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## COMPARATIVE ANALYSIS OF GWADAR AND CHABAHAR: THE TWO RIVAL PORTS

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### RESEARCH BRIEF



**Abbreviations:**

CARs:	Central Asian Republic States
DWT:	Dead Weight Tonnage
TEUs:	Twenty Foot Equivalent Unit
SEZ:	Special Economic Zones
FDI:	Foreign Direct Investment
TAPI:	Turkmenistan Afghanistan Pakistan India
MoU:	Memorandum of Understanding
HDI:	Human Development Index
PPP:	Purchasing Power Parity

**Introduction**

World's commercial activities are experiencing rapid increase and sea-politics is getting complex and multifaceted. Among other trade routes, sea paths are the major source of world's economic activities. The two ports, Gwadar and Chabahar, have huge importance, both in monetary and geographic perspective, for not only Pakistan and India but also for China, Iran, and Central Asian Republics (CARs). Gwadar is the World's largest deep sea port which is located on Arabian Sea in the province of Baluchistan, Pakistan. Baluchistan has 600km long coastal belt. It lies just 624 nautical km to the east of Strait of Hormuz. Gwadar is imperative chokepoint, both economically and strategically providing unobstructed ingress to Indian Ocean where 100,000 ships pass annually and about 70% of world's oil trade passes. Gwadar was a need of Pakistan as its dependence on sea trade has increased up to 95%. People in Pakistan consider Gwadar as a fate changer for their own economic prosperity. Hence Gwadar, World's largest deep sea port will enhance trade volumes, growth rates, employment rates, foreign direct investment, and revenues in Pakistan and rest of the region and is an itinerary to affluence and prosperity.

Chabahar seaport is located southeast of Iran in Sistan and Baluchistan province, at the gulf of Oman providing an easy access to Indian Ocean, Oman Sea and Persian Gulf. The port has 10 berths and handled about 2.1 million tons of cargo in 2015 and expects up gradation in 2016 to 8.5 million tons. In 1990s, India got involved in Chabahar port and plans on spending \$500million on it. Chabahar is now considered as a rival port of Gwadar. Like Gwadar's importance to Sino-Pak, Chabahar is actually significant to India, Iran, and Afghanistan as well.

**Comparative Analysis of Gwadar and Chabahar Ports**

Existence of Gwadar at the corridor of oil rich and gas producing Gulf States speaks volumes about its importance. According to Gwadar port fact Sheet, first phase of the port has been accomplished by public sector with Chinese assistance at cost of \$298 million. It includes 3 multi-purpose berths (602m quay length), one 100m service berth, navigable channel of 4.35km (11.6/12.5m deep), roads, plinths and transit shed, operational craft and equipment together with navigational aids and shore-based port buildings and associated services. The phase-2 would be executed by private sector to accommodate 50,000 DWT (Dead Weight Tonnage) container ships, 100,000 DWT dry bulk carriers and up to 200,000 DWT oil tankers, three container terminals (201 m quay length), one bulk cargo terminal (305m length), one grain handling terminal (305m length), one twin pier oil terminal (688m length), breakwater (600m length), approach channel (16/20m deep), back up areas, craft and equipment and building etc. It has a capacity to have 88 berths and to anchor mother ship of 100,000 to 200,000 DWT. The designed annual output of three multi-purpose berths is 100,000 TEUs of containers, 270,000 tons of general cargo and 450,000 tons of bulk cargo. The Civil Aviation Authority has allocated 3000 acres of land for Gwadar International Airport. The mega project of Gwadar port comprises of many other sub-projects including transport routes, producing over 12,500 tons 'raw copper' daily, power generation, railways etc. The twelve-monthly capacity of Gwadar port is about 300 to 400 million tons of cargo which is almost equivalent to India's all ports annual volume. Whereas, the planned capacity of Chabahar is only 10-12 million tons of cargo yearly. Gwadar has 12 berths and the competing port of Chabahar has got only 04 berths. Gwadar being natural deep sea port entails relatively less maintenance cost. A huge amount is allocated to energy and infrastructure under this gigantic project which would ultimately fulfils the electricity deficit of the country which is hindering the current

potentials of the industries of Pakistan. By building infrastructure, Gwadar shall provide ease of access to markets and labor market shall be affected positively. Gwadar is expected to attract foreign direct investment in the country.

