

Geo-Economic Imperatives of Gwadar Sea Port and Kashgar Economic Zone for Pakistan and China

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Abstract

Development of the Gwadar Sea Port and the Kashgar Special Economic Zone has the potential to revive the old Silk Route. Gwadar Port's land connection to Kashgar through the Indus and the Karakoram Highway and across to the landlocked Central Asian Republics provides the best supply chain for regional trade. Once this connection becomes operational it will serve China's and Pakistan's economic interests equally. These two projects will be transforming the close collaboration between the two countries into a mutually beneficial partnership.

Key words: Pakistan, China, Gwadar, Kashgar, Karakorum Highway, Trade, Energy

Introduction

Nations design and pursue different strategies in international relations to advance and safeguard their economic interests. This work focuses on the complementarity of the economies of Pakistan and China to serve their mutual interests which over the decades have demonstrated their convergence and compatibility inspiring epithets like 'higher than Himalayas', 'sweeter than honey' and 'deeper than oceans'¹ for the two countries' friendship. Convergence is defined here as overlapping of key interests and objectives in the realm of long-term geo-economic developments in the region, progress of national economies through mutually beneficial infrastructural development, mutual efforts for regional economic cooperation and joint steps to counter common adversaries. This convergence can be seen in physical and material terms in the shape of common borders, economic complementarity in trade – bilateral as well as trans-regional – and energy fields. When Gwadar Port

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¹ As pointed out by Prof. Choorang in a Seminar on "*Pak-China Relations*" at Area Study Centre, University of Peshawar on April 5, 2013.

and Kashgar city are linked through the Karakorum High Way, two huge supply and consumer markets will get physically connected making Balochistan and Xinjiang (two relatively backward and restive regions) hubs of regional trade and economic activity. This paper argues that the close strategic, social and political relations between the two neighbours are increasingly shaping into trade and economic cooperation and new vistas are opening for growth in the wake of plans for development of Gwadar Port and Kashgar as a special economic zone. Pakistan's 'Look East' and China's 'Go West' policies give the relationship further depth. Mutually beneficial relations with China is the cornerstone of Pakistan's 'Look East' policy while China's 'Go West' policy mainly aim at developing the landlocked and restive Xinjiang by developing infrastructure in Pakistan and providing an outlet for trade and energy transportation. In this context the article discusses the significance of the location of Gwadar Port and Kashgar city, the geo-economic importance and benefits of both the projects for Pakistan and China, impact on regional trade in general and bilateral trade in particular and in conclusion what it amounts to in real terms.

Gwadar Deep-Sea Port: Imperatives for Both Countries

Figure: 1
Map Showing the Location of Gwadar and Chabahar



Source: www.pk.tribune.com./forums/posts.php?=38750

The deep-sea port is located at Gwadar in Balochistan, 460 km west of Karachi at the top of the Arabian Sea, approximately 75 km east of Iran's border with Pakistan and 400 km from the Strait of Hormuz, which is the only sea passage to the Persian Gulf from open sea. Around 80 per cent of world oil tankers move from the Persian Gulf while 45 per cent of world oil movement takes place through the Strait of Hormuz. Gwadar is already connected to Karachi through the Makran Coastal highway, built with Chinese assistance of \$200 m. Pakistan and China plan to connect the Port via Indus Highway with Ratodero and KKH which leads to Kashgar – around 414 km from Sost-Tashkurgan (China-Pakistan border) and further reaches to Tajikistan, Kyrgyzstan and Kazakhstan. All these states – Pakistan, China, Kyrgyzstan, Tajikistan and Kazakhstan are signatories of quadrilateral trade agreements to utilize this land route for regional trade. This agreement became operational in 2004 when a Pakistani businessman exported goods to Almaty, Kazakhstan via KKH through Kashgar for the first time². Road distance from Gwadar to Khunjrab (via Ratodero, Dera Ghazi Khan, Peshawar, Abbottabad, Gilgit) is 2627 km. The Gwadar-Turbat-Ratodero highway has been completed in 2012 at a cost of Rs 18 billion.³

