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EXPERTS MEETING ON AFGHANISTAN AND REGIONAL STABILISATION

28th & 29th May, 2009, Rome
Ministry of Foreign Affairs, Piazzale Farnesina,
Sala Conferenze Internazionali

BALUCHISTAN: CHALLENGES AND OPPORTUNITIES

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Introduction

If Pakistan enjoys any geopolitical importance in the region, it is largely due to the geo-strategic location of its southwestern province of Balochistan. The province is situated at crossroad of South Asia, Central Asia and Middle East. It shares 723 miles long borderline with Afghanistan in the northwest and 520 miles borderline with Iran in the west. Indus valley bounds it to the east and the Arabian Sea to the south. The regions like Afghanistan, Iran and Arabian Gulf surround it, which are rich in oil and gas

reserves. While on one hand, the province is located in the midst of oil and gas reserves, on the other side, Balochistan coast lies opposite to the Strait of Hormuz, which is an important route for global oil supplies. It has the potential to become the center of international trade.

Balochistan's geo-strategic location makes it the most attractive for transit traffic to the landlocked Afghanistan and the CARs. The strategic trans-national gas pipeline projects and construction of seaport, oil refinery and oil city at Gwadar can turn Balochistan into an important energy conduit in the region. The future of the Iran-Pakistan-India (IPI) and Turkmenistan- Afghanistan-Pakistan-India (TAPI) gas pipelines, which would develop a regional trading system, also lies in Gwadar, as it would be the terminus of the proposed gas pipelines. Today, the big challenge before Islamabad is to convert its strategic assets in Balochistan into economic opportunities and to open up the province to international trade and investment.

Presently, there is no Talibanization underway in Balochistan, yet the province provides an environment that is favorable for Taliban recruitment, as the province is reeling under abject poverty and illiteracy. Prevailing economic backwardness, lack of employment opportunities and worsening law and order situation in the province may push the disgruntled and frustrated youth to join Taliban camp. The people of the province are technologically backward. The illiteracy is higher and hence the people lack the initiative and entrepreneurial ability.

Promoting increased economic and social cooperation in the whole region particularly Af-Pak border area is the key to undermine extremism. A shared and prosperous future of all the countries lies in the increased regional cooperation, which involves trade facilitation through regional infrastructure projects, a broader strategic agreement on the future of Afghanistan, improvement of security situation particularly in the Pak-Afghan border areas, an end to regional political rivalries and the restoration of peace and political stability in the insurgency-hit Balochistan.

1- Balochistan: Socio-economic conditions

Balochistan is the largest province of Pakistan stretching over 44 per cent of the country's total area. With a population of 7.5 million people, the province spreads over an area of about 347,182 square kilometers. Originally, Balochistan is a tribal and traditional society. The fate of the common people has been dangling in between successive *sardars* (tribal chiefs) and *sarkars* (regimes). While former continued to exploit, the latter facilitated this exploitation through policy of neglect and discrimination.

The backwardness rules supreme across the province. The people have run out of civic facilities and job opportunities at large. Even in the 21st century, Balochistan presents a gloomy picture of medieval Age. Its social sector indicators, which are among the most challenging in South Asia, rightly place it in the category of least developed and most backward province of Pakistan. Female primary school enrollment is not more than 20%. In rural areas, only 39% of households have access to improved water sources within a 2-kilometer distance from their homes. According to an estimate, only in five districts (out of 30 districts), sanitation is accessible to more than 51% of the population; in nine districts adequate sanitation is available to 26–50% of the population, and in 13 districts, household sanitation coverage is only 4–25%. In most districts, less than 3% of the population has access to wastewater disposal facilities.

Balochistan, the country's poorest province, lacks the investment opportunities for having a very small size of market. Lack of capital, low investment, and low productivity has led to the low income of the province, and hence it is caught up in the vicious circle of poverty. In terms of literacy, higher education, technological development, healthcare, infrastructure development and industrialization, the province is far behind rest of the country. Scarce financial resources are the root-cause of underdevelopment, as the province has a fragile fiscal base and heavily depends on the federal government for its financial needs and obligations.

With a strategic location in the region and having vast untapped natural resources, diversity of climate, simultaneously five ecological zones, fisheries and strategic mineral resources, the province has the potential to emerge as Pakistan's new economic frontier.

