, rail systems, industrial parks, Free Trade Zones, shipyards, and dredging facilities.

Pakistan has 5 ports along its coastal belt which include Karachi, Port Qasim, Ormara Naval Harbor, Pasni Fish Harbor and Gwadar Deep Sea Port. Karachi and Port Qasim are major ports which handles both liquid and dry cargo. With addition of Gwadar Port and deep sea berthing facility in Karachi Port, Pakistan is all set to handle bigger quantities of cargo not only for Pakistan, but China, Afghanistan, NATO and Central Asian Republics will also benefit from these facilities.

Fishery plays an important role in Pakistan's national economy and provision of food. It provides employment to about 500,000 fishermen directly, whereas, more than 1 million people are employed in ancillary industries. There are about 20,000 fishing boats in coastal area of Pakistan which operate in shallow coastal waters, as well as in offshore areas. Fishery sector in Pakistan is managed by provinces after the 18th amendment.

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Pakistan has the capacity to export fish worth US$500 million and concerted efforts of the government can further increase this capacity. Pakistan's fish stocks are also depleting due to various reasons such as:

a. Excessive fishing.

b. Fishing in the breeding seasons and use of unauthorized nets.

c. Illegal fishing by intruders and lack of political will by the Government.

d. Depleting mangroves all along the coast, especially in Indus Delta.

e. Non-availability of stock survey and technical guidelines on fishery.

f. Harvest losses during processing.

g. Lack of alternate jobs for fishermen during off seasons.

h. Lack of use of modern technology and non-supportive banking rules for small fishermen.

i. Marine pollution.

j. Rising sea temperature.

Fishing also depends on quality of fishing boats. Pakistani fishing boats lacks modern equipment and techniques. Pakistani fishing boats are of manual type and very seldom use modern techniques for laying/recovery of nets or carryout trawling. The storage compartments are also of the old vintage as they carry ice from the harbor. Pakistani trawlers don't have fishery sonars or other modern gadgetry for locating the fish stocks. The coastal areas of Pakistan are by far the most biologically productive zones, endowed with rich, unique natural ecosystems that can contribute significantly towards national economy and growth. It is estimated that 1 Ha of mangrove if properly managed could produce an annual yield of 100 kg fish, 25 kg shrimp, 15 kg crab meat, 200 kg mollusc, and 40 kg sea cucumber, in addition to supplying indirect support for 400 kg of fish and 75kg of shrimp that mature in off-shore areas. The fragility of the coastal ecosystems and their interconnectedness require that a holistic approach be adopted to manage the complex ecosystems.

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Not long ago, Karachi Shipbuilding and Engineering Works (KSEW) used to construct vessels for Pakistan National Shipping Corporation. This capability has 'withered away' with the passage of time, but needs to be revived since there are positive signs for the future of global ship building industry. At present, KS&EW is being supported because of orders from Pakistan Navy. However, it requires mega investment from private sector also to upgrade its facilities. Recently, the government has approved setting up of ship repair facility at Gwadar, however, private sector must chip in to meet the needs of merchant marine when Gwadar Port is fully operational.

In the 80's, Pakistan was rated as 2nd in world for its ship breaking industry. Gadani has over 125 plots for ships breaking and capacity to produce more than 1 million ton of steel and other raw material for domestic industries. Unfortunately, due to changes in tax regime during 80s', this industry came to a grinding halt. However, in recent past, some activity has been seen, but again due to manual techniques, non-availability of new modern equipment, poor safety standards and tax regimes, this industry is still not viable.

The North Arabian Sea is one of the most productive areas of the world oceans, and is characterized by oceanic phenomena, such as up welling, that produces rich fisheries, mineral, and hydrocarbon resource. The new development and innovations in the offshore technology and ever-growing interests of the petroleum industry in the exploration and exploitation of the deeper ocean waters are making the areas like Indus Delta of great economic importance.

Pakistan is a classic example of sea-blindness. In Pakistan, the lack of maritime awareness can be attributed to the following three reasons:

1. History taught in our schools and colleges deals mostly with the exploits of man on land and seldom about the role of sea power.

2. We have preferred land strategy over maritime strategy since independence to address all our issues of strategic level.