Imperatives for Pakistan

Geographically significant Gwadar Port development will be a blessing for the economic development of Pakistan when the FDI has sharply fallen, poverty has increased to 41 per cent, economic losses due to 'war on terror' are as huge as \$35 billion and the industrial sector is operating at 50 per cent of its potential due to the energy crises. Situated at the crossroads of huge supplying and consuming markets, Gwadar Port can play a vital role in the economic revival of Pakistan. Pakistan's geographical proximity to the landlocked and relatively under-developed western China and the mutual trust that marks Pak-China relations are two of the main causes for Chinese interest in building the Gwadar Sea Port and developing Kashgar as a special economic zone. The two projects signal the transformation of friendly relations into economic cooperation. Another important reason is the strategic partnership between the two countries. Pakistan naturally

² Shabir Ahmad Khan, "Pakistan-Kazakhstan Relations: Future Prospects" *PUTAJ Humanities and Social Sciences* 19-2012, (2013), 101.

³ Saleem Shahid, "Review of Gwadar Port Feasibility Report Urged," *Dawn*, May 14, 2012,

<http://dawn.com/2012/05/14/review-of-gwadar-port-feasibility-report-urged/>

benefits from increased Central Asia-China-Pakistan trade, the much needed foreign direct investment from China, transit revenues, economic and infrastructure development and consequently becoming a regional trade hub and energy transit corridor bringing huge transit revenues and employment opportunities. The Chinese interest in the proposed oil and gas pipelines from Gwadar and Iran to Kashgar across Pakistan would not only generate transit revenues and employment but would also be instrumental in easing the energy crises in Pakistan. This in turn would have huge impact on industrial, agricultural and overall sustainable economic growth and development of Pakistan. It has been suggested long ago to change the IPI (Iran, Pakistan, India) gas pipeline into IPC (Iran, Pakistan, China) pipeline and similarly, if the dream of Trans-Afghan-Pakistan pipeline translates into reality, that can also be extended to China.

Pakistan wants to use Gwadar Port for trade and energy transportation to China, Afghanistan and Central Asia. A rail line between Gwadar and Kashgar has been proposed by both the countries. This will be a milestone in increasing not only bilateral trade but also integrating the regions of Central Asia and South Asia economically. The quadrilateral trade agreement, in operation since 2004, can be used to promote regional trade and economic integration. Major imports of Central Asian Republics include consumer goods, electronic items and garments while exports include cotton, oil and gas, metal ores and machinery. The expected revenues from oil and gas transit and land to sea trade via Pakistan can total around \$1,000,000 per year.⁴ It was thought initially that the Gwadar Port will serve only Turkmenistan, Uzbekistan and Tajikistan via Afghanistan due to geographical proximity⁵ but now with Kashgar, an economic zone connected to Gwadar by a land route, the Port will also serve Kazakhstan and Kyrgyzstan while Afghanistan can gain from the shorter distance it offers for transit. For Pakistan the economic returns from Gwadar stem from its proximity to the Strait of Hormuz as a key shipping point and trade hub once road, rail and air links connect it to the rest of Pakistan, Afghanistan, China and Central Asia. According to the master plan of the Port, it can capture up to 25 per cent of the national import/export market by 2020, 15 per cent of Pakistan's share of transit trade with CARs, 40 per

⁴ *Economic Significance of Gwadar Port*, November 10, 2009,

<http://pkproblems.com/index.php/economic-significance-of-gwadar-port/>

⁵ Kausor Takreem, "Chinese Trade through Gwadar Port: Benefits to Pakistan" (PhD dissertation, Area Study Centre, University of Peshawar, 2013), 219. It has been stated by the author that Turkmenistan, Tajikistan and Uzbekistan will use Gwadar Port because they have close geographical proximity with Pakistan.

cent for Afghanistan and 12 per cent for Xinjiang.⁶ This will also develop regional inter-dependencies which in turn would create direct stakes in each other's stability and prosperity and making economic partners of geographical neighbours.

