

A geoeconomic and geopolitical review of Gwadar Port on belt and road initiative

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Review of
Gwadar Port

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Abstract

Purpose – By combining geopolitical and economic factors and from a geoeconomic perspective, the importance of Gwadar to China and Pakistan is discussed in detail. By applying geoeconomic approach and based on the historical approach, geographical and geopolitical conditions and international development trends of Gwadar port, the authors develop the analytical framework to analyze the Gwadar port and studied its importance in the development of China and Pakistan, as well as the positive influence on the economic growth of both countries.

Design/methodology/approach – A geoeconomic study is done to run a more profound and more comprehensive analysis of China–Pakistan economic relationship, as geoeconomic includes interrelations of geographical, geopolitical and economic factors in international relations.

Findings – The results show that Gwadar Port's development could enhance the economic security of both China and Pakistan. With the opening of Gwadar Port, oil and energy in the Middle East will be imported directly to China through Pakistan's oil pipeline. This is not only oil but also goods from Central Asia, and even Europe and the USA will land from Gwadar Port and enter China through the China–Pakistan Economic Corridor (CPEC). The development of Gwadar port under the CPEC program could also dramatically increase the capacity of Pakistan's maritime trade while reducing its dependence on the current largest port, Karachi, near the India border.

Originality/value – Geo-economics theory is used to run a more profound and more comprehensive analysis of China–Pakistan economic relationship as geoeconomic includes interrelations of geographical, location, geopolitical and economic factors in international relations. By combining geopolitical and economic factors and from a geoeconomic perspective, this study seeks to analyze the Gwadar port development and its implications for both China and Pakistan.

Keywords China, Pakistan, One belt one road, CPEC, Geoeconomics, Gwadar

Paper type Research paper

1. Introduction and literature review

Pakistan has a coastline of about 700 km and has two crucial military ports: Karachi Port and Gwadar Port. Karachi is on the east coast, near the Indian side. Gwadar is on the west



coast, near the Iranian side of the Middle East. Gwadar Port enjoys a very geostrategic position in the region as it is located near the significant sea trade routes, choking the throat of several important maritime routes from Africa, Europe via the Red Sea, the Strait of Hormuz, the Persian Gulf to East Asia and the Pacific. Gwadar has initially been a tiny fishing village in the Markland area of Baluchic Province in western Pakistan. Although the geostrategic position of Balochistan is essential for China, the province suffers from economic and social backwardness. Balochistan has the lowest GDP in Pakistan and economically is the least developed region in the country. The provincial economy only accounts for 4.3% of the national economy, and its per capita income is about \$400, which is two-third of Pakistan's per capita income. Baluchistan, with about 44% of the country's land area and a population of just 12.3 million, is also Pakistan's least-populous province. Nevertheless, Baluchistan is rich in natural resources, such as oil and gas, minerals and coastlines. In this regard, proper access to raw materials has increased the investment attractiveness of the province.

Despite the opportunities, there are also challenges for the implementation of the projects in Pakistan. The difficulties which scholars have identified to impede successful accomplishments of China–Pakistan Economic Corridor (CPEC) are both internal and external. As [Afzal and Naseem \(2018\)](#), [Adnan and Fatima \(2016\)](#) and [Sial \(2014\)](#) pointed out that Balochistan has been one of Pakistan's most volatile regions in recent years as security threats in the province have become a significant challenge for economic agents. According to the [Global Terrorism Index \(GTI\) \(2018\)](#), Pakistan is among the top five countries with the most terrorist attacks in the world in 2018. Afghanistan, Iraq, Nigeria, Somalia and Pakistan account for 75% of all deaths from terrorism in 2018. The Taliban's Pakistani affiliate group, Tehrik-i-Taliban Pakistan (TTP), was responsible for 233 deaths and 56 attacks in Pakistan in 2017 (IEP, 2018). In 2019, gunmen attacked a luxury hotel in Gwadar where foreigners were staying. The Balochistan Liberation Army, which seeks autonomy in the area, took responsibility for the deadly attack and warned Chinese and other foreign citizens to leave the region.

Further, the Pakistan Government has been struggling to control its total debts as its public and external debts increased sharply in recent years. Pakistan's total obligations and liabilities increased to Rs29.8tn in 2018, which is equal to 86% of its GDP. Its debts to GDP ratio is quite high and above the debt sustainability limit of 60% of GDP set in the Fiscal Responsibility and Debt Limitation Act of 2005. Moreover, in 2018, the International Monetary Fund (IMF) released a report which indicates Pakistan's external debt would increase to \$103.4bn by 2019. According to this report, the external debt will reach unprecedented levels of 10% of its GDP until 2022. IMF warns that Pakistan's external debt is close to a dangerous level, which threatens the country's economic sustainability. In terms of the business environment for foreign companies, Pakistan has been suffering from complicated bureaucracy, the complexity of laws and inconsistent policies. According to "the Ease of Doing Business" report, published by the World Bank in 2019, Pakistan has relatively weak regulatory performance over time as it is ranked 136th among 190 economies. Pakistan's performance in four scopes, including "getting electricity," "taxes system," "enforcing contracts" and "dealing with construction permits" is determined weak.

