

China and Economic Development in South Asia: A Case Study of Balochistan

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ABSTRACT

Sino-Pak economic cooperation is logical, as both are physical neighbours. To approach China there is no need to take toll of 7000 nautical miles. The Chinese expertise has carried out mega projects in her northern part Balochistan. Above all she remained with Pakistan in odd and even times. In globalized world each state has to prove her metals at economic front, Pakistan a Third World country is no exception to this motivation. It implies that the economic development in regions like Pakistan particularly in Balochistan is dependent on external factors (the provision of capital and know how).

China (the fastest growing economy of the world) and South Asia have symbiotic relations. Her existence is a balancing factor when South Asia is looked upon by international community favoring some states e.g. trade and civil-nuclear deal between India and America creating inequity with in the region.

The question that why the Chinese investors and experts are targeted in Balochistan? This question is important to address as the economic development in Balochistan is dependent on external resources and is vital for the development of Pakistan. This study intends to manage the dynamics of economic cooperation versus obstruction politics for the greater development of Balochistan vis-à-vis Sino-Pak economic cooperation.

KEY WORDS: Economic Development; Conflict

Introduction

“China does not seek selfish gains in South Asia and is ready to play a constructive role for peace and development in the region.”

(Chinese President Hu Jintao, 2006)

International relations have three dimensions: conflict, competition and cooperation. Cooperation between two states leads to competition and conflict with other states as well. The economic intimacy is shaped by the structure, process, and benefit of economic development. Who is getting what and why, out of economic development? The query is not raised only by the components of relative structure (the structure in this study is China-Pakistan-Balochistan) but by the external features to the structure as well. The process of cooperation is impeded by competing and conflicting trends in and around the structure.

Economic cooperation is based on sharing competencies and cooperates to maximize efficiency. Economic cooperation between China and Pakistan signifies

interdependence much needed for regional stability. This study is carried on in assumption that the economic cooperation may be fulfilled by reconciling the adverse trends at local and international level vis-à-vis economic development in Balochistan.

The study premises are; economic cooperation affected by the problem of political inconsistency at local and regional level and its impact on economic choices available to the region. The fundamental idea is to reconcile the adverse trends affecting the objective of economic cooperation between China and Pakistan - Balochistan. The following questions are taken in study:

1. How central is economic development of Balochistan to make it a supporting component of regional and international development?
2. How does local-national-international politics interact and inflate complexity in the process of economic development in Balochistan?
3. How to add new values to manage economic development in Balochistan supported by China to deal with the contemporary challenges?

The momentum set by burgeoning population, demand for economic development, and international instability have increased the complexity in management of economic relations. Therefore this paper intends to manage economic development in the contested area of Balochistan. This study focuses Balochistan; an area exposed to economic development politics, where the nation state systems are at the height of competition to manage economies while dealing simultaneously local and global challenges. Balochistan lacks the genetic muscle to absorb the economic development projects propelled by national-regional, and international motivations.

The study is divided into five sections, following introduction; section II focuses on, “Motivating Factors of Economic Development and Balochistan”, section III dilates, “Obstacles to Economic Development in Balochistan”, section IV proposes, “3-D strategy to manage the Economic Development in Balochistan” and section V is the learning statement.

There is a multilateral growth of economies to cooperate in international system depending on the power of participating states in economic development with international or regional dynamics. (See Table. 1) There are two types of states; one already having eager status in international economic system’s decision making of World Bank and IMF, e.g. The United States of America couching G-8 forum simultaneously to uphold the status quo. The other is in the process of cooperation at regional and international level e.g. Chinese economic aspirations in Balochistan with a lesser status in international financial institutions.

Table 1

Index of Dynamic Linkages of Economic Development

This index analyses the dynamic linkages of Economic Development. Following are the indicators:

Dynamic Linkages	Indicators
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1. Core linkages of Economic Development	The economic development is established via peaceful coexistence.
2. Overwhelming linkages of Economic Development.	It overwhelms the world economics as each nation state visions the economic development.
3. Cohesive linkages of Economic Development	It is performed by forging links with civil society as donors or strategic partners.

(Source: Self made)

China has made giant strides in South Asia on economic front. She has 'Free-Trade Agreement' (FTA) with Pakistan and has emerged as the largest trading partner of Bangladesh. She is preferred trading partner by Pakistan in the west, through Nepal in the north and Bangladesh in the east to Sri Lanka in the south across Indian status in the region.