Gwadar is the sole port in the region having potential to receive 200,000 tons of supertankers however Chabahar can only accept 20,000 tons. Chabahar shall bring diminutive reduction in India's cost and time required to transport cargo trade to Europe, approximately by 50%. Chabahar shall provide India with access to Central Asia, South Asia and Middle East. The developed Chabahar port will offer India with entry to landlocked Afghanistan. The Indian economy is growing at the rate of more than 7% (annually), which is a healthy growth rate. Its input requirements for oil and natural gas has increased. Chabahar will boost India's economy and allow her to trade with Europe and Russia through International North South Transport Corridor.

## **Economic Aspects of Gwadar: A Win-Win Situation**

Gwadar port provides a feasible and economical route for trade with Central Asian landlocked states which are rich in natural resources. It is considered as a key in the revival of Pakistan's economy as it will function as a hub of trade activities of the region. Pakistan can improve its foreign exchange reserves through transit fee. Port of Gwadar has potential to address the unemployment in Pakistan coupled with nation's growth rate as there is a positive relationship between trade and growth. Different industries emerged as a result of this mega project such as linguistics. Further, in a trickle-down effect, Gwadar would enhance agricultural productivity which contributes 20.9% to GDP and accounts 43.5% of employment.

Gwadar as a hub of trade activities will motivate local manufacturers to increase large and small scale production not only in the country but in the whole region. The strategic location of Pakistan and its resourcefulness makes it a hot destination for the international investors and accordingly China has become the biggest investor in Pakistan. Sino-Pak trade and economic affiliations have become stronger and developed after the execution of China Pakistan Economic Corridor and World's largest warm water deep sea port, Gwadar. Both Beijing and Islamabad are very optimistic about the economic welfares from Gwadar. Though, Pakistan had maintained artificial prosperity using the foreign trade but through Gwadar, it has got something to cheer at last. Significance of Gwadar can be realized by the fact that Pakistan's seaborne trade amounted to 36.3% of the Gross Domestic Product and on other hand maritime exports shares 10% to the national income of top 30 economies of the world. The number of containers deal in world's ports increased at a rapid pace of 9%. It is argued that size of maritime trade is the size of the country's economy.

Pakistan is now becoming the hub of trade and economic activities as the regional players have realized its potentials. Gwadar has surged the scale of investment from \$ 26 billion to \$ 46 Billion. In 2000, Pakistan's annual trade through sea-route was 42 million tons which now has lifted up to about 78 million tons (In 2015). Being the trade hub for the entire region, Gwadar will serve the consumer market of Asia and is equipped with modern cargo handling to meet the challenges of growing global trade. Gwadar port will capitalize on opportunities for trade with landlocked central Asian republics (CARs) and Afghanistan and it will promote trade with Gulf States. Gwadar will generate extraordinary income for Pakistan and it will generate incentives and benefit Pakistan's economy in terms of Foreign Direct Investment, trade enhancement, increase in foreign exchange reserves, transit revenues, new economic and infrastructural developments, employment opportunities, strengthening labor market, emerging new industries and markets and flourishing the existing ones. The province of Baluchistan will be lifted up by implementation of this mega project and its resources would be mobilized in better way. Gwadar is expected to generate 2 million employment opportunities in next 8 to 10 years. Gwadar Port authority stated that foreign investors from Middle East, Europe and China have planned to establish 300 factories in Gwadar which is an evidence of foreign interest in Gwadar. According to an estimate, about 1.7 million people would move to Gwadar in duration of 30 years. If it would not have been developed, the already burdened city, Karachi would have to bear the migration and hence Gwadar would help in cutting down the congestion in Karachi somehow.

Construction of new roads and infrastructure will provide investors and locals an easy access to markets and the frequency of economic activities will increase manifolds. New markets and residential locations will emerge due to the development of Gwadar port and hence many new industries will be established because of the locational significance of the port. It will help in exploiting the full potential of Baluchistan which in result will contribute a notable figure to

the GDP. A Special Economic Zone (SEZ) of 9.23 sq. km. has been established in Gwadar at cost of \$2billion which will escalate exports and imports remarkably. Gwadar offers tax concessions and tax free trade and investment, consequently drawing a hefty figure of foreign investors to establish new economic projects and hence attracting FDI.

