

Implication Of Gwadar Port On Regional Trade Integration

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Abstract:

How to define the concept of trade integration, many discussions was there in the literature when early integration theories were developing. Discussions on integration centered round whether it referred to a process or to an end product. Definitely both can be combined. It could be defined as a process which leads to a firm state of affairs. In this era of modern trade every country of the world wants to get economic prosperity. To achieve the desired goal bilateral and multilateral cooperation is common practice. South Asia as largest human market needs more economic cooperation. Gwadar port as a catalyst may attract regional trade and will led to trade integration. This paper is an attempt to highlight the potential of Gwadar port for regional trade and its role in integration. This research is based on secondary data and analytical methods. This paper concludes that the growing trade activities will cause trade integration in the region.

Key Words: Integration, Region, Trade, Potentials.

Introduction:

According to Karl Deutsch integration is “The attainment within a territory, of a ‘sense of community’ and of institutions and practices strong enough and widespread enough to assure, for a ‘long’ time, dependable expectations of ‘peaceful change’ among its population.” When groups of people or states integrate in this manure, they form a “security community” this amalgamation in other wards refer by Karl Deutsch and this fellows to “the formal merger of two or more previously independent units into a single larger unit, with some type of common government” (Deutsch et al, 1957).

Main concentration of regional integration during early times was the establishment of ‘European Coal and Steel Community’ and European Economic Community. In his classical study Ernst Haas defines integration as the process through which many political actors of different nationalities are convinced to change their political activities, loyalties and expectation to new center, institutions of which demands jurisdiction over the existing nation state (Haas, 1958). In the political diminuendos of European economic integration Lindberg

defines integration without special reference to an end point, to him political integration is firstly, a process through which a nation sacrifice conduction of major domestic and foreign policies of each other independently, looking for the replacement of joint decision making or even delegation of decision-making to new central organs. Secondly, the processes in which political actors in diverse settings are convinced to divert their political activities and expectations to new center (Lindberg, 1963). The concept of Lindberg is more cautious than that of Haas. Central to it was “the development of devices and processes for arriving at collective decisions by means other than autonomous action by national governments” (Lindberg, 1963).

Both Lindberg and Ernst Haas have developed spill-over concept which “refers to a situation in which a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more action, and so forth” (Lindberg, 1963). What then explains changes in functional scope and institutional capacity of regional integration efforts? This is the central question in integration

The Indian Ocean Rim Association for regional Cooperation:

IOR came into being in Mauritius in 1997, when its charter was adopted by eighteen members, India, Australia, Malaysia, South Africa, UAE, Tanzania, Yemen, Sri Lanka, Thailand, Mozambique, Iran, Oman, Madagascar, Bangladesh, Indonesia, Kenya, Mauritius and Singapore. In July 2003 Seychelles withdraw from the union and France, UK, Egypt, Japan and China became dialogue partners. The organization has four main components. Firstly, to promote cooperation in the field of economics and technology. Secondly, provision of facilitation of investment. Thirdly, liberalization of trade and fourthly dialogue on trade and investment. But unluckily the organization isn't functional because various issues.

Role of Gwadar Port in regional Integration:

Sea and airports have a pivotal role in South Asian trade. Sea ports are of three types: first, trans-shipment hub, second regional hub and third region seaport (Subramanian and Arnold, 2001). Transshipment hubs, located on or in proximity to large vessels to attract them. Colombo port of Sri Lanka is the best example of transshipment hub, ranking in the top 100 (Kruk, 2004). Indian port Nhava Sheva is known as regional hub. Feeder services to transshipment hubs are provided by regional seaport examples are Calcutta and Haldia ports. South Asian ports, due to its inefficiency, are grading low. The major reason is congestion, which cause delay in delivery (Business Standard, August 6, 2004).

During twenty first century the Indian Ocean became a vital strategic field. One of the most important reasons is growth in the economies of Asia and its growing need for raw material and energy from the Middle East to boost its economic growth. Trade is dual-way Street and Asian nations contribute consumer goods, labor and capital to rich Arab countries. With the end of cold war and crisis in Afghanistan and Iraq reduced the significance of the Atlantic Ocean and boosted up that of the Indian Ocean, a channel of western military supplies. As a result, security concerns regarding traditional maritime sector become more significant.