Sino Pakistan relations have comprehensive nature which took its apex during the Chinese president visit to Pakistan in Oct 2006. The 18 agreements ranging from defense cooperation to energy included a free-trade agreement (FTA) that is expected to boost bilateral trade from US\$ 4.26 billion last year to \$15 billion within five years. The two countries are also agreed on a five-year plan to boost economic ties. Besides, Chinese and Pakistani companies have finalized 13 joint-venture agreements worth \$3 billion. And Hu inaugurated a special economic zone near Lahore, which has been set up for Chinese business. With regard to civilian nuclear energy, China has already helped build a 300-megawatt nuclear plant and is building another. It reaffirmed the commitment to "continue to carry out such cooperation." Indeed the relationship has been an "all-weather friendship", having survived the region's turbulent politics as well as major realignments in international politics. Pakistan sees China as its most dependable ally. It has contributed significantly to the country's economic development. It is partnering in the constitution of a port at Gwadar, contributing technical expertise and the bulk of the funding for the project. For China, Pakistan is a useful counterweight to India. This is behind its efforts at building the country's economic and military muscle. Pakistan also provides China with a link to the Muslim world (Asia Times, 2007).

II - Motivating Factors of Economic Development and Balochistan

We found in section I that economic cooperation between China and Pakistan for development is imperative to compete in international economic system. In section II we go through the motivating factors in and around China & Pakistan-Balochistan for economic development, whereby the cooperation must exist to increase the efficiency of resources.

Balochistan confluences South – Central Asia and Middle East and her geo economic valuation is dual; economic potential with in Balochistan and its value to link the economies around. In Geo-economic terms Balochistan has remained strategic vocal in history also, between British and Russian hegemonies. From 16-18 centuries Gadani port was used for trade purposes to and from Central Asia but later the British stopped it as to determine the regional development (Kundi, 2005).

Turkey, Iran and Pakistan signed Regional Cooperation for Development (RCD) in 1964 and a road link was built through Balochistan to link the three countries. This arrangement of relations has now taken the shape Economic Cooperation Organization (ECO).

Since the discovery of gas in Sui in 1952, Pakistan saved foreign exchange worth over two billion a year as natural gas was used as an import substitute for decades. Balochistan fulfills almost 40 per cent of energy needs of Pakistan. In regard to untapped and unexplored resources, there are indicators that Balochistan has very bright prospects to meet the future needs of whole of Pakistan. Pakistan has issued licenses to score of companies for exploring oil and gas in vast areas of Balochistan, including the offshore prospects near Pasni Coast (Shahid, 2005). Gas and oil hydrates are also found on ocean floor in Gwadar and Pasni.

In order to support Pakistan's growing economy, both supply and demand for oil and gas have been on the rise. During FY'04 country's primary energy supplies increased from eight per cent to 50.8 million (tons of oil equivalent) from 47.1 million than the year before (Hussain, 2005). The present policy of government for power generation is backed by gas fired and hydel power plants, and because of drought conditions it will be more focusing on gas fired projects.

The management of economic development in Balochistan is vital because of following reasons:

- Energy has become the defining factor of international as well as national politics
- 9/11 and war on terrorism----Pakistan has emerged as the non-NATO ally-the conflict trends may be dealt by generating economic activity via management of economic development.

Pakistan may locate a capable place in global community by exploring new avenues of raw materials and economic activity in the province of Balochistan. The area of Balochistan may open new vicissitudes of prosperity for Pakistan. The province of Balochistan has become the center of attention because of following reasons and opportunities: -

1. The disintegration of USSR and economic independence of Central Asian States have created a huge economic opportunity. Balochistan is a gateway to Central Asia.
2. The economic potential in Balochistan:
 - Large coastal line of Balochistan of 770 km from the mouth of the Hub River in the east to the Iranian border in the west.
 - Enormous mineral resources; as it sits on geological belt with world-class mineral deposits. For example, Sarchashma in neighboring Iran has reserves of 1.2 billion tons of copper and other mineral ores, the

Chaghi metallurgical belt, 480 kilometers long and 50 kilometers wide, offers the prospect of a similar potential in Balochistan (Haque, 2004).

- Interest of foreign investors particularly from China and of international institutions, bilateral donor agencies, and International non-governmental organizations in Balochistan because of above given strategic and commercial qualifications.

The development projects in Balochistan include Gwadar Port (China), Mirani dam, Kachi canal, Coastal Highway, Subakzai dam, Greater Quetta Water Scheme, Zob-Dera Ismail Khan Scheme, Saindak (China) - Rekodiq (Australia). The quantum of foreign investment has ranged between 200-300 million dollars per annum in preferred sectors like oil and gas. The projects will bring employment.

