



GWADAR AND SOUTHERN BALOCHISTAN: NEXT STAGE OF DEVELOPMENT

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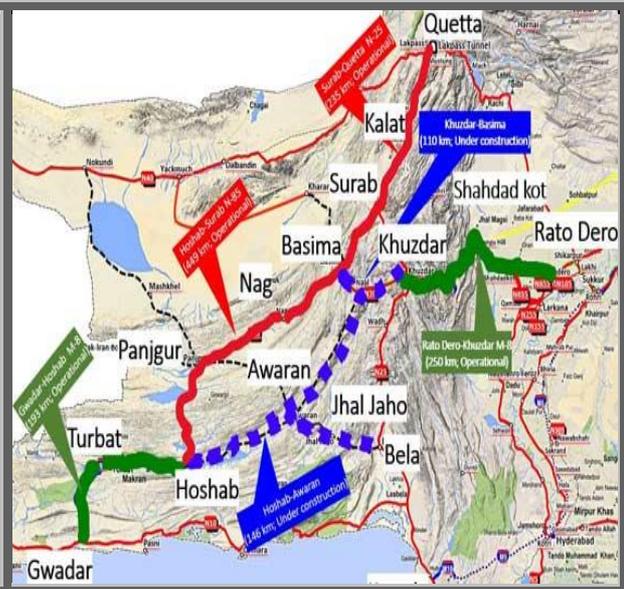
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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



When China-Pakistan Economic Corridor (CPEC) was launched in 2015, much attention was paid to development of Gwadar port and city. Both sides had reached an agreement to develop Gwadar into a Smart City and a functional commercial port. For development projects in Gwadar, Chinese government committed to provide concessional loans and grants of more than USD 700 million. Pace of development work, however, has been slow. This has led to renewed push from Pakistan to refocus attention on Gwadar and Southern Balochistan. It was in this backdrop that Prime Minister Imran Khan undertook a day-long visit to the south-western port-city in first week of July.

Prime Minister's visit focused on three aspects: a) review of development work in Gwadar and South Balochistan; b) inauguration of completed development and industrial projects; and c) China and Pakistan signed agreements on solar power generation and desalination plants for Gwadar and South Balochistan.

In November, 2020, federal cabinet had approved PKR 600 billion development package for South Balochistan comprising 199 projects focusing on agriculture, infrastructure, education, health, and electricity provision. Special focus was placed on building on 16 new dams to irrigate over 150,000

acres of land.¹In the federal budget of FY 2021-22, federal government has earmarked PKR 20 billion for 53 projects under South Balochistan development initiative.² It is through this initiative that development projects are being carried out in Gwadar, both by federal and provincial governments.

Aside from this, PM inaugurated Gwadar expo center and performed ground breaking of the Second Phase of Gwadar Free Zone spread over 2200 acres. It is 35 times bigger than Phase 1, which comprised 60 acres of land.³ In Phase 1, PM Khan inaugurated Gwadar Fertilizer Plant, an Animal Vaccine Plant, Henan Agricultural Industrial Park, and a Lubricants Plants. Overall, in the Gwadar Free Zone, three factories are fully operational while six more are under construction. These plants have so far created 1200 new jobs in Gwadar. Officials say that more than 40 Chinese enterprises have registered for relocating to Gwadar which in due course would enhance job creation in Gwadar city.⁴

PM also announced critical projects for human development such as a 180km water pipeline to connect multiple dams, a desalination plant, setting up a new university in Gwadar and expanding the existing hospital facility to meet needs of local communities. Moreover, in a significant move, PM announced low-interest loans for farmers and fishermen belonging to poor households, aimed at their socio-economic uplift.

Since development of Gwadar port and city is being undertaken in collaboration with China, PM indicated resolve of federal government to facilitate foreign investors through one-window operation. This would encourage Chinese and other foreign investors to set up plants and factories in the free zone and employ local people. In turn, this will enhance Pakistan's production capacity and exports. Meanwhile, for supporting development of Gwadar, Chinese side signed an Implementation Agreement for setting up a desalination plant to provide 1.2 million gallons per day to Gwadar. Similarly, China has committed to provide solar generator as grant to meet electricity needs of people of South Balochistan.