More than 90 per cent of the international trade is transported through sea while 95 per cent of Pakistan's trade is sea-borne and its economy is heavily dependent on sea-borne trade as it contributes around 40 per cent to the national GDP currently because in 2004, almost ten years back, Pakistan's sea borne trade contributed 36.3 per cent to the national GDP.⁷ Pakistan desperately needs to develop Gwadar Port in order to reduce the burden on Karachi and Bin Qasim Ports which are operating at their full capacity and also to further boost Pakistan's sea borne trade. Moreover with the development of rail, road and air connection of Gwadar to the surrounding areas, all trade from and to China and Central Asia is most likely to adopt the shortest available route via Gwadar multiplying the trade benefits for Pakistan. The Port would generate billions of dollars in transit revenue and create hundreds of thousands of jobs for the people. What Pakistan needs is to develop its shipping industry also to get maximum benefits from maritime economics. An important contribution that Gwadar with its connection to national highways is going to make is to speed up the much needed economic development of Balochistan. This in turn will bring peace and stability to this backward and restive province of the country. Balochistan is full of natural resources of different kinds like precious metals, minerals, oil and gas. However, these resources could not be utilized due to infrastructure deficiencies and lack of political will. For this particular attention is being paid to infrastructure developments keeping expected economic activities from Gwadar Port in view. Gwadar Port has the capacity to generate necessary resources for developing the required infrastructure for its operations. But this would imply that a stable, congenial and secured environment is in place.

Imperatives for China

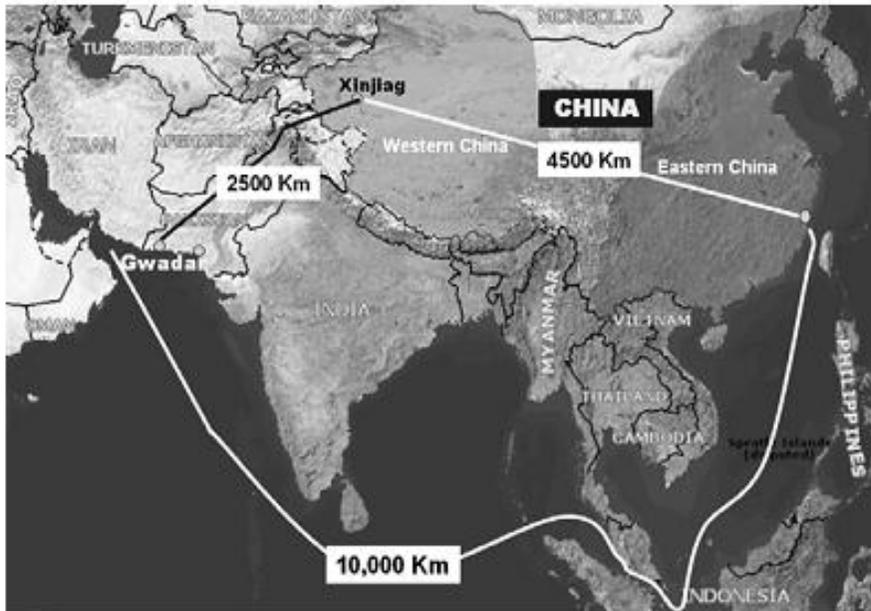
Both Gwadar and Kashgar now seem to fall under China's 'Go West' and Pakistan's 'Look East' policy. Establishment of mutually beneficial relationship with China is the cornerstone of Pakistan's policy while China

⁶ Ibid., 135.

⁷ Raja Rab Nawaz, "Maritime Strategy in Pakistan", (Master's Thesis, Security Studies, Naval Postgraduate School, 2004), <http://www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA429850>.

mainly aims at developing its relatively backward western regions, in particular Xinjiang which is restive as a consequence. The ‘Look West’ policy serves a dual purpose for China: peace and stability in Xinjiang through economic development and the use of this province for smooth energy and trade transactions with energy rich Central Asia.

Figure: 2
Map Showing the location of Gas Pipeline from
Gwadar to Xinjiang⁸



Shortest Route from Western China to Gwadar

In 2010, according to a report by the Paris-based International Energy Agency, China had become the largest energy consumer in the world surpassing USA⁹. China did sustain a double digit economic growth through the last decade fuelled by energy-intensive heavy industry and infrastructure construction as well as the growth of the transportation sector.

⁸ Kausor Takreem, “Chinese Trade through Gwadar Port: Benefits to Pakistan”, 135.

⁹ Christina Lin, “The New Silk Road: China’s Energy Strategy in the Greater Middle East” *Policy Focus*, 109, (April 2011), <http://www.mettransparent.com/IMG/pdf/PolicyFocus109.pdf> (accessed February 25, 2013).

