



Gwadar-The Heart of CPEC

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Introduction

Pakistan was able to realize the importance of Gwadar Port back in 1954 when it was still under Oman's rule. Pakistani government engaged United States Geological Survey (USGS) to conduct a detailed survey of its coastline. Survey was encouraging for development of port at Gwadar. Due diligence commenced and after four years of negotiations, Pakistani Government was able to purchase Gwadar Enclave at the cost of 3 Million USD. This in turn ended 200-year old Oman's rule of Gwadar and then it was officially declared part of Pakistan on December 08, 1958.

In 1964 government decided to transform this small fishing town into an international port and started doing baseline feasibilities with the help of National/International bodies. Government simultaneously started working on both prospective ports; Gwadar and Port Qasim to reduce Pakistan's Economic/Naval dependence on Karachi. In 1993, a thorough financial/technical survey was conducted to judge the importance of Gwadar port and a huge geo-strategic importance was revealed.

Gwadar port was officially handed over to Singapore Port Authority (SPA) in March 2002 for port development and operations. The first phase of this effort was concluded in 2006 when three multi-purpose berths and associated infrastructure was constructed and developed. Unfortunately, SPA was unable to commence operations and commercial activity and hence government decided to award same concessional agreement to China's state owned company named China Overseas Port Holding Company (COPHC) in 2013.

Developmental efforts at Gwadar are not only CPEC-centered, rather numerous mega projects are being carried out under two heads, namely; PSDP (Public Sector Development Projects) and Prime Minister's Special Package for Gwadar. Government plans to spend approximately 98 Billion PKR on projects ranging from Construction of 132 KV Grid Station at port to New Gwadar International Airport and other mega infrastructure development projects. Prime Minister has also announced a specific 1 Billion PKR for various Gwadar City developmental/capacity enhancement projects.

Pakistan's economic condition has improved manifold in past two years, GDP growth is expected to reach 5.8% in 2018 as its growth in the fiscal year 2017 accelerated to 5.3% from a year earlier, which shows better growth than numerous developed and developing economies alike. On the positive side, there is a revival in the world trade volumes due to improvement in the security and business environment of Pakistan. Pakistan has also been aware of the expansion of its transport and energy infrastructure, in order to alleviate the bottlenecks in its national growth. With the inclusion of coal-fired power plants, the energy mix available to Pakistan will be more economical than the previous provisions.

China Pakistan Economic Corridor (CPEC) is a flagship project of "China's Belt and Road Initiative" (BRI). It has the potential to bridge the regional connectivity of China, Middle East and Central Asia. Presently CPEC portfolio is valued at 62 billion dollar. Gwadar Port is the centerpiece of Pakistan-China strategic partnership because of its strategic location and potential for becoming the future economic and energy hub.

THREE MAIN FUNCTIONS OF PORT

Functioning of any international port is broadly divided into three main functions, namely; Port Authority, Port Operations and Logistics Functions.

- Port Authority primarily looks at governing of overall port, that includes the security of port, policies of the port and its ownership.
- Port operations take care of operational aspect of the port.
- A logistics services on the other hand includes handling of cargo, storage and warehousing and pilotage and towing of called in vessels.

FOUR MODES OF GOVERNING PORTS

Ports internationally governed in four modes.

- Public Service Port
- Tool Port
- Landlord Port and
- Private Service Port

Public Service Ports are wholly owned and operated by a public-sector body. Both Authority and Operations are controlled by the authority. These ports are normal well governed due to centralized control and managed operations, but lack a few important factors like competition, less market-oriented approach and lack of innovation due to limited role of private sector. This was a dominated model until 1980's.

Tool Ports are the ones in which operational equipment is owned by a public authority but operated by labor from private sector. Main issue in this model is a consistent conflict between port authority (owning equipment) and the labor (operating it). This model also offers an overall low innovation and efficiency. This used to be a common model but is now diminishing.

Private Service Port are wholly owned (governed) and operated by a private sector authority, these ports enjoy more flexibility and innovation/efficiency is also greater than other models. There is a risk of monopoly creation by the authority. In addition to poor governance and accountability due to minimal involvement of government sector.

Landlord Port Model is the most dominant model prevailing internationally due to its higher efficiency, innovation and operational excellence. This model operates on a clearly segregated role basis, Public Port Authority taking care of all governing functions and acting as a bridge between Government bodies/line ministries, and the private sector port operator handling all operations on the port, the landlord port model is being followed in the Gwadar port development.