¹ Kalbe Ali, "Rs600bn Package Announced for Development in South Balochistan," DAWN.COM, November 20, 2020, <https://www.dawn.com/news/1591269>.

² "Govt Allocates Rs 20 Billion for South Balochistan Development Package in Budget 2021-22," *Daily Times* (blog), June 11, 2021, <https://dailytimes.com.pk/771402/govt-allocates-rs-20-billion-for-south-balochistan-development-package-in-budget-2021-22/>.

³ "Gwadar Port to Expand Pakistan's Export Base, and Generate Employment Opportunities," *China Pakistan Economic Corridor* (blog), June 29, 2021, <http://cpecinfo.com/gwadar-port-to-expand-pakistans-export-base-and-generate-employment-opportunities/>.

⁴ "Over 40 Chinese Companies All Set to Invest in Gwadar SEZ: COPHC - Pakaffairs.Pk," accessed August 2, 2021, <https://pakaffairs.pk/pakistan/9277/over-40-chinese-companies-all-set-to-invest-in-gwadar-sez-cophc/>.

The focus on development of Gwadar indicates that Pakistan government now has decided to address the underlying issues which were holding back development in Gwadar. Earlier focus was on enhancing up-country connectivity of Gwadar. Between 2015-18 Gwadar-Quetta road was completed through a project funded by federal government's Public Sector Development Programme (PSDP) as part of Western route of CPEC.⁵ Now Pakistan wants to turn Gwadar into a functioning port city. This requires fulfilling development needs and providing allied infrastructure. This in turn would attract domestic and foreign investors to set up industries leading to operationalization of the port.

Despite the fact that CPEC was launched in 2015, and Pakistan had handed management control of Gwadar port to China Overseas Port Holdings Company in 2013, for years, pace of development work in Gwadar has remained slow. While East-bay express way connected port to Makran coastal highway and construction of a new airport commenced in 2020,⁶ ensuring water and electricity for urban development and industrialization remained slow. Now in cooperation with Chinese side, a new desalination plant and power generation plant is being constructed.⁷ Similarly, as Gwadar projects are in grant-mode expediting pace of work is mutual responsibility to be shared by both sides.

Pakistan's focus now needs to be on ensuring that Gwadar and Balochistan are not left behind in terms of development. For ensuring that development and industrial projects in Gwadar and South Balochistan continue at fast pace, a high-level oversight is required. PM Khan vowed to monitor progress of Gwadar projects on monthly basis. It will be important to have a robust follow up mechanism to monitor progress on monthly basis. Additionally, a Special Task Force on Development of Gwadar Port and City, comprising of federal and provincial government representatives, relevant stakeholders may be constituted under the Chairmanship of Federal Minister of Planning, Development & Special Initiatives.

Meanwhile, coordination and communication with Chinese side needs to be enhanced. Addressing the Free Zone groundbreaking ceremony in Gwadar, Chinese Ambassador Nong Rong had said that Gwadar showcases a 'Chinese solution' for development in Pakistan.⁸ To turn this solution into a successful model for Belt and Road Initiative, both sides require periodic exchange and

⁵ "CPEC_and_Related_Projects.Pdf," accessed August 2, 2021, http://cpec.gov.pk/brain/public/uploads/psdp-projects/CPEC_and_Related_Projects.pdf.

⁶ "Gwadar East-Bay Expressway | China-Pakistan Economic Corridor (CPEC) Official Website," accessed August 2, 2021, <http://cpec.gov.pk/project-details/32>.

⁷ Dawn com | APP, "PM Imran Launches Various Mega Projects in Gwadar, Says Govt Focusing on 'Neglected Areas,'" DAWN.COM, July 5, 2021, <https://www.dawn.com/news/1633343>.

⁸ "WORLD EXCLUSIVE: PM Imran Khan Visits Gwadar," CPIC Global, July 6, 2021, <https://www.cpicglobal.com/world-exclusive-pm-imran-khan-visits-gwadar/>.

communication to undertake comprehensive development in Gwadar. For this the Joint Working Group on Gwadar of Joint Cooperation Committee (JCC) be revitalized with periodic meetings drawing up timelines and implementation plans for development of Gwadar city and enhancing commercial operations at Gwadar port.