3. Policy makers knowledge about maritime sector is limited because of lack of exposure to sea and its benefits.

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Maritime awareness, reaching into families and schools, needs to be positively promoted, and the role of sea vision in providing maritime educational and career information needs to be supported by industry and government as a long-term developmental programme. Maritime industry requires skilled individuals who can operate at sea, run ports administration or know modern ways of fishery techniques. Pakistan being a coastal state needs to invest commensurately for capacity building in human resource and marine technology through maritime education.

Pakistan has been blessed with sunny and clean beaches all along the coast but unfortunately, sea tourism in Pakistan is confined to few beaches of Karachi and Gadani. This is primarily due to non-availability of adequate infrastructure all along the coast for tourist like hotels, transports, sports and recreational facilities. Pakistan is yet to benefit from this wealth. This has been a neglected sector that needs to be promoted and private sector can benefit from this vacuum. Contribution and active participation of private sector in the economic activities is vital for growth of the country. The poor response of private sector in maritime sector in Pakistan is mainly due to sea blindness, lack of finance through banks being highly capital-intensive industry, delay in legislation by the Government, Government's support for PNSC resulting in monopoly, lack of regular Pakistani cargo for import/ export, high tax rates and registration fee, and competition with flags of convenience.

Recommendations

To get benefit from the Pakistan's maritime assets, there is a need to carryout wholesome analysis of the situation, based on the analysis policies made and implemented. The policies must meet multiple objectives i.e. economic, environmental and social, which require well-coordinated and integrated approach at all levels.

Following are some of the recommendations for development of maritime assets of Pakistan:

General

1. Strengthening of overall national planning capacity in all fields, but particularly those related to ocean and coastal areas.

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2. Undertake survey and compile an authentic data which is necessary for preparation of correct assessment and preparation of policies.

3. Provide incentive for increasing the share of people in maritime industry.

4. An accurate and complete re-evaluation of all ocean related training and research should be carried out to identify the existing gaps.

5. Use of modern technology for exploration, and sustainable exploitation of marine resources.

6. Banks and other financial institutions should focus on maritime industry.

Fishery

1. Amend existing legislation and introduce necessary laws.

2. Develop monitoring, evaluation and enforcement procedures of fishery laws.

3. Increased focus on increase of high value added fish products.

4. Aquaculture needs to be developed on sustainable and responsible manner.

5. Provide financial and technical support to fishermen for improvement of fishing boats and related machinery.

Human Resource

1. R&D programmes are needed to conduct maritime studies.

2. Maritime curriculum needs to be introduced at all levels of education.

3. Government needs to protect and promote the existing marine scientist and specialists in marine technology to attract others in the field.

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Shipping Sector

1. Formulate people friendly policies regarding ship's registration in Pakistan and special incentives be announced to attract investment in shipping sector.

2. Preferential treatment given to PNSC vis-à-vis ships by Pakistani owners be rationalized.

Pollution

1. Marine pollution control is to be taken seriously.

2. Urban waste and industrial pollution must be treated before putting into sea.

Ports and Coastal Development

1. Coastal management plan be prepared keeping future requirements of development in mind and religiously followed.

2. Ports facilities and infrastructure be developed on priority.

Being a maritime country and occupying geographically strategic position, Pakistan has tremendous potential to gain economic, as well as political advantages. The neglect of maritime potential cannot be allowed to go on, if the country desires to enhance its power potential by making use of maritime potential. It is need of the hour to determine reasons and obstacles hindering exploitation of maritime potential and carry out remedial measures.

In the end, it is once again emphasized that development of maritime potential is essential to country's development and Pakistan, by exploiting its maritime growth potential to the fullest, shall extricate itself from its present state of inadequate economic resource mobilization and launch itself on an alternative trajectory leading to rapid economic growth and social development.

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PRESENTATION

Reclaiming Pakistan's Ship Breaking Industry: Recommendations

Dr. Idress Khwaja
HOD, Air University School of Management, Islamabad

It is pertinent to discuss that Pakistan's ship breaking industries need to be revived. However, the pressing question is should the government play a role in it or should it leave it to the private sector? From 1970s to late 80s, the ship industry was a thriving industry. Then a decline occurred. As of now, around 70% of the ship breaking is taking place in South Asia – India, Bangladesh and China, Pakistan – and to some extent in the United States and some other states of Europe. We also need to understand that why the developed countries are not into this industry in a big way?