It is endowed with rich reserves of gas, oil, lead, zinc, iron, marble, coal, gold and copper. The province is home to half of the country's estimated gas reserves of 200 trillion cubic feet, as about 100 trillion cubic feet, according to one estimate, are found in the province. Sui gas field in Bugti tribal area accounts for a quarter of the country's total output. Reko Diq copper and gold deposits in Chagai are believed to be even bigger than Sarcheshmeh in Iran and Escondida in Chile. It is one of the biggest untapped copper deposits on the globe.

1.1- Conflict in Balochistan

The conflict in Balochistan is rooted in Islamabad's unwillingness to cede political and economic autonomy to the province. Its main grievances include the denial of provincial autonomy, inadequate royalty on gas and other minerals, economic backwardness and fiscal disbursement on the basis of population.

Hundreds of people have lost their lives in violence since 2004, when Baloch militants rose up demanding their political rights. About 100,000 people, according to an estimate, had left Dera Bugti during military action launched against Baloch insurgents in December 2005. The tribesmen in Kohlu and Dera Bugti districts began to fight against the government forces. In August 2006, veteran Baloch nationalist leader Nawab Akbar Bugti was killed in a military action in Kohlu area. In the past, Balochistan has witnessed four insurgencies- in 1948, 1958, 1962 and 1973. Military operations were undertaken to quell them. The conflict has ever pushed more and more people below poverty line.

Balochistan has again slid into violence after the decomposed bodies of three Baloch nationalist leaders were found in Turbat on April 9. The abduction and the subsequent killing of Baloch leaders again sparked protests and violent riots in the province putting a question mark on the reconciliation process recently initiated by the present democratic government to bring the disgruntled and frustrated Baloch youth into political mainstream.

1.2- Importance of Gwadar Port for Balochistan

Balochistan expects a greater fillip to commercial, trade and economic activities after the development of a fully functional deep-sea port at Gwadar. As a regional hub of business, trade and commercial activity, Gwadar port would provide a solid base for the economic progress of the province. The establishment of Free Trade Zone, and Export Processing Zone (EPZ) will open the doors for development of small, medium and large scale industries generating revenue for the government and providing profitable avenues for both the skilled and non-skilled workforce in Balochistan. Gwadar Special Economic Zone (GSEZ) would attract foreign as well as local investment giving a big boost to the exports of the country.

According to an estimate, the Gwadar port will have the potential to generate over \$ 50 billion in transit trade annually in future and after becoming fully operational along with strong communication and transport links with CARs, an estimated two-thirds population of Balochistan will become part of port-related activities.

Balochistan is rich in mineral resources. Gwadar seaport and its related planned regional highway projects will help Balochistan become a world-class mining center.

The province is considered as fruit basket of Pakistan. It produces millions of tons of fruits annually. The date production of 130 varieties in Mekran may earn a large foreign exchange for the country by exporting it to foreign countries. Apples of the province are popular all over the world for their superb quality.

There is a lot of potential for development in the livestock and dairy sectors, as Balochistan can earn a substantial amount of income by exporting the products in these sectors to the lucrative markets in the food deficit region- Afghanistan and Central Asia. Availability of vast areas of cultivable waste land, its strong potential for expansion of agriculture base, low transportation cost, and developed routes to Afghanistan and CARs make it ideal for corporate farming.

2- Cross-border Trade & Human Movements via Balochistan

While northern Balochistan, which shares border with Afghanistan, is dominated by Pashtuns (Pashto-speaking people), the central and southern Balochistan, which shares border with Iran, is dominated by Balochs (Balochi-speaking people). The Pashtuns living on the one side of the Afghan-Pak border have family relations with people living on the other side of the border. Similarly, Balochs on two sides of Iran-Pak border share cultural affinities. Cross-border movements of people will not only increase economic and trade activities in the region but also further strengthen the already existing cultural and social bonds creating a strong regional community striving for a prosperous future.

2.1- Cross-border Trade with Afghanistan

Being a landlocked country, Afghanistan desperately needs an export outlet, and hence it is dependent on Pakistan for its trade. Pakistan has been providing trade facility to Afghanistan under Afghan foreign trade agreement (ATTA) it signed in 1965 with Afghanistan to facilitate Afghan foreign trade. The ATTA allows Afghan cargo movement only through Karachi Port in Pakistan from where the cargo is transported to Afghanistan through bordertowns- Landi Kotal in NWFP or Chaman in Balochistan. The ATTA does not contain any provision for transit trade to CARs through Afghanistan, which is an impediment to Pakistan's efforts to become a gateway to Central Asia.

