



Along the road

Gwadar and China's power projection

by Frédéric Grare



Ever since Pakistani President Pervez Musharraf inaugurated the Gwadar port in 2007, it has been a symbol of China's presence on the shores of the Indian Ocean. Situated on the Makran coast in the underdeveloped province of Balochistan, close to the Strait of Hormuz, the project has generated much suspicion in security circles.

Far away from any economic hub, Gwadar's economic potential seems limited at best, whereas its deep-sea port makes it the ideal location for a naval base. However, it was only after the port in Gwadar became a flagship project of the China-Pakistan Economic Corridor (CPEC), announced in 2015, as well as part of the much-discussed Belt and Road Initiative (BRI) that it truly attracted international attention. By then, the perception of China in the Indian Ocean had dramatically changed: Beijing had built a military base in Djibouti (and there were rumours that China was planning to develop further outposts), and its submarines were regularly seen operating in the region. More importantly, thanks to the BRI, Beijing is steadily expanding its influence across the African and Asian shores

Summary

- > The construction of the Gwadar port and the Chinese presence on the shores of the Arabian Sea highlight a new geostrategic dynamic and is likely to affect the regional balance of power.
- > Pakistani officials have always claimed that the port has no strategic purpose; but without economic integration with the only promising market in the region, India, the military use of the port remains the only rationale.
- > The port increases China's leverage in the Strait of Hormuz and will embolden Islamabad to continue with its destabilising policies in the region.
- > The European External Action Service could initiate a dialogue with Beijing about its activities in the Indian Ocean in general and Gwadar in particular.



of the Indian Ocean. Finally, China's presence in Gwadar is occurring in the context of Beijing's increased economic and political presence in the Middle East, where its interests do not always converge with those of Europe.

A port in the desert

China accepted to build port infrastructure in Gwadar only at Pakistan's insistence: Islamabad's dream of building a deep-sea water port at Gwadar far preceded the BRI, and is almost as old as Pakistan itself. The first mention of a port in Gwadar appeared as a recommendation in a US survey of Balochistan in 1954, while the city was still under Omani sovereignty.¹ Pakistan bought the enclave back in 1958, but construction work first began only at the turn of this century.

The China-Pakistan Economic Corridor (CPEC)



Data: EUISS

China first manifested interest in the project in 1999. Following several aborted attempts to build a deep-sea port in Gwadar, China offered to jumpstart construction by providing financial and technical assistance. While this did not materialise at first, in 2001 Pervez Musharraf convinced Chinese Prime Minister Zhu Rongji to help Pakistan in exchange for the setting up of a Chinese radar station on the Pakistani coast. Construction of the port itself started on 22 March 2001, lasted 72 months and cost a total of \$248 million.²

Surprisingly, in 2007 the Pakistani government granted the management of the port to the Port of Singapore Authority for a period of 40 years. This was in response to US concerns about China's growing influence in the region.

However, the ensuing period of bitter tensions between Washington and Islamabad over the latter's policies in Afghanistan convinced Pakistan of the need to balance US influence in the country and to seek Beijing's more active support. In 2013, the management of Gwadar port was handed over to a Chinese company, the China Overseas Ports Holding Company, for a duration of 43 years.

The Gwadar port became part of the CPEC in 2015 when the initiative was officially agreed to by the Chinese and Pakistani governments. Under CPEC, itself part of the BRI, Gwadar is due to be considerably extended. While current capacity can only accommodate ships with a deadweight tonnage of up to 20,000, additional berths and cargo tunnels are intended to raise that ceiling to 70,000. Plans also include a floating liquefied natural gas terminal with capacity of 500 million cubic feet of gas per day, a desalination plant, and a 2,292-acre special economic zone. In total, \$1.62 billion is projected to be spent on the construction of new infrastructure.

What strategic value for China?

Analyses of the CPEC, the need to address the security situation in the region, and the overall level of economic development in Pakistan makes the project appear attractive on paper. However, without economic integration with India, the only promising market in the region, the military use of Gwadar remains the only real rationale for the port. Pakistani officials have indicated on several occasions that the Gwadar port has no strategic purpose, and Pakistan already has a naval base in Ormara, a town only 230 kilometres east of Gwadar. In Pakistani plans, the Gwadar project was meant to be the maritime outlet of a vast development scheme, linking the Arabian Sea to Central Asia (through Afghanistan) and China, turning Pakistan into a regional hub. Yet although Pakistani officials have always argued that the main purpose of the port was commercial in nature, the grandiose schemes concocted since the early 1990s to connect regional markets failed to materialise for obvious economic and strategic reasons.