Gwadar deep-sea port phase - 1 of the project has been completed by April 2005. Work on phase - 2 has been started in May 2005 at a cost of \$865 million. Mirani dam project in Makran is being constructed across the Dasht River at its confluence to Kech and Nihang rivers, some 30 miles west of Turbat city. The project forms part of the gigantic "National Water and Hydro-power Resources Development Programme: Vision 2025" to bring the underdeveloped areas at par with the developed ones. All these projects are assessed as pre-requisite to development of Gwadar port. Karachi port handles nearly 50million tones of cargo annually and with Pakistan's economy expected to grow at a minimum of six per cent annually, the volume of trade is projected to be around 75 million in the year 2015. The government has undertaken expansion programmes at both ports to enable them meet the growing demand of trading and commercial activities because of overflow of incoming and outgoing sea cargo to cater the transit traffic flowing from Central Asian states and Afghanistan. The Gawadar project came about as a result of a Sino Pakistan Agreement in March 2002. Beijing has provided \$198 million for the first phase of the project and Islamabad's contribution has been \$ 50 million. By virtue of location Gawadar is visualized to become a regional hub serving incoming and outgoing commercial traffic of the Middle Eastern and Gulf countries, the Xinjian province of China and Bangladesh and India in South Asia. Its location at the mouth of the Gulf and at the opposite end of the strategic choke points of Straits of Hormuz and the Gulf of Oman enhances its strategic importance. Its development could favorably influence the geo strategic environment of the region and have an overall beneficial impact on Pakistan. Additionally the port may facilitate efficient exploitation of the exclusive economic zone of Pakistan, which so far has remained largely unexplored. The area is rich in fisheries and if the long coastal line is fully exploited it could give a big boost to fish and crab exports and promote food –processing industries. Lying in the vicinity of oil-rich Gulf States, Gawadar could also be a potential source of offshore gas and oil exploration. The existing highways on the Afghan border,

connecting the border towns of Chaman and Qandhar provide the shortest all weather road links to Gawadar.

The share of Balochistan in national wealth is attributed to her geo-economic status in national and international realities, as she remained in focus for either it was the pursuit of hot waters by Russia or now it is pursuit of oil discovered in Central Asia. Her location in international geo-economic system abounds her in national economy.

China may reduce dependency of Pakistan in know how and capital for economic development. China has great stakes in emerging energy map of Asia, where Pakistan may become the corridor and China the beneficiary. Both the states have common policy not only in the fight against terror but also to bring reforms in the UN structure. This regional vision gives the avenue for greater economic valuation of current challenges.

China since 1978 mainly focused on its economy and sustainable development. With an average growth of 9.5 per cent for almost three consecutive years, china has not only proved to be an emerging political, military and economic giant, but also lifted up a huge part of population from the vicious cycle of poverty. According to Alliance Trust, an investment company, China will be the second biggest economy in 2050, second to US with India taking third place (Khan, 2005).

China favors and believes strongly in the open and free trade with the world. China became the member of WTO in 2002, and she entered in real economic competition and exporting too many elements to too many countries around the world to keep its economic muscles strengthened. The collapse of various corporations and joblessness to about 20,000 in the US indicates the high economic boom and quality export level of the China whose goods are appreciated and used everywhere irrespective of any state (Ibid). China is in need of oil badly. Therefore, it is struggling to import much oil from Middle Eastern States particularly from Iran.

China is struggling to get a direct oil- pipeline. China's state owned oil company CNOOC gave a bid of \$18.5 billion to buy US UNOCAL Oil Company but US Congress has obstructed the move. China also faces restrictions of getting oil from Caspian Sea region that is counterfeited by the US at present.

As WTO does not allow China to consume much of the coal that is hazardous to the environment, China is thinking of alternatives to explore the oil resources in the continental shelf by using the "Exclusive Economic Zone" of the sea. This is possible through remote-guided submerge sable. China, in this context, has become successful in making such a scientific device that can merge into sea for about 20,000-30,000 feet that previously was only 10,000 feet. These all indicators show the seriousness of China in focusing much more in strengthening its economy (Ibid).

China and Pakistan relations, despite the US imperialistic hegemony in the region, should not be affected. Pakistan, because of its strategically important locations, still provides the outlet to China especially to its western part, with easy

access to Arabian Sea and vast oil and gas resources of the Middle East. This convergence of Strategic and economic interests, more than anything else, provides sound basis for futuristic development between the two states. Despite the displeasure of India about China's interest coming into the SAARC organization, China might be given the permanent membership in the near future as Afghanistan has already been accepted by the 8- SAARC member states on the 13th SAARC conference held in Dhaka in 2005. However, she enjoys the "observer status" (*Ibid*).

Pakistan-US relations have their own importance for Islamabad. However, it is important to note that US has walked away from Pakistan several times after seeing its interests. There is no guarantee that this would not happen again. Furthermore, the US strategic interests with India, in the form of 10 - year defense pact signed on June 28, 2005, has created many hurdles due to which Pakistan suffered from serious limitations and uncertainties while Pak-China relations remain time-tested and everlasting.