Under president Hamid Karzai government, Afghan trade has taken new direction in recent years, as Afghan authorities have reached trade deals with Iran, India and the Central Asian states – all of which grant major concessions to Afghan goods. The efforts have been made to reduce dependence on Pakistan, which has been Afghanistan's principle trading partner and entry port for imports and exports.

Pakistan and Afghanistan signed a memorandum of understanding (MoU) on May 6, 2009 in the US during the recent visit of President Asif Ali Zardari for improving trade and accession facilities between the two sides. Under the MoU, both sides agreed to conclude and sign a complete Afghanistan Pakistan Transit Trade Agreement (APTTA) by the end of this year. Under the MoU, the two countries can take the advantages of

greater regional and global trade linkages and export-oriented business development. US Secretary of State Hillary Clinton oversaw the signing of accord and called it an historic event. "The pact is an important milestone in their efforts to generate foreign investment, stronger economic growth and trade opportunities," quoted Reuters Hillary Clinton as saying. "Nothing opens up an area to economic development better than a good road with good transit rules and an ability to transport goods and people effectively."

2.2- Cross-border Trade with Iran

Historically, Balochistan and Iran enjoys cordial trade ties. Balochistan coastal areas have largely been dependent on Iran for electricity requirements. Iran is already supplying electricity through its 132KV line to Mekran coastal region, whose requirement is estimated at 17.5MW. The coastal region still relies on goods traded from Iran.

The coastal belt of Balochistan is stretched for over 770 km- from the mouth of Hub River near Karachi right up to Gwadar Bay near, Iranian port of Chahbahar. Chahbahar is the nearest Iranian port to the Indian Ocean providing direct access to Turkmenistan and other Central Asian countries and to the oil-rich Middle East. Mekran coastal highway has been completed at a cost of Rs10 billion. The extended section from Gwadar to Gabd connects the Mekran coastal highway to Iran opening a new and shorter trade route between the two countries.

The enormous fish and seafood potential of Balochistan coast, which makes up 70 percent of Pakistan's total coastal line, is yet to be tapped. Shrimp farming is an important economic activity, which can develop unproductive salty coastal areas of Balochistan. Its seafood products may be exported to Central Asia and Gulf States through Iran. The Iran's cooperation may be sought in this regard, as Iranian port of Chahbahar has the required facilities for storage and preservation of seafood. Balochistan can benefit from the experience of Iranian province of Balochistan where two crops of shrimp farming are annually achieved.

2.3- Gwadar & Cross-border Trade

Pakistan has offered Afghanistan to use Gwadar for trading activities under the ATTA while in return it wants access to CARs. Geographically, Afghanistan forms a land bridge between South Asia and Central Asia and the opening of its borders and rebuilding efforts can provide new opportunities for the region. By virtue of its geo-strategic location, the landlocked Afghanistan can emerge as a trade hub connecting the Middle East, Central Asia and Europe.

The under-construction Gwadar port complex in Balochistan with the proposed arrangements for clearance of transit goods, warehouses and proper storage facilities would be more viable option for Afghan transit trade than any other port in Pakistan. The port would help boosting economic activity in Afghanistan. It will attract the shipping companies moving cargo to and from land-locked countries of Afghanistan, Uzbekistan and Tajikistan. Gwadar would emerge as a transit port with Afghanistan letting big ships off load or take on cargoes for and from other ports servicing nearby regions.

Chahbahar in Iran is likely to become a stronger competitor of Gwadar port to the transit trade for Afghanistan, Central Asia and even China. Cooperation not the competition between the two ports- Chahbahar and Gwadar can further strengthen economic and trade ties between Pakistan and Iran. The both ports should emerge as supporter instead of competitor in regional trade. Iran is already supplying electricity to various towns of coastal Balochistan and it plans to expand its supply to other areas.