Although the risks and challenges in Pakistan for the implementation of BRI's projects have been the subject of some studies in the past, few have analyzed the reasons for China's widespread presence in Pakistan's economy. Even so, few studies have focused more on geopolitical aspects of CPEC projects or focused solely on the mutual economic benefits for China and Pakistan. However, in analyzing China and Pakistan's economic corridor, one

cannot rely only on economic or geopolitical factors, but on an inter-structural analysis, the role of all factors must be examined appropriately.

This study, therefore, conducts a systematic review of previous works to facilitate theory development and uncover potential new areas where more deep research is needed. Geoeconomics theory is used to run a more profound and more comprehensive analysis of China–Pakistan economic relationship as geoeconomic includes interrelations of geographical, location, geopolitical and economic factors in international relations. Geoeconomics, as a foreign policy strategy, refers to the use of economic means of power to realize strategic objectives. It is “the geostrategic use of economic power” (Wigell, 2016). In fact, in the post-Cold War era, the international arena of competition cannot only be explained not only by geopolitical and political factors but also by the importance of economics as a major driving force in the foreign relations of regional powers. By combining geopolitical and economic factors and from a geoeconomic perspective, this study seeks to analyze the Gwadar port development and its implications for both China and Pakistan. Huntington (1993) has argued that in recent decades, the nature of threats to regional powers has become more economical than the military. Parallel to this, and with the complexities of the international economic environment, the concept of economic security can largely determine national security priorities for countries. In this context, while not only overlooking the political and strategic significance of China and Pakistan’s economic corridor, the Gwadar development project should be considered as a part of the economic security strategy between the two countries.

2. Belt and road initiative: Expanding China–Pakistan geoeconomic cooperation

Belt and road initiative (BRI), as China’s most ambitious mega-project with the potential to transform the geopolitics and economics of dozens of countries along the proposed routes, has received a great deal of attention from policymakers, governments and scholars from various disciplines. In the international relations arena, debates have focused mainly on opportunities and challenges for the realization of the BRI that China has faced. There have also been many studies on the reasons behind the initiative, but most of them have focused on just one-factor while ignored the others. In this series of studies, some scholars such as Callahan (2016), Clarke (2017), Flint and Zhu (2019) and Fanell (2019) have highlighted China’s strategic objectives in BRI and concluded that China has been pursuing the implementation of BRI to enhance its power and influence in the region. In contrast, Szczudlik-Tatar (2013), Zhang (2015) and Shariatinia and Azizi (2017), focusing on the cost efficiency approach, argued that the Chinese initiative could promote inter-regional connectivity and trade and, ultimately, drive higher economic growth in member countries.

Although recent studies of China’s motives have highlighted some reasons explaining why China is pursuing the initiative, none have systematically and comprehensively examined the role of geostrategic, economic and geographical factors together. In this study, we use the term geoeconomic to fill the gap in the literature. Luttwak (1990; later 2010) proposed the term geoeconomics to explain how states shape their economic relations beyond maximizing economic benefits strategies and based on the geopolitical and economic security considerations. Geoeconomics refers to “the use of economic instruments to promote and defend national interests and to produce beneficial geopolitical results.”

By highlighting the differences between Chinese and Western approaches to overseas activities, Sun and Gu (2015) argued China’s presence in international activities and initiatives such as BRI coming from its effort to increase its regional and global influence as a rising power; although China, unlike Western countries, is seeking for cooperation in Asia and Africa. Wang (2016) pointed out that BRI is Chinese reaction to uncertainties

surrounded China. The combined pressure of US strategy in Asia, slowing down of the Chinese economy, and deterioration of the relations with neighboring countries increase concerns among leadership in Beijing. In this regard, BRI is designed to first cope with China's regional security risks and other boost its influence in the regional and international order. To do this, China is pursuing an "infrastructure diplomacy" to promote regional connectivity and deepen its relations with BRI member countries:

China's 'infrastructure diplomacy' also reflects a diplomatic imperative to strengthen relations along the country's continental periphery at a time when territorial disputes have strained relations with maritime neighbors (Rolland, 2015)

A broader argument has concentrated on the motivations of the Chinese state in presenting the BRI and its implications for the countries along the route, Asia, and the global political and economic order. In this context, Beijing is mixing new ideas like the Chinese dream or Asia for Asian, establishing new institutions such as Asian Infrastructure Investment Bank (AIIB), and proposing new regional and cross-regional plans like BRI to build new governance ideas, norms, and rules. From a neorealist perspective, Chan (2017) argued that China sees US strategy in Asia as a threat to its national interests. In response, China has launched initiatives like BRI and the AIIB to rebalance with the USA and carve out a regional security space in Eurasia to mitigate the threat from the USA and its allies in Asia. Both the AIIB and BRI initiatives will enhance China's economic relations with other Asian countries.