Energy sector being the crucial obstacle in pecuniary prosperity of the country is accentuated intentionally. To confront the matter, Gwadar is ornate with a coal power plant with capacity to generate 300MW electricity. Gwadar port delivers access to energy resources of Central Asian Republics (CARs) and such venture will help in counter the energy crisis of Pakistan to significant extent. China's 60% energy requirements streams through the Persian Gulf. China while using current trade route to import oil from Middle Eastern countries pays a huge transportation cost as it is 16,000 km far. Gwadar port enables China to abridge this distance to 5000 km and eventually to cut down its massive carriage and time cost. Currently China's exports and imports take up to 45 days to reach destined markets of Europe via Middle East. Gwadar Port will provide China a cost-effective transportation of its goods to markets and a safer and shorter route as well. Gwadar port allows China to reach the region of the world which possesses 48% of the world's oil and 38% of natural gas reserves. The 15,000km stretched Trans-Afghan Gas Pipeline (TAPI) shall also pass through Gwadar that will help Turkmen natural gas to reach global markets. Gwadar will make the flow of enormous quantum of trade possible and feasible for Pakistan, China and the whole region.

## Economic Aspects of Chabahar Port

On May 06, 2015, India and Iran signed a long awaited MoU to complete the Chabahar Port which is at the distance of almost 100 miles from Gwadar Port. India is investing \$500 million in Chabahar which ultimately will provide India access to newly unlocked Iran and 5 other landlocked countries of the region. Out of the total share, \$85.21 million is allocated for the edifice of a container terminal and a multi-cause cargo terminal. Through Chabahar, India will get ingress to Afghanistan, Central Asia and Middle East. India is considering Chabahar an economic and political rival port to Gwadar and a bypass of Pakistan to establish strong trade relationships with Afghanistan and other Central Asian countries. A road has been built from the Deleram (Afghanistan) to Zeranj (Iran-Afghanistan Border). The first phase of Chabahar port has been completed at cost of \$340 million. The port has a strategic prominence too as it drives India to counter China's influence in the region and to undermine Gwadar's output. In a nut-shell, India intends to bring Chabahar port in competition to Sino-Pak's Gwadar port project and make it an alternative business hub.

India is expecting to curtail the increasing influence of Pakistan in the region and to miniaturize the trade volume of Gwadar port via Iranian Chabahar port. The rival port will give India access to oil and gas reserves of Central Asia and Iran. Circumventing Pakistan, India intends to connect to the oil and gas capitals of Turkmenistan by placing a pipeline through Afghanistan on to Iran and Gujarat through Arabian Sea. India's industrial sector contributes 24.2% to GDP and the use of energy resources by the particular sector is 35%. India is an emerging economy and her necessities to retain the momentum are increasing promptly. India is indeed in need of Chabahar port economically to govern Iran's 1187.3 trillion cubic feet gas reservoirs and 157.8 billion barrels of oil reserves. India is securing its energy needs with Chabahar profile. This would assist India in fulfilling its current energy requirements and to confront any energy shortage in coming time period and hence safeguarding the incessant economic progression. Exports volume of India will definitely increase as she wants to export Cars, Computer and information technology related products to countries involved in the agreement. India's exports to Iran have been doubled in last couple of years amounting to almost \$4 billion. India promised to build a railway track between Chabahar and Zahidan at cost of \$400 million which would not only nourish Indian Steel industry but also generate employment opportunities in both nations.

Yet, there are many challenges to be faced by Chabahar and India. There is a variance in attitude regarding Iran's strategic and economic partner status. Indian Ministry of Finance is advancing with supreme caution as it has some reservation about returns to investment. Institutional incompetence would lead India to underutilize the Chabahar port in its full aptitudes and remain impotent to procure concentrated economic benefits. India's dream to get access to Afghanistan may remain in demi state, as Afghanistan itself is a very unstable economy and role of Afghanistan in Chabahar may linger. India showed intent in developing an oil field in Iran but Iran declined to give India its gas marketing privileges. So, India should be ready to face such disappointments in future.