Iran and Pakistan are two states where China is making heavy investment in the modernization of the rail and road network to seek a connection and build linkages for its south west. As these linkages develop, China's reach to the Persian Gulf (Gawadar) and the Indian Ocean becomes a reality. Since 1978, US-Iran trade has declined from 21 per cent to about one per cent in 2003. In 2003, while the China-Iran trade has raised from one per cent to eight per cent by 2003. In 2003, China imported oil from Iran worth \$2.6 billion, and Iran imported civilian machines, electrical equipment and appliances, vehicles, aircraft and instruments worth of \$1.1 billion from China (Garver, 2005). China also continues to support Iran's role as a regional power in the Gulf while the US opposes it. China and Iran have a shared strategic objective in demanding withdrawal of all foreign troops from the Gulf making it a zone free of great power influence. Pakistan has the potential and opportunity to play the role of a strategic partner in the emerging China-Iran equation. Gas pipeline planned among; Iran-Pakistan and India through Balochistan impacted upon the US relations with all the three countries. Then the foreign investment in Balochistan is a matter of concern for UAE coastal economies as well. The Gwadar project and the unrest in Balochistan must be understood and analyzed in that larger regional context.

III-Obstacles to Economic Development in Balochistan

Section I and II of this study deliberate that economic development is bound to happen in Balochistan vis-à-vis regional and international emerging economic system. In section III the question is posed which are the obstacles to economic development being processed referred to economic cooperation between China & Pakistan in Balochistan?

Development of Balochistan as coastal economy seems different and complex when it is compared to coastal economy of Dubai, as development of Dubai was evolutionary, the international community was not vigilant rather, one may say, contesting on its development. The development of Balochistan is complex because:

- Globalization has induced the countries to contest for resources where ever they are available due to better communication system and Balochistan, rich in mineral resources, is no exception to this.
- Economic geography has taken the lead over other factors of power.
- International power structure deems important the economic development in Balochistan for the existing conflict management strategies vis-à-vis war on terrorism.
- The national power structure “The Pakistan army” (its traditional status in the politics of Pakistan referred to three Martial Laws in Pakistan) insulated the security of economic development in Balochistan. People at the helm of affairs are now poring over internal challenges and external accountability.
- Center province disharmony remains juvenile.
- The local component for development is weak as the literacy rate is abysmally low in Balochistan.
- Existing socio-political set up of Balochistan is not committed to development to disjuncture the old set up.
- The capacity of natural resources, e.g. water, may not match the mega development projects.

Conflict in Balochistan has been prompted; as contenders are seeking to possess the economic resources, and to occupy the same exclusive position; while playing incompatible roles through incompatible means. The wholesale cry about the province by the natives and the center is always that the province is deprived and poor. The center utilizes it to format a pretext to interfere in the provincial matters and the natives try to acquire more and more benefits from the center. Dependency, disharmony between center and the province, mistrust between the government and the people, regional and international factors are the dimensions of conflict.

Balochistan is dependent on center, because of myriad of factors. Balochistan is 43 per cent area wise but only 5.8 per cent of the population. The national resources are divided on the basis of population. No federation follows, in the world, population as the sole bases for distribution of revenues among the federation units except Pakistan. The Balochistan position paper declares in clear words while giving examples of revenue distribution criteria of three federations of the world---India, Australia and Germany. In all the three federations population has been given 10 to 11 per cent ratio while other factors have been given much more weight age (Ghausi, 2005). The other indicators in case of Balochistan can be included are backwardness, the share of provinces in national wealth, and inverse population density. Balochistan also receives direct transfers

from the federal government on account of its ownership of gas. It is fixed at the rate of 12.5 per cent of the gas sold and valued at the well-head price. The well-head price has been pitched at a low level for the gas fields in Balochistan; those discovered recently have higher well-head prices. Balochistan only contributes around six per cent of revenues and receives federal transfers as 94.5 per cent for provincial expenses (Kardar, 2005).

Mistrust existed between civil-military bureaucracy and the people of Balochistan. At the root of the discontent were under-development and widespread poverty and the fear that the mega projects would provide a cover for the induction of outsiders into Balochistan, making the Baloch still more deprived and impoverished. Incompatibility between contemporary rights, talks and the historical processes through which rights came to be framed: Balochistan is an unending tale of our political and socio-economic lapses. Balochistan politics needs to be looked upon as a part of Pakistan. It has always been facing the crisis of political development: these can be elaborated as Binder (Leonard, 1963) explains in, "Religion and Politics in Pakistan" The crisis of *identity, legitimacy, representation and penetration*. The federal development program includes not only Gawadar, the coastal highway and the Sandak project but also the construction of provincial roads (like those connecting Chaman and Quetta and Quetta and Kila Saifulla), which should be implemented by the provincial government, essentially because some of them, even under the flawed Constitution, fall entirely within the purview of the provincial and local governments.

In Gwadar Housing Scheme the land Mafia residing in Karachi has manipulated the land record in their favor with the help of government machinery and now the per acre land prices have gone from thousands to millions (Haqani, 2005). The plan to build cantonments in Gwadar, Dera Bugti, Kohlu and Khuzdar in Balochistan are aimed at ensuring full control over the resources. The issue of Dera Bugti has become complicated as the government mobilized armed forces, thus creating a situation of armed conflict. The Baloch people think that subjugation and colonization is taken in the name of development. The provincial government seems unable to manage the potential of local political system in larger interest of the country.