Further, China is promoting BRI in the region to diversify and secure its energy transport routes (Len, 2015) and to facilitate the economic development of its Western provinces (Cai, 2017). Gholizadeh *et al.* (2020) discussed the importance of geography and financial security concepts for both Pakistan and China as influential factors.

While scholars continue to discuss whether BRI is primarily designed as an economic action plan or as China's grand political strategy, the reality is that economic factors and geopolitical considerations all together drive BRI projects across countries. In this study, by applying geoeconomic approach and based on the historical approach, geographical and geopolitical conditions and international development trends of Gwadar port, we develop the analytical framework to analyze the Gwadar port and studied its importance in the development of China and Pakistan, as well as the positive influence on the economic growth of both countries.

3. China–Pakistan economic corridor

CPEC from Kashgar as the starting point and with endpoint in the Pakistani port of Gwadar, with total length of 3000 km, along the "silk road economic belt" and the "maritime silk road in the 21st century", as a key hub linking the north and south silk road, is including highway, railway, oil and gas trade corridors and cable channels. The CPEC – with a \$62bn investment in energy and infrastructure development in Pakistan – is seen so vital to Pakistan's economy. As a flagship project of China's BRI initiative, the corridor will link Xingjian province in Western China with the port of Gwadar in Pakistan on the Oman Sea. Besides, to enhance bilateral trade between the two countries, the CPEC is going to serve as a gateway to Africa. Furthermore, the significance of the initiative is very sizeable for Pakistan's economy. Chinese MNEs, along with private companies, have guaranteed to invest \$20bn in the energy sector and a massive amount of above \$42bn in other sectors of Pakistan's economy.

In addition to enhancing Pakistan's economy and support China's plan for the development of its western region, the corridor is proposed to bring stability in the region

through economic integration. CPEC will not only benefit China and Pakistan but also have a positive impact on Iran, Afghanistan, India, the Central Asian Republic and the region. The enhancement of geographical linkages having improved road, rail and air transportation system with frequent and free exchanges of growth and people to people contact; understanding through academic, cultural and regional knowledge; higher volume of flow of trade and businesses; producing and moving energy to have more optimal businesses and co-operation by win-win model which will result in well connected, integrated region of shared destiny, harmony and development.

Table 1 shows different power projects under CPEC with their capacity. Fourteen power projects are going to be finished by 2020, while the completion time is not defined for the other eight projects. Most of these projects are designed to be on coal and hydel technologies. All coal prioritized power projects will use imported coal except two power projects, which will use local coal with the capacity of 1980 MW. In addition to the power projects, CPEC involves the development of transmission lines on an urgent basis from Matiari to Lahore with a length of 878 km.

4. Importance of Gwadar project for Pakistan

Completely change the dilemma of energy shortage of Pakistan

Pakistan has poor infrastructure; energy and power shortages; and an average shortfall of electricity from 4000 to 7000 MW per year (Ali *et al.*, 2018). The cost of energy shortages and chronic power cuts reach 7% of the GDP (which is a direct drag on economic development, on the improvement of people's livelihood, and even on the development of the national defense. The CPEC will address Pakistan's energy crisis and will fill the fundamental shortage of energy and electricity as 76% of CPEC related projects are in the energy sector (Ali *et al.*, 2018). China aims to invest more than \$34bn in the energy sector in Pakistan to ultimately add some 17,000 MW of electricity generation (Bhattacharjee, 2015). By the completion of the first projects, it is estimated that CPEC provides up to 10,400 MW energy for Pakistan (Thambi, 2018).