It plans to diversify, secure and increase its energy supplies. China's plan to build an oil refinery at Gwadar and oil pipeline from Gwadar to Xinjiang will supply Persian Gulf's and African oil to Western China by reducing the distance by several thousand km. The total length of the proposed gas pipeline from Gwadar Port to Xinjiang via Pakistan is 2500 km while the distance from Xinjiang to eastern ports of Shanghai and Beijing through inland China is 4500 km. The distance from Shanghai Port to Gwadar and Persian Gulf via Indian Ocean is 10,000 km as shown in the map (figure 2 above). It is evident that trade and energy transport from Persian Gulf and East-African States via Gwadar through Pakistan will reduce the distance of about 15000 km to a distance of just 2500 km. It is not only cost effective but also safe and secure in comparison to the maritime route. Currently Chinese oil tankers on an average take 20 days in reaching the Gulf. However, after the completion of the high-speed rail and road networks across Pakistan, oil tankers from eastern China would reach Gwadar, right on the mouth of the Gulf, within 48 hours.¹⁰ China's interest in Gwadar Port thus becomes apparent. It secures for China's oil imports a safe and short route. Besides, the Port of Gwadar helps China to extend its presence in Arabian Sea and Persian Gulf from where China imports 60 per cent of its energy.

India on the other hand seeks to secure its oil import routes and counter Chinese influence in the Arabian Sea, Persian Gulf and Indian Ocean by developing the Iranian port of Chabahar and Highway linking it with Afghanistan.¹¹ It seems there is no American threat of sanctions for India in dealings with Iran in this case as there was in the case of the IPI gas pipeline forcing India to renege from its support for the plan. The Persian Gulf and the Arabian Sea remain an area where regional and extra-regional states have always competed for economic, energy and commercial gains. This competition would naturally result in a win-win situation for Pakistan and China for two reasons. Firstly, Chabahar is close to the Strait of

¹⁰ Ibid.

¹¹ "India developing Chabahar in Iran port for access to Central Asia", <http://defenceforumindia.com/forum/defence-strategic-issues/315-india-developing-chabahar-iran-port-access-central-asia.html> (accessed April 25, 2013), also see Rani D. Mullen, "India Flexes Its Foreign Aid Muscle", <http://wmpeople.wm.edu/asset/index/rdmull/currenthistoryarticle> (accessed April 25, 2013).

Hormuz and constrained by its shallow water and secondly, Pakistan and China are directly connected through the land routes while India and Iran are not. Pakistan cannot compete with India in the region all alone and needs active Chinese cooperation. Gwadar Port serves best both Pakistan and China's interests. Similarly, China also has its concerns about the growing Indian influence in the Arabian Sea, particularly since the US-India civilian nuclear cooperation deal which worries both Pakistan and China with regard to their long term strategic and economic interests in the region. India cannot bypass Pakistan and Pakistan cannot bypass Afghanistan in their access to Central Asia. However Chabahar is an alternative which provides India with an opportunity to further its objectives in the Arabian Sea, Afghanistan and Central Asia.

In 2009 China shelved its \$12 billion plan of building an oil refinery and oil city project in Gwadar due to security reasons. Pakistan desperately needs a stable and secure Balochistan to fully utilize the potential of Gwadar Sea Port for trade and transportation with the whole region including China, Central Asia, Afghanistan, East Africa and Middle East. In this respect Pakistan may follow China's example which is addressing the Xinjiang unrest through economic development of this comparatively backward region. Economic development and prosperity will bring peace and stability to Balochistan. Government need to move fast in implementing the 'Balochistan Package'.

It is hoped that with the handing over of Gwadar to China's Overseas Port Holding, Chinese interests in the project will be renewed. Gwadar has the potential to serve as an alternative to Dubai. The Asian Development Bank has termed the Gwadar Port an alternative to Dubai Port World (UAE) as it is out of the choke point (Strait of Hormuz) and can handle larger cargo 'S' class ships and oil tankers.¹² The Port's location would facilitate trade among more than two dozen countries of the Persian Gulf, the Central Asian Republics, Iran, Afghanistan, East Africa, Pakistan and China. In the near future, Gwadar Port will be an integral part of China's international trade making Pakistan a hub for regional trade. Gwadar offers a two-way outlet to markets of east and west, north and south. The port has become a milestone in Pak-China economic relations.

