

A Paradigm for Harnessing Blue Economy of Pakistan: Collaboration with China in Perspective

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Abstract

Pakistan being a bonafide maritime state is blessed with remarkable maritime assets yet the state is incapable of harboring fruitful results due to ineffective policies, poor infrastructure and insufficient investments. The CPEC project, which is an offshoot of BRI (Belt and Road Initiative), has promising avenues in this regards as it would develop the port city of Gwadar – opening future horizons for the city to become an economic hub. While China has made massive investment of USD 62 billion so far for the development of port city, the policymakers of Pakistan need to devise effective and sustainable strategies to rebrand the region for garnering attention of potential businesses and trade. By unraveling the effective strategies, Pakistan can harness the true potential of its blue economic sector, paving a way to an economically successful future.

Keywords:

CPEC, BRI, port city, Gwadar, blue economy.

Introduction

Since the advent of the idea of blue economy by the “UN conference on Sustainable Development” held in 2012, the very concept has prompted noteworthy responses among countries like Pakistan with potential maritime sectors. Being a bonafide maritime nation, Pakistan has taken effective measures to harness the full potential of blue economy and integrate the SDGs (Sustainable Development Goals) into the national development programs.

The main objective of blue economy is to maintain and utilize the maritime assets of the state and provision of unimpeded trade and commerce. Moreover, the concept itself reciprocates with the sustainable development, opening avenues of the sustainable economic growth for developing and underdeveloped countries if they exploit their marine resources to maximum extent. Unfortunately, Pakistan, despite having a favorable geographical position, has not been able to exploit the maritime resources to its maximum gain, mainly due to the lack of awareness¹. With seven major seaports crucial to the state’s sovereignty, security and trade dynamics, the country’s maritime assets fall into jeopardy due to the lacking infrastructure, political instability and socio-economic pitfalls that render these ports a little less useful than their expected potential. Despite this, appropriate measures and strategic measures could turn the harsh tides.

As evident through history, all the “GREAT POWERS” of the world that ever existed were truly maritime nations; Greeks, Dutch, Portuguese and British, all ruled the trade as they safeguarded their maritime interests². East-India Trading Company is one of the most famous names in this regard as this huge corporation used the sea and exploited the trade route, enjoying immense power trip in the subcontinent, waging battles against the kings, consequently leading to the formation of “British Raj”³. Today, the same can be hypothesized when twelve out of the fifteen mega-cities of the world are coastal cities⁴. According to OECD, 2016, the blue economy is expected to grow up to USD 2.5-3 trillion by the year 2030⁵ and has been declared as “*The next frontier*” by *African Union's Agenda 2063*⁶. Thus, for Pakistan, a country which is blessed with marine resources and

coastline stretching over 1000km in length, it is essential to devise appropriate strategies in order to exploit the maritime assets to reap maximum benefits.

The economic experts believe that more than one million jobs can be created if the maritime resources of the state are utilized effectively. Pakistan is ranked 74th among the 142 coastal states with 240,000 km of Exclusive Economic Zone (EEZ)⁷. The country's maritime assets range from hydrocarbons to indigenous minerals, mangrove area with annual value of USD 20 million and biodiversity⁸. In this regards, the Indus Delta Region is of great importance due to the fact that it is an oil rich site and offers prospects for blue tourism. The sea-ports are crucial to the state's economy as 90% of the international trade has been conducted through the sea. Presently, these ports are responsible of handling 92 million metric tons of cargo, and that too with limited resources⁹. The annual revenue of Pakistan generated through blue economy is approximately USD 450 million whereas, our neighboring countries (Bangladesh and India) are generating billions of dollars annually¹⁰. Were there appropriate measures in place in our state, this could've been increased to remarkable levels, where the potential has been estimated to be more than USD 100 billion. It is high time to take concrete steps and accord higher priority to this sector, which not only includes the marine defense but also the related infrastructure for trade and commerce.