In British times Balochistan was divided as British Balochistan, and Native Balochistan. The British Balochistan was 25 per cent and mostly comprised of Pathan belt. The rest included mostly the Baloch areas. The 75 per cent of native Balochistan was led by Khan of Kalat, as the small tribes were paying royalty to Khan of Kalat and he was paying it to British government. This tribal system suppose to interject the people and the government, always fulfilled their own interests rather than to embark upon real social and economic development. *Sardars* are like demigods to their people who are their bonded subjects. They hold sway over their life and death. How could any one dare vote against them in an election? The *sardars* become chief ministers and ministers through the

electoral process. On being elected they wield unbridled state power; which is otherwise not available to them.

Afghan conflict caused the growth of militancy in Balochistan, the low-intensity conflict between the Soviet/Afghan forces and mujahideen, the emergence of Klashnikov culture, and availability of advanced weapons made a large number of tribes militant and violent (Dunken, 1989). It is particular in case of many tribes such as Marri, Bugti, Rind, Mengal, Acakzai, Raisani tribes. Marri tribesmen; who had been involved in a large scale insurgency in 1973-74, fled to Afghanistan, and returned 18 years later, are more violent and militant today than were then.

It is important to note that if Balochistan serves American international vision in present condition, she will not promote its development, and if China views its development necessary for the region, it will cooperate with Pakistan in this respect.

Gwadar port is being developed with full assistance from the Chinese. There were reports in the American press expressing concern over the Chinese interest in some ports including Gwadar. It was suggested that the Chinese were trying to seek bases all along the oil route. Also there are people in the White House who are all for military action against Iran. Preparations for invading Iran are afoot, similar secret preparations were ordered for Iraq before its invasion. Americans are building a base in Herat of Afghanistan to encircle Iran. A request for NATO logistics hub in Karachi has already been conveyed to Pakistan (Syed Shahid Hussain, op cited). That is where Balochistan would offer a tempting target for international intrigues.

IV-3-D Strategy to Manage Economic Development in Balochistan

“If world poverty were simply an economic problem, we would be closer to a solution by now. But development is a web of economic, political, institutional, ethnic, and class-related connections with persistent historical roots.”

(Robert M. Professor Emeritus, MIT, and Nobel Laureate in Economics, 1987)

There should be a political commitment for economic development of Balochistan. The process requires a prerequisite sense of urgency. More complex analysis of both the causes and symptoms of conflict in Balochistan can be directed as follows:

- Move from discrete projects in particular areas to looking more at other parts of Balochistan.
- More strategic engagement with tribal system at different levels to try to ensure that they have both the capacity and the political will to uphold their responsibilities to protect the right of economic development.

- More collaborative work with other, social movements and networks at different levels; moderate and progressive political leaders.

This study presents three strategies to manage the economic development in Balochistan. It also includes the views of prevalent political structure of Balochistan, just to light the other perspective of the picture to reach some solution to existing situation.

Management of Local Component for Economic Development

The right to development is human right as declared by UN declaration of 1986 and focused by UNDP Human Development Index 1990. The rights based approach emphasizes that development should be based on recognition of the equal rights of all citizens to the resources required for material well being and social inclusion with a predetermination of development where in the contribution of state is given prominence. Legitimate political institutions can embark upon socio-economic development; if they are willing for change to improve the social capital. In Balochistan the political institutions drive and affect the economic process, because there are no agile economic institutions within the political network.

Specific education is required to bring changes in decision-making support system over which the socio political structure seems dependent. Some revolutionary steps can be taken like in 1949 India passed a political order to dismantle the previous political structure having 525 states and instead 22 provinces were created. Constitutional amendments should be made to manage the conflict in Balochistan. Economic development may be interjected with society by building required knowledge economy to promote economic development. Moreover the social services should be enhanced in the province.

A lot is required to promote labor-intensive, small and medium enterprises to tap the strengths of Balochistan. It should include agro-based industries, ground water development projects, livestock development, along with access for export to the Gulf where they can easily win a big share of the market presently dominated by the imports from Australia and New Zealand, cold storage, fruit and vegetable processing plants and development of mineral resources. These and similar other projects and business in the hands of the people of the province would address their problems much better than capital-intensive projects largely concentrated in one or two regions.

Three areas for industrial investment potential: Foremost place is Lasbela district where all facilities are available. The second area is Naseerabad where agriculture is fairly developed making the raw material, basic infrastructure, railroad, electricity, water and other facilities available. Proximity of Sindh is an additional factor finding markets for finished products for local consumption. The third area is Mekran, with the highest literacy rate and manpower, got good exposure from the Gulf region. The construction of Gwadar Port with a free trade

area and the proposed Export Processing Zone will add to the investment opportunities. Two major valleys of Mekran, Kech and Panjgur, are known to be the cultural capital of Balochistan where highly literate population is available to man the future industries of Balochistan. Fisheries and seafood industry too have vast scope for development on Balochistan coast right from Bunewari near Hub to Jiwani on the borders with Iran. The seafood industry alone can earn two billion dollars foreign exchange if the available sea wealth area is exploited properly, meant only for the benefit of the local people. The government in the case will have to stop illegal fishing and indiscriminate use of deadly fishing gears that is being patronized by corrupt political bosses for the past many decades (Shahid, 2005). Chromite was found in Balochistan in 1903; Balochistan should have refinement plant, and iron up-gradation plant in Dilband. Onex marble is available in Chaghi, which should be refined. Balochistan has the best quality of cotton; it produced six billions bales in 2004-2005 (Haider, 2005).