From the beginning, the military aspects introduced in the Gwadar project sowed the seeds of the contradictions which are today challenging its *raison d'être*. These military ambitions are primarily geopolitical and geostrategic: Pakistani military rulers always understood the Gwadar project as a way to consolidate Pakistan's position against India and diminish the latter's influence in the region. Their antagonism was therefore a major obstacle not only to any attempt

to normalise relations, but also to any move likely to generate greater economic integration with India, *de facto* inhibiting their own development plans for the whole region. In this context, Pakistani decision-makers understood the Chinese connection as a guarantee against India, even though the nature of this guarantee has always been uncertain.

Interestingly, the economic and strategic value of the project is sometimes doubted in China itself.³ As much as Beijing was willing to help its Pakistani ally and maintain some degree of pressure on India, it only in part shared Pakistan's motivations; nor was it ready to let Islamabad dictate the terms of its relations with New Delhi. China also had economic incentives of its own, though their extent was much more difficult to discern. Avoiding the Malacca Strait and thereby solving the 'Malacca dilemma' that has cast a shadow over the security of China's energy import supply has long been said to be Beijing's main objective.⁴ Moreover, shipping energy resources from the Persian Gulf and transporting them to China by land would shave around 85% off the distance covered by sea-only transport.⁵

That argument, however, never made much sense economically. While some benefits could be expected in China's far-western Xinjiang province, the imported oil and gas would have to travel 4,000-6,000 additional kilometres to the densely populated eastern coasts of China where most of the demand is concentrated. In addition, oil and gas pipelines would introduce new security risks to the equation due to the instability in Pakistan.

So why did China build the Gwadar port or launch the larger CPEC project in the first place? The simple answer is that Beijing probably hoped that Gwadar would play a role in Pakistan's development and help stabilise the country. Yet Gwadar is, like a number of other projects, an expression of China projecting itself to the outside world. The CPEC is a one-way corridor: from that perspective, it is symbolic that CPEC was inaugurated by a truck convoy going *from* Kashgar (in Xinjiang) *to* Karachi and Gwadar – not the other way around. However, a naval base in Gwadar would make strategic sense. It would give China anti access/area denial (A2/AD) capabilities in the waters adjacent to the Strait of Hormuz, and would increase its power projection and intelligence capabilities. In this sense, it should be viewed in parallel with the Chinese military base in Djibouti. A naval base in Gwadar would in effect contribute to modifying the strategic balance in the entire region.

A volatile domestic environment

Although it pre-dated the CPEC, the Gwadar port is linked in public perception to the negative side effects of the larger project in Pakistan. The CPEC was initially well received, and was seen as a way to deliver on the long-awaited promise of development. However, the initial wave of enthusiasm soon gave way to opposition. Instead of uniting the country, it cemented Pakistan's ethnic, social, and political divides, and the CPEC soon became a high-stake game between civilian and military authorities.

The security situation in Balochistan was of particular significance. For Baloch separatists, the CPEC, and more specifically the development of Gwadar, were simply a continuation of the so-called 'mega-projects' undertaken under Pervez Musharraf. The same feelings of expropriation, dispossession and marginalisation prevailed, and the Gwadar port, to which Baloch people were never truly associated, became the most salient symbol. Interestingly, the Chinese authorities seemed to understand the problem better than their Pakistani counterparts: they built a school, sent doctors and promised some \$500 million for the construction of a hospital, a college, and various infrastructure projects to supply the city with drinking water. Heavy security was, of course, provided by the Pakistani army, but in other parts of the province various infrastructure projects linked to CPEC, and built by organisations linked to the Pakistani army, were attacked by separatist groups. For Gwadar, this meant that the economic role of the port remained limited so long as insecurity prevailed in the province and beyond. In turn, the sustained low-intensity conflict justified the continuation of a strong military and paramilitary presence in the region, led to direct and indirect human rights violations on a significant scale, and the persistence, if not reinforcement, of the alienation of the province from national politics.

Other causes of opposition were of a social nature: accusations of land grabbing were widespread in a country where land is administered by customary law and property titles do not always exist, and concerns emerged about the fair distribution of the potential benefits of the CPEC to the provinces. Although these grievances never truly challenged those in power in Islamabad, they were sufficient enough to generate second thoughts on the Chinese side.