Clearly, the underutilization of potential and the requirement of substantial investments are the obstructions hindering our way to a successful blue economy. But now we can witness that the blue economy is gaining momentum as the Sino-Pak "blue partnership" has harbored the hall-mark project of *China Pakistan Economic Corridor* (CPEC). The cornerstone of this partnership is the Gwadar port with its geo-strategic location, which has made it crucial to China's trillion-dollar project of *Bed and Rock Initiative* (BRI). The BRI project is being called "*The new silk road*" as it promises growth for various economies of Asia. The analysts believe that China has made a substantial investment of USD 62 billion for CPEC, which is the largest investment made so far under BRI¹¹. In this paradigm, the policy makers need to pay special attention to devising favorable policies for the economics relevant to Gwadar port. The trans-shipment from Gwadar alone has the capacity to revolutionize Pakistan's economy.

Gwadar has a rich history of encounters. With advent of Arabs in 8th century to Portuguese in 17th century, this region has faced many complex influences. Despite serving as a military outpost during British colonial era, the port city failed to garner appropriate attention and was later sold to the Sultan of Muscat in 1891. Later, in 1958, Pakistan bought the land back from Oman for USD 10 million. The first attempts to make Gwadar a port city date back to 1988 when a Belgian company was signed for the project of '*fish harbor cum mini-port*', which failed due to lack of market potential¹². In 2007, *Port of Singapore Authority* (PSA) signed an agreement with *Gwadar Port Authority* (GPA) but PSA did not invest as agreed, consequently transferring the developmental and operational rights to *China Overseas Ports Holding Company Limited* (COPHCL). COPHCL Pakistan took control over the Gwadar port in May 2013 and since then various developmental projects are under way. 2280 acres of land were leased to COPHCL for a term of 43 years. Under the current agreement, 9% of the gross revenue generated in marine services and port operations while 15% of gross revenue generated by free port will be shared with GPA¹³.

For a project of this massive scale, armed robberies and piracy are of greatest concerns as they can jeopardize the whole motive of an international project. Pakistan Navy, in this regard, has proven itself to be a hard nut to crack for all those potential extraneous forces, providing a safe

environment for maritime industry. All that needs to be done is to make the port more investment friendly.

Historically, ports have generally operated under co-operative governance and the coexistence of varying authorities led to the formation of independent international ports. For Gwadar, the policymakers are envisaging to make it the next smart port city and for this purpose, multiple public sector organizations are working with the international companies for instance COPHCL. Yet, the sovereignty of the state is of utmost importance and backlash from the certain groups has been experienced as according to them, the indigenous population might get affected. The local population is around 305,160 according to the census of 2023 and this is definitely not enough to fulfill the manpower required for developmental projects, calling for the immigration of the professionals. Policies like that of Brazil need to be incorporated which ensured that local stakeholders do not marginalize the vulnerable communities. Moreover, according to some critics, several administrative issues are imminent to arise due to the incoherence in Chinese and Pakistani work operationalization. This can be found true for the existence of GPA and GDA where the former supervises the port and free port operation and the latter is responsible for rest of the city. Existence of two organizations is not an anomaly but issues arise when the governing body is concerned as GPA is a federal entity while GDA is provincial. The Chinese companies have already requested for designation of a single authority to govern CPEC related matters. Another important problem that lies ahead is the *Sir Creek Dispute* which is a tidal border that separates Gujrat (India) from Sindh (Pakistan) and has been a long-disputed matter between the two states. These are just the crux of the matter and to make Gwadar an economic city, the policymakers of the state should learn lessons from other economic cities across the globe.