China's 60 per cent energy requirements are met from the Persian Gulf. Gwadar reduces the distance by several thousand km even for eastern China once the oil pipeline from Gwadar to China materializes. So Gwadar

¹² Hassan Yasir Malik, "Strategic Importance of Gwadar Port", *Political Studies*, vol. 19, Issue-2, (2012): 61.

provides China a land-based oil supply port that is controlled by an ally, Pakistan. According to Chen Xuguang, Party Secretary of Kashgar, a China-Kyrgyzstan-Uzbekistan railroad and another line linking Kashgar with the port of Gwadar are both expected to break ground in the next couple of years and China's oil imports from the Middle East and Africa will no longer be dependent on shipping via the Straits of Malacca."¹³ It is hoped that China-Pakistan plan to make Gwadar an energy corridor by constructing the oil refinery abandoned in 2009 will be revived. This oil refinery in Gwadar will be linked to Kashgar by pipeline which slashes not only the distance by several thousand km but also avoids the Straits of Malacca and the dangerous maritime routes through the South China, East China and Yellow Sea. With the completion of 900-km road to link Gwadar Port with the Indus Highway that will connect the Gwadar Port to Xinjiang via KKH will reduce Xinjiang's distance to sea by more than 4500 km. The shift of Gwadar Port from Port Singapore Authority to China's Overseas Port Holding has attracted global attention due to its geo-economic significance. China can also import Saudi Arabia's oil via Gwadar as reportedly Saudi Arabia had asked Islamabad in 2006 to help extend her oil exports to China.¹⁴ Gwadar also provides the opportunity to China to monitor and check its Sea Lanes of Communication.

Though China is building a \$14 million 'dry port' at Lhasa, near Tibet, along with five other ports, it is interested in building a \$5 billion deep-sea port in Bangladesh and has opened a \$450 million deep-sea port in Sri Lanka in June 2012 with similar plans for a port in Myanmar. According to Andrew Small, an expert on China-Pakistan relations, "Gwadar is the most likely to be developed by China because Pakistan is probably the only state where the level of trust between the two countries is high enough to make that completely reliable prospect."¹⁵

¹³ Wang Yan, "Securing the New Silk Route", February 2012, <http://www.newschinamag.com/magazine/securing-the-new-silk-road/> (accessed February 17, 2013).

¹⁴ "China Takes Control of Gwadar", <http://dilwala.tv/a-great-game-begins-as-china-takes-control-of-gwadar-port/>

¹⁵ "Pakistan Port Integral to China Maritime Expansion", *Dawn*, February 17, 2013.

Kashgar Special Economic Zone: Imperatives for Both Countries

Figure: 3 Location of Kashgar Economic Zone



Source: <http://thomaspmbarnett.com/globlogization/2010/7/20/the-long-hard-slog-that-is-chinas-attempt-to-placate-the-uig.html>

China, in 1979, started implementing the strategy of Special Economic Zones (SEZs) in the east. These SEZs were developed to attract FDI, technology, technical know-how and managerial expertise from overseas enterprises. That proved to be a successful scheme as Shenzhen in the East has become the most developed city of China. However, it has created a serious economic disparity of 1:15 between its east and west. The government of China, therefore, decided to develop two special economic zones in Xinjiang at Kashgar and Horgus. Under the programme, Kashgar - an ancient Silk Route town - that borders Pakistan through the plateau of Pamir, will become a regional logistics centre, a financial and trading hub and a key processing centre for internationally traded goods. Ten favourable policies have been drawn up by the government of China for the establishment of special economic zones at Kashgar ranging from tax exemption, subsidized electricity and transportation to low interest loans for infrastructure development of better rail and road links.¹⁶ There will be income tax exemption for enterprises for five years in Kashgar presenting opportunities for Pakistani businessmen to establish businesses there. The development of Kashgar as SEZ would result in up-gradation of the KKH

¹⁶ "2 Economic Zones to be built in Xinjiang by 2020," *China Daily*, November 6, 2013, http://www.chinadaily.com.cn/china/2011-11/06/content_14044111.htm (accessed April 25, 2013).

which through the Indus Highway would connect it to Gwadar forming a chain that will be instrumental in regional economic integration. Kashgar would serve as an economic engine for backward Xinjiang as well as for Pakistan because it connects Central Asia and Pakistan for trade via KKH. Kashgar's development as Special Economic Zone over an area of 50sq km will not only boost the city's economy but will also drive the economies of surrounding areas and countries like Pakistan. The Deputy Director of National Development and Reform Commission of China¹⁷ also expressed the same opinion some time back. The transformation of Kashgar into a key financial and industrial hub will result in connecting China's inland areas to Pakistan on the one side and to Central Asia on the other. In time Kashgar would become a platform to promote trade and economic cooperation between Pakistan and Central Asia.