Advantageous Gwadar Port Location

ASSIGNMENT AND TRANSFER AGREEMENT

Gwadar ports operational control was handed over to China Overseas Port Holding Company (COPHC) through Assignment and Transfer Agreement in May 2013. Following are some of the key points of this concessional agreement;

- ❖ COPHC to carry out all development work related to operationalization of port.
- ❖ COPHC to develop and operate the free zone, for which 2282 acre of land given on 43-year lease.
- ❖ Exemption from corporate income tax for the period of 23 years.
- ❖ Exemption on import duties and sales tax offered to COPHC on all import of equipment and material required for construction, expansion and operation of Gwadar Port for 40 years.

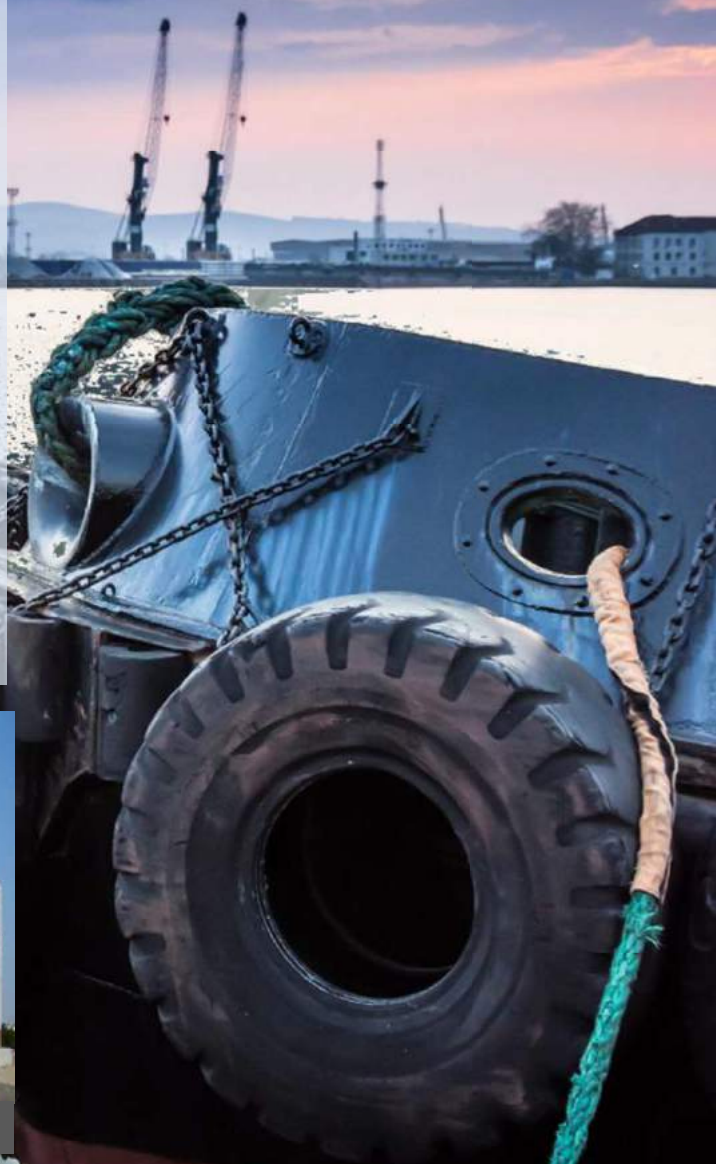
POTENTIALS IN GWADAR

Gwadar is a deep-sea port centrally in the Arabian Sea on the mouth of Strait of Hormuz and proximity with the Persian Gulf which holds 60 percent of world oil reserves. Gwadar port is a warm water deep sea port with a huge potential of becoming a logistics, transshipment and transit axis not only for China but the rest of the region as well. Gwadar port development under CPEC would not only attract foreign direct investment (FDI) but would also help Pakistan in monitoring of Sea Lines of Communications (SLOC's). Gwadar port is also expected to act as a Hub port, a Hub port entails "Hub and Spoke System", with a central port termed as a Hub connected simultaneously to several spokes i.e. smaller ports. Currently Gwadar port can accommodate daily two Panamax Vessels (5000 TEU) and can load and unload them simultaneously, along with this loading and unloading capability it also has the capability to store and transforms inventories (i.e. packing and unpacking etc).