4.1. Fully stimulating the economic development of Pakistan

China and Pakistan two have signed 51 cooperation agreements covering transportation infrastructure, energy, agriculture, trade, finance, health, media, marine science and education. Currently, \$46bn of projects are being defined and implemented in Pakistan's infrastructure. That is about 20% of Pakistan's total GDP. This amount of foreign investment in Pakistan is equal to the total amount of foreign investment made in the country since 1970 (Rakisits, 2015). Only in one of the most important projects, the Asian Development Bank (ADB) has committed to providing Pakistan with an \$8bn loans to upgrade the Karachi Peshawar railway (Javaid, 2016). The railway covers about 75% of

Power projects	Prioritized projects	Actively promoted project	Installed capacity (MW)
Coal	7	5	13140
Wind	4	1	350
Solar	1	0	900
Hydel	2	1	2693
Gas	0	1	525

Source: Pakistan's National Electric Power Regulatory Authority (NEPRA)

Table 1.
Power projects under
CPEC agenda

freight and passenger traffic in Pakistan. With the completion of the railroad upgrade project, the average passenger transport speed will increase from 65 to 160 km per hour. It will also increase its transit capacity from the current 4 to 20% at present ([The Express Tribune, Pakistan, 2019](#)).

The conceptual framework developed in this study use the geoeconomics to analyze the Sino-Pakistani economic corridor and the Gwadar Port development project. Although there have been numerous studies on China's motives for pursuing BRI, most of them have concentrated only on one aspect while overlooked other factors. Besides, most studies have analyzed Chinese initiative driving forces through the hegemonic theories or from a political and geopolitical perspective. However, as noted by [Hsiung \(2009\)](#), in the post-Cold War era, the economic security concerns of the great powers outweighed their political and military concerns ([Hsiung, 2009](#)). Therefore, the use of geoeconomics has become necessary in the analysis of international relations, as it deals with geographical and economic motives shaping a regional power's foreign policy ([Scholvin and Wigell, 2018](#)).

CPEC will also approach to Pakistan's many underdeveloped regions. The arrival of the economic corridor will get a revolutionary change, change the fate of Pakistan and the whole region. As [Haq and Farooq \(2017\)](#) estimated, the areas along the Corridor will experience the highest levels of prosperity and welfare ([Haq and Farooq, 2017](#)). Baluchistan province will have the highest rate of increase in social welfare index with 6.4% growth. Accordingly, Sindh with 6.31%, KP with 5.19% and Punjab with 3.5% growth in social welfare are ranked after Baluchistan.

On the one hand, the completion of the economic corridor can expand the import and export of goods and personnel exchanges between China and Pakistan and promote Pakistani entrepot trade. On the one hand, it will make Pakistan a regional hub for business and investment. When east Asia, central Asia, west Asia, the Middle East, Africa and South Asia are connected, goods from many countries will pass through Pakistan, which will greatly increase tax revenue and allow people, logistics and information flow to converge and spread here. According to a report published by the World Bank in 2019, with the end of infrastructure projects, Pakistan's foreign trade only with its neighbors will increase to \$58bn per year, three times more than its current merchandise trade (World Bank policy note, 2019).

4.2. Maintaining strategic space and ensuring geostrategic position

The USA used to be an important anti-terrorism ally and donor to Pakistan, but there are some differences on many issues between the two countries. Pakistan is dissatisfied with the US discriminatory treatment of Pakistan and India on the nuclear issue, especially the sanctions and arms embargo imposed by the USA on Pakistan's nuclear program, which has now led to India's accession to the Nuclear Suppliers Group (NSG) and related transactions with it. At the same time, during the war on terrorism, the cross-border strikes by the USA, such as killing bin Laden and launching drone attacks in Pakistan, kept Pakistan vigilant against the USA and raised domestic anti-American sentiment.

After the adjustment of the South Asia strategy, the USA regards India as an essential grasp of the "Asia-Pacific rebalancing" and tries to connect with India's "East-Oriented" strategy to promote India to become a new provider of regional security. After Modi came to power, India also constructed its dominant position in the South Asia-Indian Ocean more actively. At present, India, Iran and Afghanistan have agreed to develop a modern port outside the Persian Gulf, which will help India

and Afghanistan develop trade cooperation in South and Central Asia around Pakistan. The development of US–India–Arab relations, to a certain extent, has led to the dilution of Pakistan’s regional influence and put it in danger of being surrounded and contained on the East and West fronts.

The CPEC can strengthen Pakistan’s geographic advantages and ease the strategic pressure caused by the approach of the USA and India. Pakistan can also develop bilateral and multilateral relations with more countries based on the corridor project construction, thus realizing the maintenance of strategic space and the deep expansion of strategy.