The answer is that labor is cheap here. This industry has certain safety and environmental issues involved in it, which the developed countries tend to avoid. For instance, the 1996 incident at Gadani Ship Breaking Yard, when we lost many lives is a case in point. Though we do have a regulatory body for ship breaking industry, it still is an environmentally hazardous task. If environmental hazards are reduced, the cost of reviving the industry will balloon, making the revival of the industry difficult. We can compromise on environment, but to what extent?

With regard to the ship breaking industry, another important question arises: Should we give tax exemption to the industry? This question should be considered holistically by reflecting on whether we should exempt other countries from tax too and how to prioritize them. Another issue that makes the revival of the industry difficult is that most of the ship breaking industries are located in Baluchistan, where local workers are losing jobs, but so is the case with the lower employees of Pakistan International Airlines (PIA). Ship breaking industry is thriving, but the question is can we revive it? It is that the environmental safety standards are being compromised. We need to devise a sort of business plan and get a feasibility study. As of now, I am neither against it nor support it. My take is to consider this issue holistically.

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PRESENTATION

CPEC and Prospects of Blue Jobs in Pakistan

Dr. Safdar Sohail
Director General, National Institute of Management and Member Governance, Planning Commission

Blue Economy in Pakistan has not yet gained the kind of attraction which it deserves to have as an analytical construct. We need to have greater focus and attention on it as Pakistan's economy heads into troubled waters. Pakistan unfortunately is passing through a kind of depressing transformation, like the deindustrialization of economy, falling exports, and all the consequent imbalances creating vulnerabilities like rising unemployment and civic unrest. In this backdrop, a greater awareness of the opportunities that the marine economy offers must be taken much more seriously. In this respect, a natural question is that, "Can CPEC help us develop a Blue Economy?"

In our view, the very concept of Blue Economy is not very well-understood in Pakistan. It is good that we have changed the name of the Ministry of Ports & Shipping to Ministry of Maritime Affairs, though the motivation to change the name as explained by the Representative of the Ministry in the beginning of this session has been given as an attempt to manage one of the fallouts of the 18th Amendment, not to steer the ship of the Blue Economy. In any case, generally speaking, these days, when we talk about the Blue Economy, we talk principally of off shore and on-shore activities. The off shore would traditionally include fishing, tourism, Oil & Gas/energy, and lately, of bio-technology assisted process of the conversion of ocean or sea resources into pharmaceuticals and food. The onshore maritime economic activity focuses primarily on ports and shipping and the allied manufacturing and services sectors activities.

Taken together, this is a new 'sector', sometimes called Marine Economy, where a lot of productive, high value economic activity is being created. But as the onshore and offshore activities are intertwined and would depend for their efficient performance on the clustering of the services and economic activities including manufacturing activities and Human Resource

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development activities, so the cities have to be there as it happens in case of onshore activities. These are the coastal cities which cluster and emerge as Maritime Clusters, which link the off shore, on the one hand into the national economy and on the other hand with the international economy of exports and imports and FDI.

With China, we have some of these activities already going on, for instance, we export fish to China in big volumes, we also import a lot of maritime services from China e.g., shipping and we expect that big time FDI from China would come into the development of the coastal cities as well. A good understanding of what has happened during the last three to four years under CPEC in terms of the development of coastal cities would give us a fairer idea of what to expect in the coming days. We are now in a stage of transitioning from the Early Harvest Projects of CPEC to the Long Term Plan [LTP] of CPEC, which both the governments signed in November 2017 and was made public in the beginning of 2018. Now, there is formal notification on behalf of both the governments that, henceforth, the projects will now be set in the LTP.

Before we look at what is there in the Long Term Plan 2018 as far as the Coastal Tourism or the Maritime Sector is concerned , we need to have a look at the first major document signed by the two countries to know where we started from under CPEC and see what had happened up till now. We can consider the marine economy as an analytical construct and it has to catch the imagination of the people and then it has to develop. We need strategic plans to develop it. As we all know, the Early Harvest Projects were announced in 2013 which largely responded to our own needs like energy deficit and the Chinese need for connectivity and then, of course we had Gwadar as the third major pillar and the connectivity projects directly and indirectly likned to Gwadar.