All maritime powers take the security of strategic chokepoints i.e. Indonesian straits, Straits of Hormuz and Bab-el-Mandeb. Bab-el-Mandeb's piracy and Persian Gulf's conflict is major concerns. Straits of Indonesia are secure due to police patrolling territorial waters. The need of SLOCs protection, increased in the same way as there is a broadband connection between Asia and Europe and then to US under Oceans. Sea lanes and cables remain a matter of concern for Asian countries because long before British and recently US shoulder the responsibility of its protection. The growing local powers are eager to show their strength now.

Indian Ocean's importance enhanced with the formidable extension of infrastructure projects in Asia. Construction of new ports, pipelines, airports, rail systems and roads cross Asia from West to East and connecting Eurasia to Indian Ocean will produce commercial traffic and strategic competition. Construction of Gwadar port in Pakistan by China is a case in point. Current geo-economic situation signified seaports, because of seaports Dubai became the hub of the world's economy particularly of the Gulf. Due to the crisis, which took place in the Gulf region, the need for an alternate matured, which would serve the world with oil supply even in a worse political scenario. Karachi port may be an option, but the load capacity will divert attention to Gwadar, which isn't only in the greater interest, but in the greater interest of the region as well.

Hub port is a rigorous point of the trade collection (Munai Tas, n.d). Studies prove the relationship between trade and growth (Munai Tas, n.d). Geography of Gwadar port is strategically important as it connects resources rich Central Asia and Middle East to resources hungry South Asia and China. The port is well equipped with modern equipment to deal with growing world trade, especially with containers (Gorst, 2006). A UN study proposed that the present container traffic of about 300 m TEUs would be doubled in 2017 (Argus, 2008). Boost in Chinese and Indian economy, sustainability in Pakistan, steady opening of Central Asian market and growth in South Asian population would generate a sizable share of world trade in future.

Gwadar port provides the shortest possible access to Afghanistan and land-locked CARs which makes Gwadar a conjunction of South, Central Asia and Middle East, a highly active economic region. To have a key role in the port India, U S, China and other player are trying hard.

From a sleeping small fishing town, Gwadar is going to be a mega trade Centre like Singapore, Dubai, and Mumbai (Mehdi, 2009). Pakistan is eager to use the port as a transportation point of energy and trade for Central Asia, Afghanistan, and China. Proposed railway lines parallel to silk route to Kashgar would not be a milestone in bilateral trade, but also cause regional economic integration between South and Central Asia. A quadrilateral trade agreement which is functional since 2004 can be used for promotion of regional economic and trade integration. Central Asia's main imports consist of garments, consumer goods and electric items and exports listed as Oil and gas, machinery, cotton, and metal ores.

Transit of Oil and gas and land to sea trade through Pakistan is estimated about \$ 1000000 annually (Economic Significance of Gwadar Port, November 10, 2009). Initially,

vision about Gwadar was that it would serve Tajikistan, Turkmenistan, and Uzbekistan via Afghanistan because of geographical nearness (Takreem, 2013) but with the establishment of the Kashgar economic zone it will also serve Kyrgyzstan and Kazakhstan. Due to its nearness to the straits of Hormuz, trade hub and major shipping point Gwadar port, provide economical access to Central Asia, Afghanistan, China, and rest of Pakistan.