Kashgar hosts the world's biggest traditional Sunday where around 150,000 people from all over Central Asia come and exchange commodities with their Chinese counterparts.¹⁸ This market will open opportunities for Pakistani businessmen to extend their trade with China as well as Central Asia. Particularly Gilgit-Baltistan which already has trade connections with Kashi or Kashgar would gain substantially from the economic development of that town on the ancient Silk Road. According to a Chinese source the investment in two major projects i.e., China-Pakistan Railway (Kashgar to Rawalpindi) and Kyrgyz-Uzbek-China railway, has increased which will make Kashgar a regional trade hub and consequently provide an opening to the landlocked Central Asia and western China via Pakistan. The development of Kashgar Special Economic Zone is a multi-billion dollar project which means all the imports and exports from Kashgar will pass through Pakistan to reach the Arabian Sea and beyond. This will bring in turn substantial trade and transit revenues for Pakistan. Another area to be developed as special economic zone in Xinjiang is Horgos, a China-Kazakhstan border town which will focus on chemicals, farm products, machinery, pharmaceuticals and renewable energy products. The expansion and branching out of the Gwadar-Kashgar enterprise would ultimately link up with Kyrgyzstan, Tajikistan and Kazakhstan. It would signal the creation of a New Silk Route where in place of the camel caravans of yore now

¹⁷ "Kashgar to become home to Xinjiang's own SEZ, "

<http://www.eeo.com.cn/ens/Politics/2010/07/23/176357.shtml>

¹⁸ Bhavna Singh, "China's Modernization Rush: Kashgar at Crossroads", *IPCS*, January 16, 2012,

www.ipcs.org/article/china/china-modernization-rush-kashgar-at-crossroads-3556.html (accessed February 17, 2013).

trucks and trains would ply the trade to the warm waters of the Indian Ocean.

Pakistan would have a lot to offer to Xinjiang — from textiles, leather, fisheries, food products to marble and minerals. China-Pakistan free trade and currencies swap agreements would further boost the Gwadar-Kashgar trade and economic cooperation. Kashgar authorities plan to start a direct air service between Kashgar and Islamabad. For the Chinese investor Pakistan has prospects in finance, banking, power, alternative energy, IT, engineering goods, textile machinery, agriculture, agro based industry, food, fruit processing, packaging, livestock and dairy farming. Currently, China is undertaking 250 projects in Pakistan.

Despite the energy crisis Pakistani apparel industry offers one of the lowest cost options globally. The cost differential can be as high as 25 per cent, substantial in an industry that generally operates on low margins for the exporter. For instance a hooded sweat shirt is made at the rate of \$12 per piece in China, in Pakistan it costs \$ 9 to \$10. Similarly a pair of jeans costs \$10 in China while in Pakistan it costs \$8 to \$8.5¹⁹, because the labour cost in Pakistan is less than in China, India and Vietnam. As opposed to Bangladesh, Pakistan has its own cotton supply and fabric and has more small and medium-size factories.²⁰ China, after the US, is the second largest importer of Pakistan's textiles which is \$1.527 billion, according to trade statistics for the last fiscal year. But this figure does not reflect the true potential of Pakistan's textile exports to China which can be increased manifold. China mainly buys cotton yarn and cotton fabrics but even for these products (excluding value added textile products) Chinese demand is unlimited while Pakistan's production is limited due to energy crises in the country. The entrepreneurs in Pakistan also need to understand the Chinese market and avail the opportunities provided under the China-Pakistan Free Trade Agreement. For instance Pakistan is the cheapest supplier of bed wear in the world and China does not levy any duty on bed wear imports from Pakistan but during the last year for unknown reasons not a single bed sheet was exported to China²¹

¹⁹ Kazim Alam, "Comparative Advantage: American Buyers still prefer Pakistani Apparel", *Express Tribune*, October 24, 2011, tribune.com.pk/story/280478/comparative-advantage-american-buyers-still-prefer-pakistani-apparel/ (accessed on February 17, 2013).

²⁰ Ibid.

²¹ "Pakistan accounts for only 5.7% of Textile imports by 20 Nations", *News International*, February 23, 2013.