The short-term interests of land mafia or vested interest groups should not damage the interests of local population. Most of the infrastructural development is linking Gawadar with Karachi. The government should pay equal attention to developing road and rail links from Gawadar to the hinterland of Balochistan so that all Baloch equally share the development.

A national law should be enacted fixing a minimum of between 1-2 per cent of Profit Based Tax to be contributed by resource extraction companies towards a 'Community Development Fund', which should be managed under a Trust to plan for long - term welfare of the community/union council/ *tehsil* where these facilities are located.

The created militancy in youth may be managed by promoting martial arts in the province. An institute of conflict management may be established in Balochistan to manage different trends on conflict in Balochistan.

Management of Center Province Disharmony

The idea of this strategy is to harmonize the relations between center and the province as what center commits with International community e.g. China; must be respected and implemented by the province.

Cooperation beyond economics: If the politics do not catch up with the economics, many things can go wrong. We need leadership, we need institutions, and we need cooperation in many dimensions.

State has to assume the responsibility to build infrastructure-public economy. A shift is required in conventional development thinking by stressing that development is about people, their knowledge and institutions. The relations between center and the province can be improved by genuine federal system, fiscal devolution, and by building confidence in people. Here a few of the suggestions of tribal chiefs are added as well. The view is to consider wider options for sustainable settlement of the dispute.

Genuine federal system: Balochistan demands the provincial autonomy provided in the Resolution of Pakistan 1940 (Amanulla, 2005). The question of provincial autonomy remains the key to addressing the issues of federalism. If any changes are needed in our constitution, they should be made. Our constitution has been amended many times for reasons of political power or expediency. It can be amended now to remove the underlying causes of injustice and socio - economic deprivation of the people of smaller provinces. A new federal structure has to be devised in the interest of stability in Pakistan. This will require a recasting of the constitution and the establishment of a more viable structure that gives meaningful autonomy to the provinces. This involves a slashing of the Concurrent List and managing the control of all key resources like oil and gas where these resources are located. The people of Balochistan also need to be freed of the outdated and exploitative *Darbari* and *Sardari* tribal system, which keeps them backward to sustain its own privilege and power. The *Sardars* in Balochistan must understand the new realities of the world. Instead of obstructing genuine development and security related projects, they should welcome any public or private investments in their province which would ultimately bring direct or indirect socio-economic dividends to their people. With greater share in political power and better economic opportunities, the people of Balochistan could chart for them a new and better place in the federation of Pakistan. A system is needed to check the abuse of economic and political power.

Lack of legislative and financial powers is causing the conflict between center and the province. The Senate should be directly elected and it should have the financial powers. The answer to the injustices felt by the Baloch lies in solutions in a genuine federal system and not in conjuring at political system around some misconceived notion of, “supreme national interest” nor by simply increasing the size of the federal government’s development programs in Balochistan and enhancing the job quotas for the Baloch in federally managed public services and projects.

To have the amicable solution the concept of “WENESS” can be launched between the military and local population. It was the shield of Pakistan military which made USSR not to invade Balochistan in pursuit of hot waters in 1980’s. Pakistan military provides defense against external threat. At the same time the territory of Balochistan provides strategic depth to Pakistan military to benefit them at national and regional-international levels.

Army should be recruited from all over Pakistan and NFC (National Finance Commission) should be revised (Ziaratwal, 2005). This plea has already been taken by the recruitment policy of Pakistan army, as around 100 officers from Balochistan are now taken yearly. Disciplinary clauses of relegation and withdrawal are also relaxed in Pakistan Military Academy.

The only solution lies in dialogue and mutual adherence to the agreed constitutional framework. Wherever a change or adjustment is warranted, it should be made through political and constitutional means. The government should

establish firm authority that the rule of law prevails in every corner of the country. The government and the local forces should effect reconciliation with local residents and then work together with them in places where military operations against insurgents have taken place.

Legislative powers regarding Gwadar and other mega - projects must vest in the Balochistan Assembly and the entire income, in the shape of taxes at present going to the federal government, should belong to the Balochistan government. The head of the port authority must be a Baloch and 60 per cent of the membership of its board of directors should be from Balochistan. All the foreign investments in Gwadar should be made on the pattern of the UAE that is on the basis of 51 per cent local and 49 per cent foreign partnership without meeting this condition, no license should be issued. The four federating units should be given equal representation in the senate ('Bugti has doubts', 2005).