4.3. Gwadar port development as a key component of Pakistan’s economic security policy

The coastline of southern Pakistan is about 700 km long, and there are two ports with superior geographical conditions – Karachi Port and Gwadar Port, which are located on the east and west sides of the country. Karachi port is located near India’s border, while Gwadar port is on the west side near Iran. Due to the foundation laid by the colonial period, Karachi Port is currently the largest commercial and military port in Pakistan. Karachi City, where the port is located, is also the seat of the Pakistani Naval Command and the largest city in the country, and the national industrial, commercial, trade and financial center. However, Karachi port is only more than 200 km from the India–Pakistan border, lack of security depth, in the third India–Pakistan War in 1964 was successfully blocked by the Indian Navy. In 1971 military conflict, India again attacked the port of Karachi. By launching two navel attacks, India’s army succeeded in destroying parts of the port’s infrastructure as well as large numbers of merchant ships and fuel. So since 1964, Pakistan has sought to develop the port of Gwadar and establish another passage to the sea.

The development of the Gwadar port can reduce Pakistan’s dependence on its most significant commercial port, Karachi. Currently, about 60% of Pakistan’s maritime trade with the world takes place through the Karachi Port. The escalation of tensions with India and even a new military conflict could disrupt business in Karachi and hurt Pakistan’s economy. Pakistan’s need to develop the Gwadar port to provide the country more economic security was particularly evident in the recent military confrontation with India in 2019. In an evident warning, the Minister of Defense of India reminded the events in 1964 and 1971 and warned Pakistan the risk of getting dismantled on its soil (News18, 2019). Given the long-term tensions in relations between India and Pakistan, reducing dependence on the Karachi port could provide Pakistan a better access to free water and bring it more economic security.

5. Importance of Gwadar port for China

5.1. China–Pakistan economic corridors geopolitical and strategic landscape

It is located in the strategic point of the Persian Gulf near the throat, close to Africa, Europe through the red sea, the Strait of Hormuz, the Persian Gulf to East Asia, the Pacific region several important sea routes throat. Its ending point at Gwadar port is about 400 km from the strait of Hormuz, the main conduit for global oil supplies. It is also a relevant passage to ensure the lifeline of China’s petroleum. China is also building ports along the Arabian sea to avoid the politically unstable Persian Gulf. The Persian Gulf has traditionally been a US sphere of influence, and the USA will not relax its high security there. By abandoning the Persian Gulf, China is also avoiding the danger of a collision of interests with the USA. China has long adopted a policy of bypassing the Persian Gulf. China imports much oil from Amman, for example.

Amman accounts for 11% of China's oil imports. Gwadar gives China the ability to reduce its dependence on oils coming from the Persian Gulf. With the development of Gwadar, China will have access to African oil as well.

5.2. Economic and geographical considerations

China could also use the CPEC to gain significant access to central Asian markets and stimulate economic growth in the northwest. China and Pakistan also intend to build an onshore oil pipeline there to reach western China. As a result, China's oil imports from the Middle East will add a shortcut to the "strait of Malacca" bypass, the current maritime trade route between China and the Middle East. CPEC can reduce commercial traffic from the Middle East to China by 85%. It will not only provide the shortest route for China to and from the oil-producing region of the Middle East but also bypass the pirate-infested strait of Malacca and the unstable waters of the South China Sea, east China sea and Yellow Sea to ensure China's energy security and stability, so as to drive the economic development of western China.

5.3. China–Pakistan economic corridor as a part of china's economic security policy

Generally, BRI can help to alleviate the problems that China faces in East and Southeast Asia and provide more economic security for the country. China has faced regional and international challenges in East Asia for years. Regional and international rivals such as Japan, South Korea and the USA are very suspicious of the Chinese initiative and shape some political and economic coalition to limit China's growing influence. In South Asia, India is also concerned about China's rising power. In such an environment, China has decided to expand its relations with West Asian countries to take advantage of more commercial and economic opportunities in West Asia. In this context, BRI and its flagship project CPEC can be seen as key elements to ensure China's economic security and maintain its development strategy.

If China successfully finished the development projects in Gwadar port and builds a naval base, it will significantly improve the maritime transport security of China's energy and trade and make an essential contribution to the security of international waterways for China's ocean-going fleet entering the Indian Ocean in the future. To achieve a more stable energy supply, China, under the pressure of the USA, efforts to secure the supply of resources through the oil pipeline connecting Gwadar to China's Xinjiang Uygur autonomous region, and better controls the Indian Ocean through the Gwadar military port. If China occupies Gwadar port and builds a naval base, it will significantly improve the maritime transport security of China's energy and trade and make an essential contribution to the security of international waterways when China's ocean-going fleet enters the Indian Ocean in the future.