Iran can extend its cooperation to the development of Gwadar, as it would benefit the two countries reciprocally. The state-run Tavanir, an Iranian power company under an agreement signed in February 2007 with Pakistan, will provide 100-megawatt power for Gwadar port city through a 170-km long 220 KV double circuit transmission line between 220 KV Polan sub station at Iran side and 220 KV Gwadar sub-station. Under the accord, a 100-km long line will be constructed in Pakistan and remaining 70 km in Iran.

The proposed rail link with Gwadar to Taftan via Saindak will increase trade and strengthen economic ties between the two countries.

3- Gwadar & Regional Integration: Potential & Challenges

Gwadar port can prove a milestone in promoting regional trade among Pakistan, Iran, Turkey, Afghanistan, CARs and China. The port is the gateway to Central Asia from the west, providing the shortest access to the warm waters of the Arabian Sea. It can emerge as mother port of the region after the development of transit and transshipment of bulk cargo, oil storage, refinery and petrochemicals and export processing capable of serving the entire region. A parallel road from Gwadar to Saindak, running parallel to the Iran-Pakistan border will make it the shortest route to reach Central Asia from the warm waters of Arabian Sea.

For its geographical location, Gwadar port city in Balochistan can become an ideal transit station. Some experts argue that Central Asia cannot be commercially served, as most of the ports in the Gulf are located on the wrong side of the Gulf. Gwadar port becomes a viable proposition for being located in the vicinity of both the Gulf States and Iran.

For landlocked Central Asian economies, Balochistan offers access to new resources and markets and the prospect of more rapid growth. Gwadar port can provide them with warehousing facilities along with transit and possibilities of import of goods.

3.1- Gwadar & the Proposed Trade & Energy Corridors

Gwadar has all the natural advantages that can play a major role in serving as a corridor for energy, cargo and services between Central Asia, the Gulf, China and other surrounding regions. By virtue of its geo-strategic location, Pakistan can serve as an energy corridor between the Gulf and China and the Gwadar port can become a major outlet for trade between the China, Central Asia and the Gulf region.

The port can play a key role in the proposed energy and trade corridor to China. Dry port at Sost near the Pakistan-China border, the seaport, airport and oil refinery at Gwadar in Balochistan, the proposed rail sector projects and the construction, maintenance and expansion of the Karakoram Highway (KKH) are all the recent moves toward energy corridor, Pakistan and China have been discussing for the last five years.

Western China can benefit from the Gwadar seaport through the Sost dry port, which will also create a ribbon of economic activity along the proposed highway linking Gwadar with the Karakoram highway in the north. The movement of oil and trade between Pakistan and China will obviously gain momentum when Gwadar is linked to the KKH.

Strategically located between the region with largest energy reserves of the world like central Asia and the countries with highest energy consumption like India and China,

Pakistan is in a position to ensure energy security in the region by developing an efficient energy market and the cross border trade of energy. If Gwadar is declared a free oil port in the Asian region, it can serve as the future petroleum hub meeting the oil transshipment requirements of different countries. Situated on the mouth of the Gulf, the Gwadar port will wait for transit of huge discovered and undiscovered estimated 2500 billion barrels of oil in central Asian region to different destinations as the fuel-thirsty nations are looking towards this region to meet their future energy needs. The port can handle very large crude containers of up to 0.5 million tons dead weight, which form a crucial part of the international oil movement

3.2- Gwadar & ECO Countries

Economic Cooperation Organization (ECO) is the only forum with representation of all the countries bordering Afghanistan, but it has been dormant as a regional organization. It has not played an effective role in promoting regional trade in the past. The ECO region is well placed to become a major hub of energy supply. There is a need to make efforts to establish inter-regional oil and gas pipelines as well as power grids from energy-rich to energy-deficient states.

Development of natural and human resources in ECO countries through economic cooperation can lead to usher in prosperity for the region as a whole. Free trade is central to regional economic integration as it can unlock latent energies and transform socio-economic landscapes. A free trade zone in the ECO region is vital to make use of the member states' potentials to their collective well being. The 8th ECO summit at the Tajik capital in September 2004, welcomed the finalization of ECO Trade Agreement and called upon the member states to sign and ratify it expeditiously to pave the way for establishment of a 'free trade area in the ECO region by 2015'.