The real long term interest of Pakistan nonetheless was posited somewhere else. Right from the beginning, if we look at the first substantive CPEC MOU of July 2013, on the very first page Industrial Cooperation and need to have a Long Term Plan are mentioned. Hence, both sides had this in mind right from the beginning and as a result, in 2013, both the governments asked the China Development Bank [CDB] to propose the outline of the Long Term Plan, which was adopted by both the governments in November 2014. CDB was also subsequently also mandated to provide the detailed LTP. This led to the process of consultations and the China Development

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Bank team visited Pakistan and raised a Questionnaire and also had detailed discussions with Pakistani officials. The dominant perspective in these discussions was, from the Chinese an offer to share their own experiences and from the Pakistani side. Our vision for the Long Term Plan was that it offered to Pakistan an opportunity for the modernization of the Pakistani economy and create greater internal regional economic integration by 2030. Pakistan side hoped that both the economies would be integrated in such a way that one would be able to see a significant convergence in incomes of Chinese and Pakistanis. This has been our vision of CPEC and we continue to share our perspectives with the Chinese.

Now, if we look at these documents, we can feel that there is a kind of dissonance in the Chinese understandings of Pakistan's economy. Our economies are in fact quite different e.g. the Pakistani economy is a mixed economy, whereas the Chinese economy is a centralized economy. This dissonance was bound to happen in the beginning and this is nothing to be worried about as long as both the countries continue to get involved in this process of understanding each other and then calibrating the offers and expectations and moving forward.

Digging a bit deeper, let us see what the Chinese are bringing on the table. The Chinese had been telling us that China brings, under CPEC, three advantages i.e., financing, technology, and project implementation efficiency. What we are expecting is an overhaul of the Pakistani economy with critical solutions to the complex problems that the Pakistani economy faces. It is possible that the Chinese advantages are activated in the project mode as they bring their financing, technology, and help implement the projects as has happened in case of power projects and very good results have come about during the past years. Are we justified to have more ambitious expectations of China offering us some kind of a Marshal Plan, or China assisting us the way EU assisted East European countries, which were communist, to integrate with their economies. It is out of place to go into details on the exact nature of the CPEC unfolded up till now. Our minimum hope is that the CPEC LTP is going to be a strategic long term plan of a viable partnership which would not just restrict itself to the financing on commercial and quasi commercial terms, but would also have a sizeable chunk of aid/ grants and institutional state support. The CPEC LTP indirectly lends credence to the impression that the vision dissonance between the two countries is present, though the official documents do not clearly state/capture it.

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Let us take the example of the Coastal Tourism under CPEC. I would highlight the importance of Maritime Sector once again in concrete terms. In EU, tourism accounts for one third of the Maritime Sector activity; it is a 183 billion Euro sector, employing 3.2 million people in EU. More than fifty percent hotel bed capacity is on the coast and one can imagine the scale of activities. If we compare China with EU, in terms of Maritime Sector activities, in case of China, tourism is on the lower side, but off shore oil & gas and shipping are much larger as compared to EU. Both EU and China are now extensively collaborating with each other in the Blue Economy, particularly on the bio technology scientific cooperation. Under CPEC, in the LTP Outline MOU of November 2014, Coastal Tourism was identified as one of the major pillars of the Long Term Plan, in addition to agriculture, water resource management, and industrial cooperation. In the long term plan document that we now have, it is not Coastal Tourism, but just tourism. We had in fact suggested that we should add Eco Tourism, particularly centered on Gilgit-Baltistan and parts of KPK, as a part of the Long Term Plan. As per the LTP, both China and Pakistan have agreed to further exploit the potential along the routes and they would actively research comprehensive development and coastal tourism and Gwadar and Karachi would be the hub of all such activity. The Chinese have agreed to build the "2+1+5" tourism spatial structure in Pakistan, which includes two centers, one axis and five zones: Karachi Port and Gwadar Port as the two centers, and the coastal tourism belt as the development axis, and five tourist zones of Jiwani and Gwadar tourism zone, Jhal Jhao, Ormara, Sonmini and Keti Bander.