6. Gwadar port's significance for the "belt and road initiative"

Gwadar port is in the south of the "CPEC" endpoint, its development and operation not only has a huge role on Pakistan's economy but more also have an important influence on China's economy, is the "area" of the strategic economic output new landing site. The geographical location of Gwadar lies at the heart of three major commercial routes in Asia, including the oil-rich Middle East, Central Asia bestowed with natural resources and South Asia. In the east, Gwadar is the gateway to energy from the Persian Gulf and the Strait of Hormuz. The US Energy Information Administration estimated that about one-fifth of the world's daily oil supply passed through the Strait of Hormuz in 2018. It was reported that about 17.4 million barrels of crude oil and gas condensate passed through the Strait daily (Reuters, May

2019). The proximity to the mainstream of energy in the region has created the potential for Gwadar to become the region's energy hub.

On the land, the port can connect landlocked Central Asian countries to free deep water via the CPEC. Further, it also links China's inland providing its western provinces shorter and more secure access to international trade. Meanwhile, Gwadar can give China better access to South Asia. In fact, since 2010, the USA has readjusted its strategy to make "re-Asia Pacific2.0," leading Japan, the Philippines, Vietnam and other countries to make trouble in the East China Sea and South China sea to encircle China, squeeze China's space of activities in the south China sea. In this case, China's turning west to Gwadar port can not only avoid the collision of interests with the USA and other regional powers but also serve as a bridge for China to enter South Asia.

At present, China is in the "new normal" of excess capital and production capacity and slowing economic growth, so the construction and operation of Gwadar port can become the landing point for China to export production capacity and capital. China has rich experience in port construction, advanced technology, abundant capital and advanced production, and, Pakistan, on the other hand, has abundant mineral resources, land resources and cheap labor force, broad market. China's intention to develop Gwadar port with Pakistan is a complementary advantage, mutual benefit and win-win strategy.

The development and operation of Gwadar port will much attract China's capital and technology, export capital and production capacity, promote the construction of "CPEC," align with the "one belt and one road" development strategy, promote the development and construction of China's vast western region, especially Xinjiang region, and better serve Chinese enterprises to go abroad.

The geography of Pakistan is maybe its only strength that has drawn global powers in the following of their political, economic and energy concerns and benefits. Pakistan has borders with India in the East, China in the Northwest, Afghanistan in the West, Iran in the Southwest and the Oman Sea in the South. Pakistan is located at the intersection of South Asia, West Asia, Central Asia and Western China. Pakistan has the outlook of linking the Middle East and the central Asian energy supplies to growing energy demands in China and India.

7. Geographical considerations

Currently, Pakistan has two main operating international deep-sea ports: Karachi Port and Port Qasim. During the coming years, their capacity expansion programs are unlikely to keep pace with the expected growth in demand, resulting in a need for a third port to fill the gap.

In particular, Karachi Port has significant physical limitations and will not be able to grow at the same speed as the national growth in demand over the coming decades. These limitations result mainly from its location, which is within the city of Karachi itself, which has seen very rapid growth over the past years. In the case of Port Qasim, although having ample physical space for expansion, its possible speed of development is hampered by its up-stream location, which is more than 40km from the open sea, resulting in long turnaround times for visiting ships. This is not a problem for cargoes that are linked to industries located near the port, but it carries cost-disadvantages for cargoes that have origins and destinations elsewhere. Against this background, it was deemed timely to construct and inaugurate a third deep-sea port for Pakistan to ensure that national development is not hampered by a lack of national port capacity in the future. Given the

expected rapid growth in demand for port capacity, it is likewise important to continue expanding the capacity of Gwadar port over the coming decades.

Due to its strategic importance, Gwadar port is at the core of the corridors' development plans and future initiatives. Gwadar port is located in the southwest border of Pakistan, shore of the Arabian sea, near the Iranian border, away from the world's primary oil channel is 400 km from the Strait of Hormuz, gripping from Africa and Europe by the red sea, the Strait of Hormuz, and then to the Persian Gulf to East Asia and the Pacific region several essential sea routes of throat, its strategic meaning is clear: economically, for China's opening up as a new land transport, saves transportation costs. Strategically, China should reduce its dependence on the Strait of Malacca to a large extent and break through the sea chains of the USA and Japan.

At the same time, the full operation of Gwadar Port has become an important achievement of the "Belt and Road Initiative" strategy, which can not only meet the trade needs of China and Pakistan but also serve South Asia, Central Asia and the Middle East, and become an important regional business center. The development of the Gwadar port could facilitate access to energy resources in the Middle East and improve regional trade by improving infrastructure. With the completion of the port development plans, it is estimated that transit time for goods from Gwadar to West China and Central Asia will be reduced by 70%. The Gwadar Port is also vital for the economic and social development of Xinjiang province in the west of China. The province can connect to the Gwadar port via the economic corridor and eventually access international waters and the growing market of the South Asian region. Even Gwadar could facilitate trade between China's western provinces and the West Asian region by connecting to the Chabahar port in Iran.