The ECO can only become a coherent organization if it creates inter-dependencies and synergies, especially in areas of energy, transportation and trade. Gwadar port can revive the transit facilities and trade links among the member countries. The landlocked ECO countries can use the Gwadar port as key to greater trade through sea routes. Gwadar provides the ECO member countries ideal port and transit facilities to establish their trade links with the world that would benefit the entire region. The economies of the Central Asia can benefit immensely in terms of lower their transportation costs. There are also plans under consideration of Pakistan for linking Peshawar with Termez in Uzbekistan and Chaman (Balochistan) with Kushka in Turkmenistan. These links would make credible trade routes to the markets of West, Far East and beyond.

ECO has the potential to come at par with the European Union, the Saarc and the Asean.

Transportation, investment, technology, tourism, agriculture and telecommunication are only a few of the areas which can generate and absorb trade and economic activity in the region and strengthening each and every one of these sectors is of vital importance for sustainable development and economic growth of the region.

3.3- Proposed Infrastructure Projects

The proposed \$6 billion National Trade Corridor (NTC) project envisages improving all sectors of communications, including ports, shipping, aviation in Pakistan. The NTC project would link Karachi to Gwadar and Khunjab in Pakistan's Northern

Areas. The World Bank and the Asian Development Bank (ADB) have agreed to fund the project.

The plans are also afoot for a rail link between Pakistan and China. The two countries plan to link the Karakoram Highway (KKH) to the port of Gwadar in Balochistan through the Chinese-aided Gwadar-Dalbandin railway, which extends up to Rawalpindi in Pakistan. The linking of the KKH with Gwadar will need the building of new highways and rail tracks passing through Balochistan's vast expanse. The Chinese have already built the railroad to Tibet and its extension to Pakistan will lead to a faster movement of cargo between the two countries

Pakistan has already approved an ADB-assisted sub-regional connectivity and trade facilitation program under the Medium-Term Development Framework (2005-10) to improve trade relations with Afghanistan, Iran and Central Asian states. The project includes rehabilitation of key national highways that were part of the sub-regional corridor, cross-border infrastructure development.

The proposed railway line from Chaman in Balochistan to Spin Boldak in Afghanistan would facilitate the utilization of the vast potential of Balochistan's trade with Afghanistan and through Afghanistan with the countries of Central Asia.

The proposed road from Gwadar to Saindak, running parallel to the Iran-Pakistan border will make it the shortest route to reach Central Asia from the warm waters of Arabian Sea. Another 515-km long highway connecting Gwadar via Panjgur, Kharan, Chaghi and Rabat up to Herat in eastern Afghanistan has also been proposed. This would link up Pakistan directly by road with the CARs.

The ADB has also agreed to fund a \$455.7 million cross-border infrastructure development programme aimed at creating a sub-regional corridor from Gwadar port to Afghanistan and Central Asia. Under the programme, a Trade Facilitation and Land Border Crossing Authority has been proposed to supervise significant land border crossings and facilitate freight and passenger cross-border and transit traffic.

The ADB already earmarked \$500 million for the construction of the ECO Highway linking Gwadar with Turkmenistan.

4- Regional Integration: Challenges

There are many daunting challenges that need to be seriously addressed if Balochistan is to integrate successfully with Afghanistan, Central Asian economies and China.

4.1- Security

First and foremost is the security challenge. Pakistan has served as a route for international trade of ECO countries. During the cold war period and after the collapse of the Soviet Union, this route remained disrupted for political instability and security crisis in Afghanistan. It is because of the prevailing situation in Afghanistan that economic, trade and cultural relations could not be revived between the newly independent states in Central Asia and other Asian countries.

No mega project will bear fruit in the given state of security affairs, and law and order situation in Balochistan and neighboring Afghanistan. Since its launch in March 2002, the Gwadar port project has been sustaining political shocks. For many reasons, the inauguration of the Gwadar seaport was rescheduled. In May 2004, three Chinese engineers were killed in an act of terrorism in Gwadar.

Political stability is the key to improve law and order and put the province on the path of fast-track development. No development strategy for the province will work without taking dissidents on board. What has actually engendered the sense of alienation in the province is the discriminatory attitude meted out with it from Islamabad for the last five decades. Baloch nationalist parties blame the federal government for ignoring the people and the Baloch leadership and not taking them into confidence while it signed accord with foreign firms for Gwadar port and other projects in the province.

The only way out from the current Balochistan crisis is granting the province greater political and fiscal autonomy and developing it economically. A good strategy can exploit the province's geographical position converting it to the land of opportunities for international trade and business.