As per master plan it is proposed that Gwadar port will capture about 25 % of import and export national market by 2002 while 15 % of Central Asian transit trade, 12 % of Xinjiang and 40% of Afghanistan (Takreem, 2013). It would encourage interdependence in the region, which will emerge direct stakes in stability and prosperity of each other and making economic partnership in neighborhood. In the eyes of Felipe Fernandez Armesto historically sea routes remain more important than that of land routes. It can handle more goods cheaply. "Whoever is lord of Malacca has his hand on the throat of Venice". On the ground of the city's wide trade with Asia, one can take the 15th century's saying "If the world was an egg, Hormuz would be its yolk,"

In his visit to China in Feb 2006, Musharraf expresses his desire of Pakistan's entry as a permanent member in SCO which would further boost up its economic ties with China. Pakistan is taking this seriously that both China and Russia want to include India's military capacity in SCO's counter terrorism exercise without Pakistan (India Daily, 26 August 2005). No developments took place at the SCO meeting of May 15, 2006, to grant full membership to Pakistan. An Indian analyst is of the view that Pakistan wants balance power status in the region therefore she is eager to induct China into SAARC, which is very significant for South Asian geopolitical context (Sridhar, 27 February 2006). Both India and Pakistan got full pledge membership on June 8, 2017 (Dawn news, 7 June 2017).

China is going to build 90 km road which will connect China's side of the Karakoram highway to Russian build road network, already linked with Central Asian states. This network of highways would link Gwadar to Central Asia through Xinjiang (Chaturvedy, 14 February 2006). Both KKH and coastal highway are significant trade routes and further extension of Ratodero-Khuzdar road will be the shortest road link Gwadar to Western China (Chaturvedy, 14 February 2006). The port and associated infrastructure will integrate Pakistan to Chinese economy. The port will serve Chinese trade through road network through KKH (Niazi, 2006).

Development of the port and road network of Pakistan will not only make it hub for regional trade but will also cause boost in domestic economic and affect the geo-strategic setting of the region as well. The port is an outlet to enormous resources of Central Asia and in return Pakistan will get a sizable amount as transit fee and huge investment to Baluchistan. Opening of the port to international business will provide new opportunities to Afghanistan and would cause normalization in Pak-Afghan relations. The port is a source of good relations of Pakistan with its neighboring region (The Dawn, 13 June 2006).

As all the road and rail links developed, Gwadar will be the major dispatching focus and after its connection with surrounding region, will be transformed to exchange Centre and would up left Pakistan, Afghanistan and Central Asian region. A road from Gwadar to Saindak

is the shortest between Central Asia and Indian Ocean. Pakistani business community is eager about Gwadar port, to be commerce and fare handling zone. Gwadar port is situated on important geographical location. It is in the west of India and near to the Strait of Hormuz. It is located on a slight piece of area extended out from the coastline of Pakistan; make it perfectly focus for rocket or air strikes.

“Look East” policy of Pakistan and “Go West” policy of China bring both countries together. China’s investment in Pakistan’s infrastructure is to develop its western region Xinjiang. Proposed connection of Gwadar port through Kashgar, about 414 km from Pak-China border will connect to Central Asian Republics Tajikistan, Kyrgyzstan, and Kazakhstan. To utilize land routes for trade quadrilateral trade agreement was signed among China, Kazakhstan, Kyrgyzstan, Pakistan, and Tajikistan. In 2004 when a Pakistani entrepreneur used KKH to transport goods to Almaty for the first time, the agreement became operational. From Gwadar to Kashgar road distance is 2627 km. Gwadar-Turbat-Ratodero road cost Rs 18 billion and completed in 2012 (Dawn, May 14, 2012).

IPI when came under crisis was proposed to convert into IPC (Iran, Pakistan, and China) pipeline and trans Afghan pipeline if materialized, could be stretched to China. Chen Xuguang secretary of communist party Kashgar discussed that the railroad and other linkages from Gwadar to Kashgar will be materialize soon, will transform Chines oil transportation from sea lane to road and pipe (Yan, February 2012). In order to convert Gwadar into energy corridor the oil refineries would be connected to Kashgar. Shifting of admin form PSA to Chines port holding authority has attracted world’s attention because of its geo-economic importance. China imports its oil from Saudi Arabia through Gwadar and KSA asked Pakistan in 2006 repeatedly to help in the extension of its oil export to China (Dilwala tv, 2013). China is building a dry port at Lhasa, Tibet with a cost of \$ 14 million. In view of Andrew Small who is a specialist of Pak-China relation, Gwadar port, because of high level trust between the two, would develop by Chines (Dawn, February 17, 2013).