In our view, there is nothing wrong with these plans and projects as such and these should be strongly supported. The CDB Report, however, suggests that most of these projects would be undertaken in the market mode, though the government facilitation and preferential policies are expected to play a role. Our observation in this regard is that the market principle can work very well in case of the proposed Coastal Tourism projects but at the same time, in order to prepare the ground for such ambitious tourism projects, the coasts and coastal cities should also get due attention under the Spatial Planning pillar of the Long Term Plan as a pre-equisite. The provincial governments both in Baluchistan and Sindh are very keen to identify such projects with the help of Chinese. Ours is a lopsided, antiquated, fragmented Maritime Sector, afflicted with complex governance problems. It needs a coherent vision; the change of name, though useful, may not change much. Our real problem in Baluchistan is the low population density in the coastal areas due to inadequate infrastructure and employment opportunities pertaining to

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Maritime Sector. We need to align Coastal Development with CPEC and give it due importance in national and provincial planning. The activities of Pakistan Navy are directly and indirectly spurring the Blue Economy in Pakistan, but it could not alone fill the governance deficits. There is a need to enhance the 'absorbing capacity of FDI in the Maritime Sector' in the long run. This would depend on a crucial clustering and concentration of capable officers from different sources. Led by a major reform of the policy and institutional structure, we need to develop first our own Strategic Plan for the development of the Blue Economy before we could expect a meaningful engagement with CPEC. In parallel, however, we need to establish a joint Pakistan-China Scientific Group to quickly prepare a Joint Pakistan-China Blue Economy Report, which would help both countries put in place a joint programme of cooperation in the Maritime Sector under CPEC, which would lift the economy of Baluchistan and Pakistan together.

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PRESENTATION

Pakistan: Utilizing International Law of the Sea for Maximum Benefits

Mr. Ahmer Bilal Soofi
President, Research Society of International Law

I will only shed light on some recommendations. I have ten points which I shall present.

1. CPEC Tourism

The concept of tourism must be integrated in CPEC. Pakistan's 11% territory is notified as a protected area like game reserves, sites. Khunjrab is one of the largest national parks, so if the national parks are delimited and it is digitally available, that becomes the starting point of CPEC-related tourism. The provincial governments have together notified 11% of the Pakistani territory as protected areas. I had to recently appear in the Supreme Court regarding the Margalla Hills National Park delimitation issue as the Supreme Court had asked us for help in order to delimit the Margalla Hills National Park and determine any illegal encroachments. I was there as the head of the WWF, Pakistan. We used the programme available with WWF to determine this and the court appreciated the efforts undertaken by the WWF. We have moved a separate application, that the Surveyor General of Pakistan, which was previously under the army, is now a part of the statute through a law i.e., Surveying and Mapping Act 2014. A request should be made to them that the protected areas should be digitally available so that whenever someone enters a protected area, is forewarned and he conducts himself accordingly. People are generally unaware as to where the Khunjrab National Park or any other protected area starts and ends. We have also requested the Pakistan Railways that their rail tracks which pass through protected areas, should have a marking which identifies the protected area so that people are aware of these areas. There are already notified protected parks, which are the starting point of CPEC tourism in protected areas.

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2. CPEC Coastal Tourism

Similarly, there are protected areas with are connected to our coastline. Certain islands have been declared as a part of marine tourism, now logistics have to be arranged. And as far as logistics are concerned, the federal government cannot do much nor the government of China can do, therefore, the private sector should be involved. It should be the function of the private sector to develop the Gwadar coastal area or the tourist sites.

3. CEPC Specific Economic Zones

The private sector can be very useful in this regard and the government must identify economic zones in every province. Further, the Rashakai economic zone, the Charsadda economic zone, the Gadoon Amazai economic zone can help bring the CPEC investment. If the economic zones are intelligently notified, then a lot of benefit can be gained. These initiatives can be rhymed with the master plan and no legislation will be required in this regard. The incentive is that for five years, such projects will be exempt from income tax, which will be instrumental in bringing in a lot of investment. For example, it was announced that Gadoon Amazai will be exempt from income tax, which resulted in the growing numbers of investors ready to invest in the zone. The economic zones must be utilized to their full potential. The marine economic zones can also be notified. This kind of economic zone will be in Sindh, near the harbor and we have an entire fishing industry.