In this regard, Shenzhen, undoubtedly, is the first economic city where experiments were made to devise feasible policies. The “*Open door policy*” was initiated in 1978 and fruitful results were obtained for the city of Shenzhen as the GDP spiked 26.9% annual growth¹⁴. One of the strategies that is of prime importance in this regard is that the city was provided flexibility for devising and following its own plans irrespective of the national plans. The city status was later raised to sub-provincial level where it enjoyed more autonomy. The delinking of the city from government in business and finance helped to revolutionize the city into an economic hub¹⁵. Another important example in this scenario is that of Dubai. The journey of Dubai becoming an economic city can be divided into four phases; the city was declared “*a free port town*” in the first phase ranging from 1900 to 1950’s, followed by the second phase (1960-70) where it was declared “*entrepot port city*”, making its way to becoming “*regional transshipment hub*” in the third phase (1980-90) and lastly the economic city of present day¹⁶. One of the major aspects of Dubai’s economic development is its establishment as an international city. The international status with the aid of investor friendly policies has garnered international investors¹⁷. Despite the fact that this position is hard to maintain, Dubai has successfully managed to build a brand of itself. With attractions like Burj Khalifa and Palm islands, it has built a brand image of being “*high-end*”. The other important cities in this regard include Incheon (South Korea), KAEC (Saudi Arabia) and Cyberjaya (Malaysia).

It is important to understand the fact that not every prototype for economic city is successful just because of being port-city and these particular policies are implemented. To ensure the success in achieving the intended objectives, customized models are to be adopted according to the goals and the requirements of the project. For Gwadar, the port operations are not the only aspect that can shape the future for the aspired city model. Special attention is required to make the project a

massive hit in this competitive era; Shenzhen and Dubai triumphed when there was little to no competition of sorts, while many successful port-cities are operating in the 21st century. The economic cities across the globe have a unique governance system which liberates them from national governance apparatus and provides more flexibility to them to test innovative policies. Another important aspect is the “*ease of doing business*” that the port city provides to incoming businesses. For instance, Dubai’s success can be attributed to the devolved governance model and quick decision making, which has made Dubai a brand for attracting businesses and aspiring entrepreneurs. For Gwadar to make room for itself among the top names, more governance autonomy should be provided, which would indirectly be helpful for Baluchistan to earn revenues. Appropriate policies are required to be made for the amalgamation of provincial and federal governing bodies (i.e., GPA and GDA) into a single governing body that enjoys autonomy over the city affairs. For this to occur transparently, a lot of policy changes are required as one of the major concerns of Pakistan is corruption.

The efficient and reliable model for management of the local city affairs is even more crucial to a successful economic city project. As for Dubai and Shenzhen, the authoritarian form of government was in place. Pakistan being a democratic state might have to devise effective measures to develop room for quick one-window decision making. As there is an abundance of port cities encompassing Gwadar, it would have to compete with the other ports of Dubai, Oman, Saudi Arabia. In this immensely competitive environment, failure to provide a good governance model in the region might ultimately lead to the failure.

Besides efficient management and good governance, the good infrastructure is pivotal to the functionality of an economic city. This is one of the greatest issues that Gwadar had to face, but is being overcome with the help of China. A protective mechanism needs to be set in place for safeguarding the interests of the businesses settling in the new port city which would in turn bring more investments and economic stability in the region.

Lastly, and the most important aspect is to safeguard the rights of locals and preservation of the cultural heritage. Without creating opportunities for the local people and development of the region, no policy would be effective in achieving the desired results. But this responsibility lies on the shoulders of government of Pakistan.

Other than Gwadar, there are six major sea-ports namely Bin Qasim port, Jiwani port, Karachi port, Ketu Bandar port, Ormara port and Pasni port. While the Karachi and Bin Qasim port lack the appropriate infrastructure, the others have been subjected to under-utilization of the available resources due to ineffective policies and lack of investment.

Despite being the offshoot of BRI project of China, Pakistan has a lot to gain from the CPEC not only in terms of the blue economy, but also in connectivity, infrastructure development and economic cooperation between the two states. In broader terms, CPEC can be an effective means for Pakistan in harboring the maximum potential of the coastal resources. Furthermore, effective policies need to be implemented for the other sea-ports in harnessing their true potential. By unraveling the effective strategies, Pakistan can harness the true potential of its maritime assets, paving a way to an economically successful future.

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