The capacity and potentials of Gwadar port are far enhanced, much copious and plentiful as in comparison to Chabahar

port. The annual cargo handling capacity of Gwadar is 300 to 400 million tons whereas Chabahar's potential is to handle only 10 to 12 million tons of cargo. Gwadar connects the world to a colossal economy of the realm figuring \$20 trillion and in contrast, Chabahar port joins the world to an economy of just \$8 trillion in PPP. Further, Gwadar gets an edge over Chabahar as the transportation cost via route of Gwadar for Afghanistan is relatively less due to proximity of almost all Afghan cities. Moreover, the law and order situation along Pakistani path is improving. Hence, Gwadar provides an economical, feasible and secure trade route to Afghanistan. In the concluding remarks of this section, it can be inferred that Chabahar port is definitely a step on the way to regional trade developments and prosperity but the volume of cargo handling and other potentials and capacities of Gwadar port are much more than Chabahar. Moreover, its economical and strategically reputation is vast and substantial relative to the sister port. Chabahar Port's hype is just a puffery to curb and restrain the economic potentials and benefits of Gwadar.

## Impact of Gwadar on Baluchistan

Baluchistan, Pakistan's largest provinces in terms of land mass constituting 43% of Pakistan's territory but smallest in population. Baluchistan is the province full of natural resources and is exotically beautiful. Natural gas, minerals, mining, coal, fishery fruit industry are the major economic capitals of Baluchistan. Baluchistan is the least developed province of Pakistan. The Human Development Index (HDI) for year 2009 figured 0.556 which was least among the other provinces, but the economic potentials and capacities of the province were never neglected so as today the Port of Gwadar, 'The Fate Changer' belongs to Baluchistan.

Gwadar is envisioned to be converted into economic center of the region and will subsequently alter the socio-economic conditions of the province. In 2012, the unemployment index of this province was 20% which hinders growth rate in any economic channel. Foremost, the Gwadar venture will deliver the Baloch people with vast sectorial employment opportunities both in public and private sectors, consequently increase the GDP per capita of the province which is currently the lowest in the country. Its mineral resources and mining sector will burgeon. Inflow of about 1.7 million of economic migrants into Baluchistan is expected in next 3 decades. Building new residential and commercial areas, schools, hospitals, road and infrastructure will modernize Baluchistan. Presence of Gwadar port has made Baluchistan a hot investment spot. Mammoth investment prospects coupled with resourcefulness of the province will facilitate foreign direct investment in Baluchistan. Poverty rate will fall over the period of time. Emergence of new markets, developed infrastructure and ease of trade through Gwadar collectively will enhance the existing industries of the province and a notable upturn in production units will be seen. Hence, Gwadar port is significant and supreme for Baluchistan as it will escort the province and its people into the circle and obliterate the misapprehension spread by the Nationalists and other propaganda groups.

## Conclusion

Gwadar Port of Pakistan entails prodigious economic incentives for the country and can be the center stage of the entire resurgence process. It is competent to place Pakistan among the leading economies of the region. Gwadar is providing shorter trade avenues to the landlocked country relative to Chabahar. China is getting a cost reductive and time saving route for trade through Gwadar and the port will help the anticipated super power to meet its energy requirements via Gwadar Port. Hence, the port is likely to be "The Golden Bird" for Pakistan.

On other hand, it is just a hysteria created about the Chabahar port where as in reality its potentials are much less than Gwadar's. Chabahar projects looks fragile and crumbly in nature as both India and Iran retains deficiencies in infrastructure and the internal security threats to them cannot be disregarded. Though Indian economy is growing at a healthy pace of over 7% yearly, nevertheless, it has to cope with high population growth, swelling inflation and lofty poverty rates, declining exports, lack of infrastructure, and many other concerns. Law and order situation on Iran's side is not pleasing either and US showed concerns over India-Iran ties too. All such scenario raises the questions on viability of Indian promises for Chabahar and smooth development of the project.

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