4.2- Infrastructure Development

Second challenge is of infrastructure development. An efficient transportation network is essential for the regional economic and social integration. An efficient regional highway system would lower the transportation costs and increase international traffic, once the Gwadar port is completed and made fully functional. The high priority must be placed on improving the efficiency of land border crossings to facilitate cross-border and transit traffic.

4.3- Private sector development

The third challenge is to nurture an enabling environment that fosters entrepreneurship and private sector development. A competitive base of small and medium enterprises and efficient state-owned firms is a prerequisite for benefiting from this integration. What is critical in this regard is to improve governance and strengthening legal and regulatory frameworks.

4.4- Poverty alleviation

The fourth challenge is poverty alleviation. Balochistan is the poorest province of the country. The proposed mega development projects like Gwadar port is associated with job creation, and exploitation of the province's rich natural resources. These projects are yet to make a meaningful dent in the prevailing poverty in the province. Finally, the Balochistan is to set up market for exporting different items to Afghanistan and concentrate on trade with the CARs through the neighboring Afghanistan.

5- Recommendations

1. Infrastructure should be developed and modernized in border towns in Balochistan like Chaman with Afghanistan and Taftan with Iran to facilitate cross-border trade and human movements. The regional countries should sign bilateral agreements on labour migration and human resource development. A comprehensive strategy should be formulated for the skilled Afghan and Balochi labour living in Pakistan and Iran.
2. Foreign firms particularly European and American companies should increase their stake by making investments in different projects in Gwadar port city. The potential investment areas in Gwadar include fish processing, crabs processing, cold storage, ice factories, sea-water reverse osmosis desalination plants, shrimp farming, boat building and naval architecture institute and oil storage tankers. Investments can also be made in fisheries and aquaculture, port management projects, hotels and restaurants and resorts, date processing, canned food, gravel crush plant, water sports and recreation facilities, palm oil cultivation, marine and automobile repair workshops, cluster for Internet service providers, renewable energy, wind, solar power producers, hospital clinics, re-rolling mills and warehouses.
3. Preferential trade agreements (PTA) between Afghanistan and the regional countries like Pakistan should be signed to boost regional trade. The areas of investment under joint ventures need to be identified for inter-regional economic and trade cooperation.
4. Work should immediately be started on the proposed inter-regional projects such as Central Asia-South Asia (CASA) power project and Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline. The CASA will import electricity from Kirghizia to Tajikistan, Afghanistan and to Pakistan. The establishment of a regional power grid would immensely contribute to the economic integration of the countries bordering war-battered Afghanistan.
5. All the proposed infrastructure projects like National Trade Corridor (NTC) project, ECO highway, railway line from Chaman to Spin Boldak, and sub-regional connectivity and trade facilitation program need to be implemented at a faster pace.

6. The private sectors of regional countries like Pakistan and Afghanistan should be granted special incentives so that they could play their role as engine of growth to boost mutual trade and investment.
7. The special economic zones in regional countries should sign bilateral agreements to facilitate traders and industrialists of their countries in setting up display centres and liaison offices in order to strengthen their trade relations. For instance, under an agreement recently signed between two economic zones, Iran and Pakistan agreed to provide free-of-cost office space and display area for Pakistani and Iranian products and share technical expertise.
8. Steps need to be taken for building an interconnected and interdependent Asian energy network based on transnational pipelines from Middle East and CARs, to demand centers in Pakistan, India, China and other countries. The proposed energy network will provide the producing countries the opportunity to supply oil and gas to user countries via multiple routes, modalities and different sources.

6- Conclusion

By virtue of its geo-strategic location, Balochistan emerged as a frontline province in the United States-led global military campaign against Taliban and Al-Qaeda in Afghanistan after terrorist attack on the US on September 11, 2001. The province can still play a frontline and leading role vis-à-vis reconstruction and economic rehabilitation of war-torn Afghanistan and greater regional economic and social integration. Integration of regional markets through undertaking infrastructure projects including network of roads and railways would facilitate trade within the region and cross border movements of people that will increase economic, cultural and social exchanges, help create transport and energy corridors and promote regional economic cooperation . Gwadar like a 'Mega Magnet' with all its attractions is likely to attract the people from across the south Asian country and the region for availing job opportunities and settling their businesses in Balochistan.

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