4. CPEC Fishing Industry

The important thing is that how will the fishing industry be regulated, what kind of fishing nets will be used to catch fish? Although the fish nets have already been notified so that fish of a specific size are caught and that smaller size fish are not caught, in order to avoid extinction of certain types of fish.

5. Revamp the Territorial Waters and Maritime Zones Act 1976

When economic zones are declared, the private sector just jumps in and takes a lot of interest and is ready to invest with a little bit of incentives. People who have invested money abroad can be incentivized to invest in the newly created economic zones, specifically the CPEC notified

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zones, as well as the marine zones. Larger tax concessions can be given in order to woo the investors. This will lead to a reversal of the flight of capital, so there are venues that can be used. The Law of the Sea Convention of 1982 was ratified by Pakistan ages ago and has not been reviewed recently. Governments have administrative power, but certain bodies and commissions are advisory in nature with no legal backing as they are not statutory bodies. The Territorial Waters and Maritime Zones Act, 1976 has not been revised, for which I made an effort to get it passed as an ordinance when I was the Federal Law Minister, but it didn't materialize. That is why we lag behind in enjoying various benefits and if we have failed to acquire the rights entitled to us under the 1982 Law of the Sea Convention, and then it is our own loss.

6. Licensing for Twelve Nautical Miles

Similarly, we have twelve nautical miles for the provincial government, so they do the licensing up till the twelve nautical miles. The rights granted to Pakistan under the 1982 Convention, are not being availed by Pakistan. Two hundred nautical miles are under the federal government and there are three types of things that are to be regulated by the federal government, amongst which the first thing is fish, as fish are depleting rapidly, so the two hundred nautical miles have to be regulated and managed by the federal government in terms of handing out licenses and other such concerns.

7. Oil and Gas Licensing Upto 200 / 350 Nautical Miles

Then we have the oil and gas reserves, and the question is that how will the licenses be handed out for the oil and gas reserves in the sea. Oil companies interested in offshore drilling can also apply for licenses to determine the existence of oil and gas reserves, and once they have determined the oil and gas existence, the next step is applying for a license of mining. For instance, India has developed licenses regime for off shore drilling and now we have to determine which approach is better for us. Those entities which develop maritime business models, they can determine the feasibility of what is best for the maritime sector and also assessing what the licensing regime of oil and gas should be like. The second is minerals, oil and gas which are up till three hundred and fifty nautical miles and the question is that what is the legal framework for the drilling of the minerals and oil?

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8. Inter-Provincial Statutory Bodies for CPEC

We must consider making statutory bodies as the provinces which are at the coast have a larger interest, but their capacity is very little. The federal and provincial governments can together make statutory bodies, in which there is shareholding of the provincial governments and the federal government has the muscle and standing and they can jointly be applicants for drilling these oil reserves or mine in deep sea bed area. By making statutory bodies and by outsourcing governance, just like it has been done in the province of Punjab, is quite successful and as can been in the output of these entities, the issue of their investigations aside.

9. Indemnity of Civil Servants

The civil servants in the federal and provincial governments are reluctant to take any initiatives, in order to avoid any inquiries. This is why people from the private sector are invited to take the initiative of certain projects like the safe city project and certain other such projects. This is how governance is outsourced.

Similarly, interprovincial bodies for the sea bed area should also be formulated. Beyond the designated two hundred or three hundred nautical miles is the high sea, which is the common heritage of mankind, which is regulated by the International Sea Bed Authority under the Law of the Sea. For the International Sea bed Authority, applications for licenses are put forward for fifteen years and there are certain payments that need to be made in this regard. So therefore, in order to pursue long term ventures, a private investor with heavy investment experience can be involved along with a provincial and a federal government. Although the Chinese government is very supportive, they are also extending support to, and also involving and encouraging their entrepreneurs and also providing facilitation.

10. Balancing Chinese Investors

Hence, when the Chinese investor comes, he will also want to compete with his Pakistani counterpart. The bodies intended for interprovincial coordination, like the National Economic Council, which is also liked up with chapter two of the constitution. Therefore, projects which are futuristic and are intended for the well-being of the people must be pursued. A framework for such initiatives can be taken to the NEC and apart from this, involving the private sector in

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maritime issues is very important. Marine governance must be outsourced to the private sector as well.