This makes the Gwadar port ideal for the transshipment port for the feeder max (3000 TEU), feeder (2000 TEU), and small feeder (1000 TEU) ships. This transshipment capability just at the mouth of Strait of Hormuz will greatly improve the transportation efficiency of the regional sea traffic. Besides the capability of the Gwadar port to handle containerized cargo, it can also handle bulk cargo, as well as the port has the facilities to break-bulk i.e. break the bulk of the cargo in smaller packing and for further shipment. The new Gwadar International Airport can usher in a new era of regional connectivity and tourist activity, according to the Gwadar master plan 4300 acres of land is assigned to the new airport. The new airport connects seamlessly with the regional airports and can act as a key resource in attracting the international travels to the warm waters and virgin beaches of Gwadar. With an international airport, the hospitality services need to be developed, and the local community culture and their local heritage needs to be preserved and projected to the international traveler. This will help in distinguishing Gwadar from the rest of the Gulf state resorts and their generic hospitality services. Gwadar development authority plans to transform Gwadar city into a smart port city, and is planning for the city infrastructure accordingly, few of the salient features of the smart city is that it strives for the operational efficiency in its mobility management, energy management, governance, health, just to name a few key areas of interest. To this claim some of the evidence of the current infrastructure projects undertaken in Gwadar are presented. Gwadar has a present population of approximately 140,000, this population growth demands sufficient health activities and in this regards a state of the art 50 bed hospital has been established in Gwadar under the umbrella of Gwadar Development Authority. Hospital enjoys state of the art facilities including Medical OPD, Surgical OPD, Gynae & emergency, which would be extended to 300 beds progressively with the local demand requirements.



SWAD Dam pipeline dredging and laying



GDA Hospital

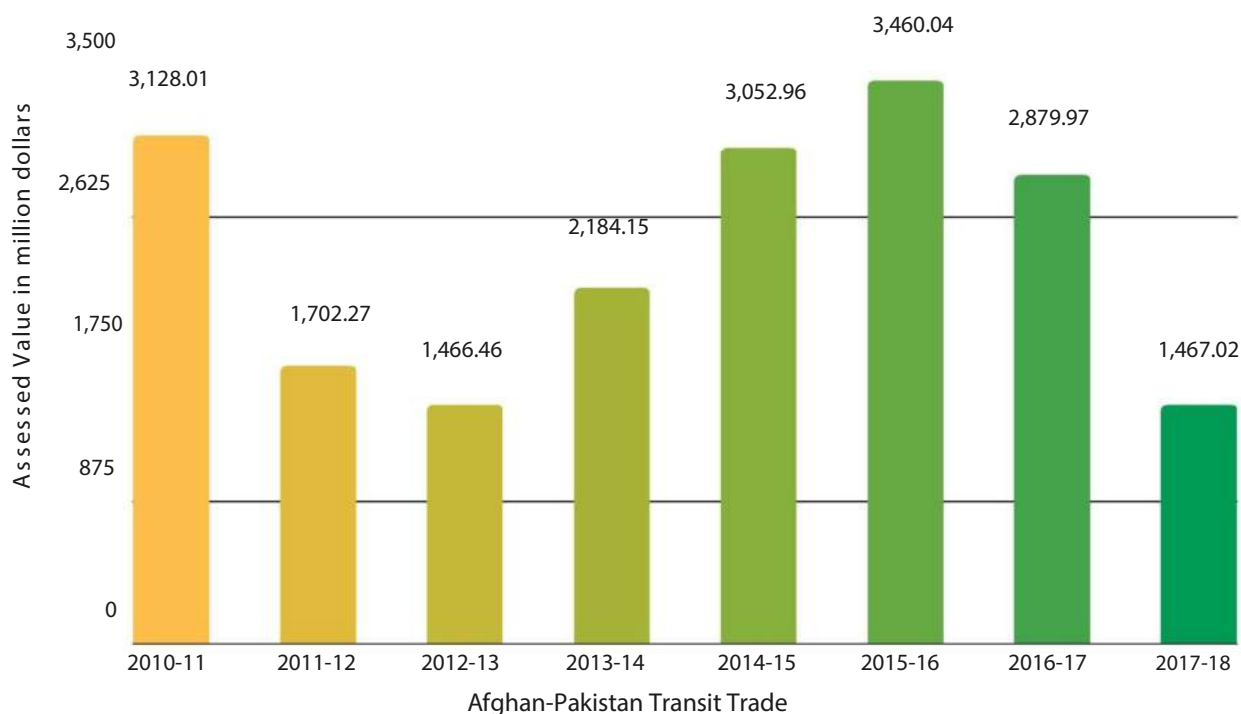
Current water demand of Gwadar city is around 6.3 Million Gallons per day (MGD), whereas it is only getting 2.70 MGD through Ankara dam. Future projections indicate that Gwadar may be needing 12 MGD by 2020. This has prompted authorities to not only seek traditional solutions i.e. exploiting the local water reservoirs such as Swad dam and Shadi kaur dam, but also exploring sea water resources through desalination, these desalination projects are at various stages of their completion and can increase the water capacity by 7 MGD. It should be pointed out that countries like Saudi Arabia are using large scale reverse osmosis desalination plants to economically satisfy their fresh water's needs, Saudi Arabia is not only utilizing the exhaust from its thermal power plant cooling systems as a source of water but also utilizing its solar endowments to powers its desalination plants. It should be pointed that the Baluchistan region is particularly rich in solar endowments and this model of solar power for desalination of sea water can be utilized for Gwadar as well.