20 per cent of royalties should go to the district governments to carry out regular development works, 30 per cent should go to a provincial 'Human Resource Development Fund' to fully finance the education of meritorious boys and girls of the province to study science and technology in quality institutions in Pakistan and abroad. The 50 per cent should go to the provincial exchequer to improve the financial resources (Shah, 2005). Along with this, a mutually agreed formula for the division of royalties ---not just for the gas from Sui but also for the copper from Saindak and the gas pipeline from Iran to India across Pakistan--- and its actual implementation would offer a pragmatic solution. The idea should be to restore confidence and good faith between the center and the province. The federating units must be empowered to make all laws on their own units (Mangel, 2005). The idea behind this proposal is to cost analyze that what we are loosing by not doing this and what we will gain by doing this as a nation? The comparative advantage must be availed.

Winning the confidence of the local people; A civil society should be developed by taking all the political forces into confidence. Unpopular policies should be modified, as the policies of building cantonments. Government has already devised some of steps to promote confidence building measures.

Then Prime Minister Shaukat Aziz granted Rs. one billion grant for speeding up development activities and rehabilitation of drought hit areas in Balochistan and Rs. 10 billion Balochistan uplift Plan, 23 June 2005: These include the implementation of the 5.4 per cent quota for Balochistan in federal jobs, priority for local people in new jobs expected to be thrown up by the Gwadar seaport, compensation to fishermen affected by the port's construction, representation of Balochistan leaders on boards of directors of the Oil and Gas Development Corporation and the Sui Southern Gas Company. The package also includes a one time waiver on gas charges for local residents, payment of oil and gas royalties directly to areas from where these are extracted, removal of the Constabulary and Coast Guard check posts from cities and towns and the provision of night-landing facilities at Quetta airport. Of the Rs. 10-billion for the province, one billion would be spent on improving health-care system, two billion on uplifting schemes in the

Sui area, three billion in Gwadar and four billion in Quetta. But the period within which the pledged amount would be made available to Balochistan and spent on development project not clear.

The philosopher-economist Adam Smith boldly included all useful abilities of the inhabitants of a country whether inherited or acquired, as part of capital. Human capital refers to people and their capacities, education, skills cultures, and technologies; World Bank is sensitive to human capital (see Table. 2)

Table 2
World Bank's Economic Development Components

<i>Human capital</i> <i>64per cent</i>	Natural capital 20per cent	Physical capital 16per cent
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(Source: Adopted from World Bank hand book for economic development available on [www.http://:wb.org](http://www.wb.org) accessed on 10 Jan 2007).

The duel paradigm for economic development distinguishes between explanations of natural resources cast at the Balochistan level, commonly known as geo-economic value of Balochistan, the other explanation cast at the national level (Pakistan) and regional level (China) may be labeled as geo-human value. Such sort of values seeks to manage the two way resources (human + natural) for the best interest of China-Pakistan-Balochistan. Now here the value of natural capital is 20per cent and of human capital is 64per cent, so certain mechanism should be developed for local, national and regional economic development in practical terms to manage the issues of dependency and mistrust referred to politics of economic development.

In this view the status of Balochistan as valuated referred to its geo-strategic status in national economy the human factor must be evaluated with reference to China and Pakistan, from where it can come for the economic development of Balochistan.

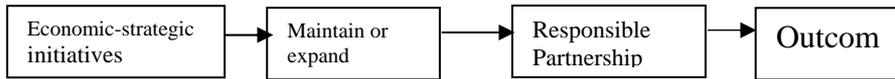
Management of Regional-International Relations vis-à-vis Economic Development in Balochistan

The real challenge is to manage external factor, because political institutions take the cognizance of contemporary realities as much as they serve their interests. In Balochistan the private sector lacks the economic strength much needed for development. Therefore the national and international private sectors would encroach upon the province. In this predicament, integration of diverse identities for economic development is needed.

Integrating diverse identities: The remedy lies in granting political and economic rights to all regions and groups for enabling them to make economic and political advancement. This is pressing for the preservation of our identity as a state. This step needs to be supported by measures aimed at neutralizing the negative effects of globalization on our economy so that the size of the cake is not

reduced and its distribution is not skewed further, giving rise to an upward swing in poverty levels and an assertion of cultural identities with renewed force.

Figure 4
Strategy for Economic Development Vision



To comprehend the economic development; economic strategic vision should be built (see figure. 4) at community, provincial, national, regional and international levels. A Regional Forum for the Economic Development of Balochistan should be created calling in all stake holders, China, United States of America, Afghanistan, Iran, India and of course the Multinational Corporations which are interested to have security concerns managed by utilizing their economic strategy.