Moreover, the Chinese and Pakistani authorities also occasionally talked passed each other. Negotiations about the development of Gwadar are an illustration in point: control of the deep-sea port was China's primary objective, while the

Pakistani government was interested in the building of transport infrastructure across the country, as well as the relocation of declining Chinese industries to Pakistan. This initial misunderstanding was resolved, but suspicion – including within government circles – then arose about the financing of the project; the Pakistani government had accepted sovereign guarantees at fairly high rates on Chinese investments, but that money almost never entered the Pakistani financial system. Most of the Chinese funds went from Chinese financial institutions to Chinese companies that built the infrastructure. Although Pakistani companies only marginally benefitted from these sums, it is the Pakistani state's responsibility to pay back the loans and/or the sovereign guarantees. Uncertainty as a result of growing political tensions between the civilian and military authorities ultimately convinced the Chinese to slow down their investment in Pakistan.

These trends, although not specific to Gwadar, have affected the perception of the deep-sea port. As the economic benefits of the CPEC become increasingly hard to identify, the economic value of the port diminishes. Yet Gwadar continues to play a strategic role as a potential naval base – and more specifically a logistical support point for Chinese submarines operating in the Indian Ocean. But in order for Gwadar to exercise that role, two requirements have to be met: sufficient water and power supply. Both can theoretically be achieved independently from the larger economic projects which are part of the CPEC, but this will come at a much higher cost.

Consequences for Europe?

The Chinese presence in Gwadar highlights a new regional dynamic, and is likely to affect the balance of power in the region. A fully developed Gwadar port and the presence of Chinese A2/AD capabilities would *de facto* increase China's leverage and diminish the margin of manoeuvre of the region's traditional actors, including European powers. In case of tensions with Iran, the naval base could threaten the security of the sea lanes of communications through the Strait of Hormuz, affecting European interests. Moreover, it will provide reassurance to Pakistan, perhaps encouraging Islamabad to continue pursuing a foreign policy that has so far had a hugely destabilising impact on the region – something that even Beijing views with apprehension. An emboldened Pakistan could have an impact on Europe if, for example, Afghanistan's central government were to collapse as a result of Pakistan's destabilisation policies through their Taliban proxies. Equally importantly, China's presence can be interpreted as evidence of a relative loss of US influence in the region. For

Europe, risks are therefore both conventional and non-conventional, direct and indirect.

But if the Chinese presence in Gwadar can no longer be seen as benign, it is built on shaky foundations: Gwadar port's economic and strategic viability rely on Pakistan's political stability, something which can less and less be taken for granted. Given the evolution of the relationship between Beijing and Islamabad, information regarding the reality of the supposed benefits that Pakistan is likely to get from China through CPEC are likely to slow down the development of the Gwadar port. There is also an urgent need to start a dialogue with Beijing about its intentions in the Indian Ocean in general, and Gwadar in particular. Such a dialogue, led by the European External Action Service, possibly at the highest level, would signal European concerns about Chinese activities in the region to Beijing. A parallel dialogue on a similar theme with the US and within NATO might also be explored as an additional measure through which to handle the issue.

The larger picture should also be taken in consideration. In Pakistan, as elsewhere, the recipe for China's 'success' in selling its narrative is a combination of domestic economic and political weakness coupled with an authoritarian or semi-authoritarian regime. Beijing promises to help solve economic challenges without forcing changes within the regime. In reality, the strengthening of authoritarian elements is the precondition for administering China's economic 'cure' – which in fact usually causes further harm through an explosion of national debt. This is precisely the mechanism that Europeans should denounce. It will not solve the problem entirely, but highlighting the fact that China is not bringing development to Pakistan but pursuing its own strategic objectives while consolidating the power of the military should diminish the political space in which Beijing and the Pakistani military operate.

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Endnotes

1) "Gwadar port: history-making milestones," Dawn, April 14, 2008, <https://www.dawn.com/news/297994>.

2) Ibid.

3) Mei Xinyu, "The Gwadar Port Disillusion," Yicai Global, November 4, 2017, <https://www.yicaiglobal.com/news/gwadar-port-disillusion>.

4) The 'Malacca dilemma' is a term coined by President Hu Jintao in 2003 to describe the over dependence of Chinese trade on the Malacca Strait sea routes and the risk of interdiction by other states.

5) Mei Xinju, "The Gwadar Port Disillusion," Caijing Magazine, December 19, 2016.