In addition to China's maritime energy transport security, Gwadar Port also provides a new possibility for China's energy transportation by land. If the port is used as a starting point for the construction of the China-Pakistan railway to Kashgar, the mileage of energy imports from the Middle East will be reduced from 10,000 to 1500 km, a reduction of 85%. Another bolder idea is to build a China-Pakistan oil pipeline from the port of Gwadar, which would increase oil traffic to a greater extent.

8. New energy security channel

At present, from the Middle East oil-producing countries to China, the offshore oil transportation route is as long as 14,490 km and must pass through the Indian Ocean and Malacca Strait and takes two or three months before it can arrive in China. More than 55% of China's imported oil comes from the Middle East and North Africa, which indicates that the Indian Ocean and Malacca routes are the maritime lifelines of China's economic development. The full operation of Gwadar Port will substantially reduce the cost of offshore oil transportation as it can reduce the oil route to less than 5,000 km. Through cooperation with Pakistan, China can extend railways, roads, and pipelines to the port of Gwadar, go directly to the interior of China through Xinhao, reduce the volume of traffic through the Strait of Malacca, and open a new national nuclear strategic channel. China plans to build oil refineries and storage facilities to transport oil from the Gwadar port to its western border. In the future, Gwadar Port can be the starting point of an oil pipeline from the Middle East to China, shortening the traditional route of 12,000 km through the Arab Sea and the Strait of Malacca to 2395 km, and ending in Xinjiang, China.

The approximations of supply time and costs are focused on the presumption of how much time and money it takes to transport one huge crude carrier (VLCC) ship, having the

capacity of two million barrels for each of routes. [Table 2](#) explains each of the existing and proposed routes.

9. New guarantee of trade security

The Indian Ocean route is one of the vital trade routes in the world. A large number of Chinese products are exported to the Middle East, Africa, Europe and other places through this route. China also has excellent trade interests in these regions. On the whole, with the development of the Chinese economy and the expansion of overseas interests, it is necessary to have adequate means to safeguard overseas interests. The full operation of the port of Gwadar will make the port a link between China, the Strait of Hormuz and the Oman Sea and will facilitate the transportation of oil and the trade in goods in the area. After the completion of the project, goods can be directly dispatched from the port of Gwadar to northern Pakistan, saving 400 km compared with the traditional Karachi transport line. At the same time, piracy on Indian Ocean routes seriously affects the reasonable conduct of trade. Nowadays, the Chinese navy is also one of the many navies in the Indian Ocean, especially in the waters of Somalia. Although naval vessels can also dock to Yemen and other countries for resupply, they still show deficiencies. At this stage, the development of Gwadar port is only commercial activity, but after a certain period, it can also provide some material support for the Chinese navy, to improve the efficiency of the Chinese navy in the safety maintenance of the Indian Ocean trade channel. Therefore, the port of Gwadar may become an essential strategic springboard for China to safeguard its overseas interests. In [Table 3](#), a list of projects that have been funded by now is shown, data is gathered from the World Bank.

10. Conclusion

Threats and concerns related to economic security have caused that Beijing has increasingly turned its attention to the security of sea lanes and land routes. The development of the Gwadar port as one of the principal ports in MSRI is part of Beijing's agenda for dealing with external economic and geographical threats surrounding China in West and South Asia. Pakistan is also enjoying more economic security as the development of Gwadar port could give the country better access to free waters. The southernmost part of the CPEC is Gwadar port in Pakistan, and the northernmost part is Kashgar in China. Gwadar port is located at the intersection of the silk road economic belt and the 21st century maritime silk road. The strategic position of Gwadar port is particularly prominent in the future China–Pakistan cooperation.

No.	Route	Description	Name
1	West Africa–China	Marine	Route-A
2	Middle East–China	Marine	Route-B
3	West Africa–Myanmar–China	Marine cum pipeline	Route-C
4	Middle East–Myanmar–China	Marine cum pipeline	Route-D
5	Middle East–Pakistan–China (Proposed)	Marine cum pipeline	Route-E

Source: [Shaikh et al. \(2016\)](#)