Learning Statement

In the era of globalization political capital is being expedited as per frequency of global agendas visiting its potential to get realized at macro or micro level and the political capital in Balochistan is no exception to this reality. In Balochistan political set up is affecting the development. It is apprehensive that the states like India, USA, Iran or the Arab Emirates do not see in their regional and international vision Balochistan as developed part of Pakistan so they try to nullify the process of development in Balochistan, e-g section in India suggests a tit-for-tat policy be pursued in Balochistan in response to Pakistan's interference in Jammu and Kashmir (www.saag.org/BB/view.asp?msgid=26773).

It is found that bilaterally US has opted a policy of engagement with China but disengagement at regional and international level. A full constellation of circumstances constituting Balochistan conflict is operative. In fact no strength exists in the education system of Pakistan and particularly of Balochistan to refine political capital. The resource illiteracy exists at different levels: as the power structure of Pakistan lapses the Balochistan factor as denominator of economic development in Pakistan as the sense of urgency and eagerness is not being paid and the tribal and native system does not recognize that foreign investment is a source for development.

Subjects of 57 years of neglect or managed under ad-hoc strategies; are now partners in development. It is a clear lack of domestic component for economic development; which undermines the utilization of foreign investment. In Balochistan genuine democracy does not exist; as either the elections are engineered by the bureaucracy or hampered by the tribal system. Sardars fear loosing of power once the economic development takes place. The government has been patronizing majority of sardars for its own objectives. Provision of

incentives to native population becomes difficult in tribal system. In Balochistan matter to the fact is that the investors out of Balochistan and out of Pakistan are equally considered foreigner by virtue of practice. Their fears are that outsiders, whether foreign or domestic, will undertake development work and threaten the identity and livelihood of the local inhabitants. The local population can not question their tribal leaders for their welfare rather they are directed to account and audit the government in this respect to secure more benefits which will be ultimately used by the Sardars of tribal system. In fact they are being played by their political leaders. In socio-political management of foreign investment in Balochistan the Sardars can not be over looked.

It is clear that foreign investors do influence economic choices. Moreover, their policy design is often defective, ignores ground realities. More importantly mega projects yield more benefits to international investors or the rest of the country, as compared to the local population.

Building Gawadar port is linked to the stability in Afghanistan and Central Asia. From a defensive perspective, Pakistan navy would find it easier to operate closer to the Gulf. During times of crisis it could move its naval assets farther from Indian naval and air threat.

While locating Balochistan in global foreign investment trends the study establishes; that the natural resources have become integrated into the political economy of local, regional, and global conflicts. With the present distribution of factor endowments and technology between developed and developing nations, the theory of comparative advantage thus prescribes that developing nations should continue to specialize primarily in the production and export of raw material, *fuels*, *minerals*, and food to developed nations in exchange for manufactured products (Salvatore, 2000). The development of mineral resources in Balochistan reflects the global politics as well.

The paper has found that locals are suffering from crises of identity and the national elites at the helm of affairs are facing the rights of federation legitimacy while the regional states are overvaluing their interests whether they are Chinese commercial interests or US war on terrorism-energy interests. It is clear that long term security of the state is not possible without providing its citizens with at least basic subsistence, education and health care. Politicians are not included in the factors of production, but they affect the process of production. The 3-D strategy mentioned in this paper may be applied vigorously.

“Let me assure you that I have not for one moment allowed the affairs of Balochistan to slip out of my mind. I pondered, over the ways and matters of improving the lot of our people in this province and of enabling them to secure for themselves the same position and the same political status within the polity of Pakistan, which are open to their brethren in other provinces....”

(Quaid-I-Azam Muhammad Ali Jinnah, Address to Sibi Darbar on Feb 14, 1948).

Balochistan may remain dependent as the seriousness of dependence relies on the element of competency. Ownership is not the most critical factor. Balochistan may insist on majority ownership by its own locals. But if locals are incapable of successfully making the important entrepreneur and managerial decisions; there is still reliance on others. Entrepreneurship is more important than management. It seems that international interests would work with power structure of Pakistan so it is desirable on part of local socio-politics to resolve the conflict amicably with power structure of Pakistan for greater development of Balochistan. In this way the cooperation for economic development between China and Pakistan-Balochistan may take the shape of reality.

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Biographical Note

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Within Pakistan's territory, the economic and development project prioritises transport infrastructure, industrial development, energy and Balochistan's strategically located Gwadar port. Agricultural modernisation and production form another critical component. The Pakistan Muslim League-Nawaz (PML-N) government, which came to power after elections in 2013 and stepped down on 31 May 2018, depicted CPEC as a leap forward both in relations with China and for the country's economic development. Contenders to national office from across the political spectrum have broadly endorsed this view. Map 1: China-South Asia Boundaries. China has taken over the construction of Gwadar Port in the Pakistani province of Baluchistan, on the Arabian Sea. China has also begun building the Gwadar road corridor all the way north to Xinjiang. These developments in South Asia are not unusual considering that China has expanded its trade ties with many developing countries, secured more energy supplies from them and built extensive transport and urban infrastructure (roads and municipal buildings) there in recent years.¹ At first glance, China's growing presence in South Asia is part and parcel of it