Impact on Bilateral Trade

China has become Pakistan's largest trading partner with the bilateral trade of more than \$12 billion reached in January 2013. Pakistan's exports to China totalled \$3.14 billion against imports from China of \$9.2 billion.²² The biggest increase in exports was in textile articles. Other exports comprised vegetable products, metals, chemicals, ores and mineral products, leather goods, and base metals. Imports from China include machinery and mechanical appliances, textile and textile products, metals, chemicals, mineral ores and transport equipment. This big increase in trade volume amounting to 48 per cent occurred in a year, over the figures of 2011.

Under the five-year Development Programme for Economic and Trade Cooperation, 36 projects worth \$14 billion will be implemented in Pakistan. The Joint Economic Commission will monitor implementation of these projects envisaging energy, transport, industry, agriculture, health care and education sectors, according to the then Ambassador of Pakistan to China, Masood Khan.²³ With the up-gradation of 335 km section of the KKH from Gilgit to Khunjab Pass making the highway an all-weather connection bilateral as well as trade with the central Asian region is bound to pick up and open fresh avenues for commerce on the new Silk Route.

Lisa Curtis and Derek Scissors in their article have stated that "China has shown little interest in propping up Pakistan's economy and has not provided substantial economic aid during the time of need."²⁴ But facts on the ground belie this assertion. As earlier stated China is helping Pakistan in more than 250 development projects currently including such mega works as the Gwadar port and the KKH. Though it is a fact that China's outward investment since 2005 to 2011 has been recorded around \$300 billion in which Pakistan's share has remained quite modest, but hopefully with the handing over of Gwadar Port operations to China, Chinese investment in Pakistan will rapidly grow. The signs are already there.

²² "Pak-China Bilateral Trade Crosses \$12 Billion Mark", *Daily Times*, January 29, 2013,

http://www.dailytimes.com.pk/default.asp?page=2013/01/29/story_29-1-2013_pg5_3.

²³ "Pakistan-China Friendship bedrock for Economic Cooperation", *Express Tribune*, September 8, 2012.

²⁴ Lisa Curtis and Derek Scissors, "The Limits of Pakistan-China Alliance," *Heritage Foundation*, January 19, 2012,

<http://www.heritage.org/research/reports/2012/01/the-limits-of-the-pakistan-china-alliance>

Conclusion

Shared border, complementary economies of western China and Pakistan, regional geo-economic and strategic imperatives, commonality of views on regional economic issues and convergence of interests all ensure the permanence of mutuality in China-Pakistan ties. The projects of Gwadar Sea Port and Kashgar Special Economic Zone will go a long way to further trade and economic relations between the two countries having multiple dividends for both. It is safe to suggest that Pakistan in the future will play a pivotal role in regional economic integration. Due to its geographical location on the crossroads of huge consumer and supplying markets, Pakistan is likely to play a pivotal role in regional economic integration. Currently Pakistan's Karachi and Mohammad Bin Qasim Ports are operating at full capacity while Pakistan's trade dependence on maritime routes which is 95 per cent, demands the development of more sea ports. The achievement of sustainable economic growth is present day Pakistan's vital need. The Gwadar-Kashgar projects would certainly contribute in fulfilling that need. Besides that economic aspect, there is a socio-political dimension too to this grand plan. Both Balochistan and Xinjiang have a troubled history of social unrest caused by slow pace of economic growth and rising disparity with other parts of the two countries. The economic development and employment opportunities that the Gwadar-Kashgar link-up will bring in its wake will go a long way in pacifying the restive populations of these provinces helping them to join the mainstream of national progress.

Close economic relationship between China and Pakistan is of mutual advantage and has potential for further growth and strengthening. Pursued with vigour and determination this alliance can transform Pakistan's geographical advantage as a hub of trans-regional commerce into a reality. Gwadar might face competition from Chabahar but increase in regional commerce may soon outgrow the combined capacity of the two ports.²⁵ The unimpeded progress of the Gwadar-Kashgar enterprise needs to be ensured and should brook no reservation or objection from any quarter. ■

²⁵ Aftab Qazi, "Pakistan", in S. Frederick Starr, ed., *The New Silk Roads: Transport and Trade in Greater Central Asia* (Washington DC: Central Asia-Caucasia Institute, 2007), 92.