Though 1979’s SEZs initiative at east developed Shenzhen but it causes economic disparity of 1:15 between east and west. To overcome the issue, government announced two SEZs at Kashgar and Horgus. Kashgar will become trade and financial hub, major processing Centre for global traded goods and regional logistic Centre. Pakistani Businessmen have been granted with the opportunity to invest in Kashgar. Up gradation of KKH is due to SEZ of Kashgar, which ultimately promotes regional integration. Kashgar SEZ would not only develop Xinjiang, but also Pakistan as it’s connecting it with Central Asia. 50 sq km SEZ will not only boost the economy of Xinjiang, but also of adjutant areas of the region like Pakistan, as mentioned by the deputy director of China’s National development and reform commission (EEO, 2010).

The Kashgar region still has the traditional Sunday biggest in the world where nearly 150000 people from entire Central Asia come and exchange goods with their Chines colleagues which will help Pakistan to establish links with Central Asia. China’s sources say that investment in two mega projects, Sino-Pak Railway line, from Kashgar to Rawalpindi and China-Kyrgyz-Uzbek railway would convert Kashgar to regional trade hub and provide these

outlets through Pakistan. Multi billion project of SEZ at Kashgar would conduct its trade through Arabian Sea Pakistan. It is a sign of the new silk route where camel caravans will be replaced by trucks and trains to bring trade to the Indian Ocean.

The port has the potential to promote ship repairing industry, trans-shipment of bulk cargo, petrochemical, and export of minerals, oil storage, export processing and industrial zones and refinery. After it's fully functionalization Gwadar port would benefit the adjoined landlocked states of the region. New regionalism in the region is emerging because of energy and economy. Chinese president Mr. Xi Jinping in Astana Kazakhstan declared significance of the new regionalism and economic past of Central Asia. Shanghai is 9000 miles away from Strait of Melaka while it is just 3000 miles from Gwadar port Pakistan. the significance of the port can be exploited as hub of energy corridor and broadening mutual interaction. (CPGS, 2014)

Gwadar port's regional trade potential:

South and Central Asian integration boosted significance of Pakistan's location. This integration would boost economic growth. Gwadar port's construction is an important development in the region's infrastructure integration (Anwar, 2008). The port's most significant potential of the port is to facilitate Central Asia's international trade and in long term to act as transshipment port. Proximity to Central Asia makes it the most viable trade outlet for the international community. ADB declared Gwadar as a potential port for significant regional economic collaboration. The port is of great importance for regional connectivity of road and rail, Gwadar to Central Asia via Afghanistan (Pakistan Development Forum, Islamabad, 12-14 May 2003). When the second phase of the port would be completed it will get the capacity of handling fourth generation container ships, 15 to 20 meters. Gwadar is not only important for domestic trade and economic development but for the region as well, the proposed trade potential of the port for its neighboring countries is as follows.

Conclusion:

This port is a mixture of enormous opportunities and challenges for nation states of the region. Rigorous efforts, programs and strategies are required for making it compatible to industry and competitive to other ports of the region. To formulate policy guidelines for the project's success the stakeholders should have to consult the policies and incentives granted by various industrial zones and different part of the world, particularly of competitors. Government of Pakistan may step back from its traditional economic and trade policies to make the project successful, and a white paper has to be published to convey the policies.

South Asian region is home of political complexities where different states have unresolved issues. Pakistan and Bangladesh suffer from absolute military rule, while India faces serious ethnicity problems. Further, the region has complex security situation due to many of the state's involvement in diverse degrees of disputes and conflicts. Bilateral relations of the region's countries are based on mistrust and antagonism. Cultural, language, ethnic and religious diversities prevent regional unity. Social and political scenario of the region shows that region is moving towards disintegration.

The fact in point is that economic development is agenda number one of all the regional countries. Ground realities show that there are acute social and political differences among regional countries but in the presence of a giant power like China these states would overcome their differences and would start their journey to integration. Once the Gwadar project starts delivering the promised benefits, it would integrate regional economies, ultimately leading to regional integration.

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