Numerous other early harvest projects are also in advanced stage of implementation; namely 300 MW Coal Power Plant with an approximate cost of 552 Million USD, Water supply and treatment plant with an approximate cost of 120 Million USD, establishment of an LNG terminal, Technical and Vocational Training Institute with an approximate cost of 9.54 Million USD and East Bay expressway with an

approximate cost of 133.72 Million USD to name a few. Prime Minister Package of 1000 Million Rupees is also approved and numerous projects in execution are moving at a very rapid pace. These projects are aimed at the uplifting of town towards a modern port city.

Gwadar Free Zone is also being established at an approximate land of 2200 Acre. Design and development of this mega project is being undertaken by China Overseas Port Holding Company Pakistan (COPHC). COPHC has established an independent entity by the name of Gwadar Free Zone Limited (GFZL). A state of the art business center has already been built in the zone within a record time of 6 months.

Normal operation of Gwadar Port will further promote different industrial development at Gwadar city such as petrochemical plant, Textile industry, food processing factories, cement plant, logistics hubs, transit trade, packaging, labeling, export-oriented manufacturing, value added exports, chemical fertilizer plant, steel works, export processing unit, export-oriented manufacturing etc. There are lot of undiscovered agricultural resources along the coastline as well as sufficient mineral resources in the hinterland of Gwadar, which can become the catalyst for economic development. It will also open the doors of immense opportunities for many services Businesses like tourism, fishing, hotels, restaurant, entertainment and cultural exhibitions.



Development of Gwadar port will ease pressure on other domestic ports of the country and with normalization of relations with neighboring countries will enhance trade, and foreign exchange could be earned through transit fee. These Industrial developments will benefit Pakistan to reduce dependence on imports and even reverse trade deficits through exports and will create jobs. The industrial and commercial development of the Gwadar will also open opportunities for the exploitation of the westerns transport corridor of Pakistan and will relief pressure on the existing eastern transport corridor.

The Afghanistan-Pakistan Transit Trade Agreement also known as APTTA is a bilateral trade agreement signed in 2010 between Pakistan and Afghanistan Government. Agreement ensures smooth logistics of goods between Pakistan and Afghanistan. APTTA signed in 2010 granted access to both countries to use each other's airports, dry ports, designated road infrastructure, sea ports and railways. Gwadar port connectivity through M-8 (Gwadar-Turbat-Hoshab) 193 km and N-85 (Surab-Nag-Panjgur-Hoshab) 448 km made this route shortest possible route between two countries through the development of a deep-sea port. APTTA through Pakistan has reached a value of 1.4 Billion USD in first six months of fiscal year 2017-18. This indicates that the figure could raise up to 3 Billion USD by end of 2017-18. The above graph shows the value of this trade through past years and its ups and downs due to political instability and formation of conflicting international ties over time. Gwadar port is almost ready to embrace this challenge as facilities for calling ships and subsequent offloading and clearing of Cargo is underway. Custom clearing facilities for transshipments and that of APTTA are being established. Customs office in Gwadar is actively working with China Overseas Port Holding Company (COPHC) which is responsible for operations of Gwadar port to implement WEOC (Web Based One Customs) application on priority. Some of the requirements highlighted by relevant departments at port for effective implementation of WEOC and commencement of APTTA through Gwadar are as follows;

- Availability of all Customs modules including Afghan Transit Trade module on site at Gwadar Port and Gwadar Free Zone.
- Operationalization and up gradation of Servers for WeBOC working at Gwadar Port, both at operators and Government's end.
- Ensuring smooth exchange, Electronic Data Interfacing (EDI), between all relevant departments and stake holders.
- Ensuring high speed Internet connectivity among all stake holders.
- Custom's WEOC connectivity with weighbridges installed on site (fixed) and the stationary ones.
- Custom's WEOC connectivity with scanners installed at Gwadar International Terminals Limited (GITL).

Implementation of these infrastructural projects will accelerate economic development of Gwadar and in the long run Baluchistan, particularly people benefiting projects, such as hospitals, schools, water desalination plants and power stations. For the local community of Gwadar, the main trade is artisanal fishing, and with weekly route of COSCO container ship service, the local fish business has access to the international market. Gwadar has huge potential for the companies dealing with fishing and fish processing activities. The Gwadar Development Authority is actively engaged in exploiting this natural endowment of Gwadar District. There is no denying the fact that the provincial, the federal governments and the national agencies are actively engaged in the development of CPEC and Gwadar port.