Table 2.
Existing and
proposed energy
supply route
description

	Name of project	Amount (m)	Total amount (m)
I: Infrastructure Projects Funded by Chinese Concessional Loan	Hari Lim Takt Section, Stage II Upgrading of Karakorum Karachi–Lahore Motorway Sukkur–Multan Section (392KM) Metro Rail Transit System on the Orange Line in Lahore Laying of Optical Fiber Cable (OFC) from Rawapindi to Khunjrab	1,315 2,889 1,626 44	5,874
II: Energy Projects Funded by Investment from Chinese Companies and Partners (Including Companies from Pakistan, Qatar and IFC of World Bank)	50 MW Daeood Wind Power Project 100 MW Pakistan Jhimpir UEP Wind power Phase I Project Sachal 50 MW Wind Power Project Znergy300 MW Solar Project in Punjab Port Qasim 2 X 660MW Coal-fired Power Project Sahiwal1320 MW Coal- fired Power Plant 720 MW Karot Hydro- Power Project 660 MW HUBOOCoa1 Power Plant Three Gorges Second and Third Wind Power Projects(100) Gwadar port operation and development of free zone SUKI KINARI hydro-power project 2 X330MW Mine Mouth Coal Fired Power Plant and 3.8 Mta Open Cast Lignite Mine	115 252 134 460 2,085 1,800 1,698 1,995 224 250 1,802 2,000	12,815 (Including 3 billion equity from Chinese companies and 9.8 billion of commercial loan)
III: Projects Funded by Chinese Interest-Free Loan	Expressway East Bay Gawdar	143	143
IV: Projects Funded By Chinese Grant	Gwadar Smart Port City Master Plan DTMB Demonstration Project China-Pakistan Friendship School in Gawdar CPEC Emergency Medical Center in Gawdar	4 23 0.4 1.6	29
V: Projects Funded by Pakistan Government	Feasibility study for Upgradation of MLI and Establishment of Havelian Dryport of Pakistan Railway	3	3
Total			18,864

Table 3.
Project financing
statement: financing
run down of 22 CPEC
projects

Source: The World Bank

From the perspective of energy, Gwadar port will change the main channels of China's oil import and may even change the overall pattern of China's oil import channels. China's oil imports mainly come from the Middle East and Russia. According to data from the general administration of customs, the top ten sources of crude oil in China in 2018 were Saudi Arabia, Angola, Russia, Iran, Oman, Iraq, Venezuela, Kazakhstan, Kuwait and the United Arab Emirates. Russian oil is piped to Xinjiang. Oil from Iran, Saudi Arabia and Iraq is shipped through the Strait of Hormuz, through the Indian Ocean to the Strait of Malacca, and through the south China sea to China. In this regard, the strategic position of the Malacca Strait is particularly essential. Singapore, Malaysia and Indonesia have sovereignty over the Strait of Malacca, but the USA and Japan also want to get their hands on the Strait of Malacca.

The oil route from the Middle East to China can be replaced from Malacca to Gwadar. Gwadar, near the Strait of Hormuz, will be a bright star for Chinese oil imports in the future as a vital transport hub. Gwadar will eventually replace Malacca. Thus, the path of China's oil reserves, which have attracted much attention, will turn a new page regarding the push of the Gwadar port.

Meanwhile, from the perspective of economic development, the "China-Pakistan relation" is relying on the CPEC, which will make Kashgar, the northernmost part of the corridor, another "Shanghai" of China. The "China cargo – train – Shanghai – ship – Malacca – Europe, Africa" line will be transformed into the "China cargo – train – Kashgar – train (China-Pakistan railway) – Gwadar port – ship – Europe, Africa" line. Gwadar has become a logistics hub for Pakistan, and Kashgar will become a hub for China and the world. Capital will be concentrated in Kashgar, and it will become an important trade and energy hub in the world, which will drive the development of northwest China. This reflects the strategic significance of One Belt and One Road to the future economic development of China's domestic regions.

Also, from the perspective of political security, CPEC and Gwadar project have a strategic role in protecting the security of Western China and Pakistan. After the war in Afghanistan, the Taliban moved to Pakistan, and this has added to the political turmoil in Pakistan. If the situation in Pakistan worsens further, it is not inconceivable that nuclear technology and weapons could reach extremists, according to the foreign affairs journal. Furthermore, as China and Pakistan are neighboring countries, security is a mutual concern of both countries. Once the extremists in Pakistan become rampant, it cannot guarantee the complete security of western China, which may also become "if Pakistan catches fire, it will hurt China." "One Belt and One Road" falls on Gwadar port, the southernmost part of the CPEC. The "corridor effect" will also boost the economic development of Pakistan as a whole. With the development of Pakistan's economy, nuclear technology and nuclear weapons will not easily reach the extremists on the surface. China's Western security is less of external danger. This is to engage in politics from the economic level to protect the security of the western part of our country. "One Belt and One Road" is a political and diplomatic "bulletproof vest" for China. This also reflects the "One Belt and One Road" strategy in China's diplomatic and political shining.

From the perspective of energy security, economic development, and political security, "One Belt and One Road" in Gwadar port is undoubtedly a qualified "motor car" and a legal "umbrella."

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