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QUESTION – ANSWER SESSION

Q: The speaker spoke about what is not right. There is a National Institute of Oceanography, which is missing today. Why are we not exploiting the Continental Shelf? When I was Secretary Science and Technology, I was calling out international tenders in order to determine our claim of the Continental Shelf. What needs to be done in order to extract oil and gas? We need to study these issues. The Karachi Shipyard was the most modern shipyard in the region in the 1960s, it was most modern east of Suez, and Pakistan also built ships for the UAE in that shipyard. We need to see what has gone wrong? Had we not regressed, we would have been far ahead. The question is that why has the railways failed? Why has the PIA failed? Why are we importing carriages from other countries? This is time for some serious introspection as all national organizations are going down.

Q: The margin of profit is very low in ship breaking and the quality of fish is also not very high in our sea. Fish processed onboard is fresh and in Pakistan we do not have any such facility. Education of fishermen is also very important, but here we do not have any education or equipment and no technological knowhow. We need to have licenses for fishermen and smuggling in the sea must be stopped and the fact that there is a black economy within the Blue Economy is something which must be taken into consideration.

Q: The Trump administration has said that it has reservations about CPEC as it passes through the disputed territory of Gilgit-Baltistan. Please comment.

A: The question regarding the disputed territory, I will say it is not at all disputed and it is attempted to be made disputed. Opposition cannot be raised now and the White House is wrongly fed in this regard.

A: We generally know the problems. There are many questions like did we liberalize too early? There are private operators managing KPT, what are the fees that they are paying to the government? These are the questions of equity and efficiency. Sometimes we do not know what is happening. The country where governance is weak, private sector

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should not promote more competition, so if we bring in more and more private sector, with the poor governance that we have, then we would have serious issues regarding the equity issues that we already have. What if the private sector is not interested in investing in these blue resources, we have had the private sector for long and why have they not invested in these sectors? These issues merit a deeper thinking at this point in time.

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CONCLUDING REMARKS

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The day was well spent and there was good discussion. What the speeches have emphasized is that the maritime economy is very important and many suggestions have been made. Two or three things stand out:

1. That we are not fully benefitting from the Law of the Sea in order to generate full economic growth from this sector.

2. The role of the private sector should be encouraged

3. There is lack of maritime awareness and that maritime culture must be encouraged.

There are so many opportunities for us to exploit and benefit from our maritime sector and we have not done much in developing and making full use of its potentials. This needs to be rectified in short and long-term development programs.

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KEY FINDINGS AND RECOMMENDATIONS

1. Maritime awareness among the decision makers and general public is woefully low and there is lack of institutional capacity both at federal and provincial level to tackle important maritime issues.

2. Strengthen overall national planning capacity in all fields, but particularly those related to ocean and coastal areas.

3. Undertake surveys and compile authentic data which is necessary for preparation of correct assessment and preparation of policies.

4. Provide incentive for increasing peoples share in maritime industry.

5. Accurate and complete re-evaluation of all ocean related training and research should be carried out to identify the existing gaps.

6. Use of modern technology for exploration, and sustainable exploitation of marine resources.

7. Need to look beyond the ambit of CPEC and explore other options as well.

8. Formulate people friendly policies regarding ship's registrations in Pakistan and special incentives be announced to attract investment in shipping sector.

9. Preferential treatment given to PNSC vis-à-vis ships by Pakistani owners be rationalized.

10. Marine pollution control needs to be taken seriously.

11. Urban waste and industrial pollution must be treated before putting into sea.

12. Fully utilize our fishing potential.

13. Develop a holistic approach to our Ship Breaking industry.

14. Measures should be taken to mitigate the damages done to the environment by the ship breaking industry.

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15. Institute a reform of the policy and institutional structure, with special focus on Coastal Tourism.

16. Though the change in the name of the Ministry is welcome, a lopsided, antiquated fragmented Maritime Sector without a coherent vision will not be very useful.

17. We need to develop first our own Strategic Plan for the development of our Blue Economy, and also establish a joint Pakistan-China Scientific Group to publish joint Pakistan-China blue economy report.

18. The Territorial Waters and Maritime Zones Act, 1976 should be revised. That is why we lag behind in enjoying various benefits and have failed to acquire the rights entitled to us under the 1982 Law of the Sea convention.

19. Banks and other financial institutions should focus on maritime industry.

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