

Economy of Balochistan: Potentials and Constraints across National Boundaries

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Abstract

Recently, border regions and border effects attract a lot of interest in political practice and economic research. Substantial interest in regions located along the frontiers of integrating countries is predominantly inspired by the opinion that their specific geographic position might cause peculiarities in economic adjustments.

There are important contrasts between Balochistan and the rest of Iran and Pakistan in terms of comparative advantages and potential sectors. While the rest of Iran and Pakistan are labour-abundant economy with potential growth modes in agriculture, manufacturing as well as labour-intensive service sectors, Balochistan is relatively scarce in agricultural growth and industrial investment. Balochistan offers some of the best assets for development. Balochistan is generously donated with natural and locational resources.

Keyword: Balochistan, potential and constraints, transit and transport

1. Introduction

Balochistan is a province straddling Pakistan, Iran and Afghanistan inhabited by fifteen million Baloch people and historically autonomous and culturally distinct from other areas of Pakistan, Iran and Afghanistan.

Balochistan is strategically situated at the tri-junction of South Asia, South West Asia and Central Asia. Balochistan of Pakistan is the largest administrative province of Pakistan (43% landmass of Pakistan) shares a 1,173 km border with the Iranian province of Balochistan (Sistan-Baluchistan) and shares an 832 km border with Afghanistan in the west. Balochistan has almost 1,000 km long strategic coastline which extends nearly to the northern shores of the strategically important Straits of Hormuz (Baloch. B, 2007).

Sistan-Balochistan is also largest Provinces in Iran. The total area is about 181 471 km, and it is located in the southeast of Iran. Geographically, Iranian Balochistan is divided into the northern Sarhadd area, the central/southern parts comprising the Iranshahr-Bampur region, the Sarawan

district, the Makkoran Mountains down almost to sea level, and the southern strip along the Oman Sea. The southern coastal strip is about 300 km long. Sistan-Balochistan has 980 km of borders with Pakistan and Afghanistan in the east, southeast and northeast. The climate is dry hot with a cold winter. The annual rainfall is about 80 mm per year. This causes undesirable hydrologic effects such as flash flooding, erosion and heavy sedimentation. The maximum and minimum temperatures are normally between 42 and 8 °C, with an average temperature of 18 °C and 15 to 42% humidity. The maximum and minimum humidity are in winter and summer, respectively (kazemzadeh, 2004)

Balochistan offers some of the best assets for development. Balochistan is generously bestowed with natural and locational resources. It possesses the largest land area of any province of Pakistan and Iran, proving vast rangeland of livestock. Its southern border gives access to a large pool of fishery resources. Balochistan is ideally situated for trade with, Afghanistan, Central Asia and the Persian Gulf countries and other parts of Iran and Pakistan.

terms such as ‘border’, ‘boundary’, or ‘frontier’ are to be found in practically none of the text books on economics; the same holds true for terms such as ‘nation’, and ‘national identity’. This terminology seems to be reserved exclusively for political and social geographers, political philosophers or historians. Apparently these terms are not fitting in the picture international economics and international business theories have built for themselves. In combination with mankind’s ever present longing to explore and go beyond known borders, it is said that nowadays the ‘closeness’ and rigidity of state borders is decreasing at a higher speed than ever before, mainly because of the emergence of new means of communication and transport (Henk van Houtum, 1998).

Baluchistan’s geography can be its main economic resource. The low population density implies that the province enjoys a potentially high value of natural resources per person. The forbidding topography is home to rich mineral deposits – some of which have been explored and exploited while yet others remain to be put to economic use. The land mass of the province endows Pakistan and Iran with a strategic space that might shorten trade and travel costs between emerging economic regions. The long coastline is not only a possible site of transit routes for trade and travel, but also the gatekeeper of rich marine resources.

The objectives of this study in the first place, this study attempts to define the term ‘border trade’ within an economic geographical context. An effort is made to find influence of borders on the cross-border actions. Secondly, this study is going to discover potentials and constraints for economic development and growth of the region.

2. Economy of Balochistan: The Trajectory of Development or Structure and Trends

Balochistan, having 683,000 sq km; 60,000 sq km is in Afghanistan, 280,000 sq km is in Iran, and 343,000 sq km is in Pakistan area for about 14 million people, is rich in natural resources. Fertile cultivable land, huge deposits of strategic and critical minerals like coal, natural gas, oil,

iron, gold and precious stones- all these make Balochistan a great economic powerhouse. But all these potentials have not been realised. In fact, it is a place of huge potential with very weak resource- industry linkages.

Economic growth in Balochistan has stagnated in the past decades because of limited investment and capital accumulation. The last drought also decimated the livestock population, agricultural products and rural incomes have been hit the hardest. Lacking a coordinated economic policy and a viable strategy for economic development, Balochistan has seen no significant investment in productive streams (such as minerals, agribusiness, and fisheries) and human resource development in both Iran and Pakistan (Janmohammad, 2004).

2.1 Agriculture

Agriculture is the main occupation of the people. The total agricultural land of Balochistan is about 255 700 and 400000 hectares in Pakistan and Iran respectively. The population of the province is predominantly rural in nature and almost 70% of the total population, resides in the rural areas although the trend of migration towards urban centers is gradually on the increase. This heavy concentration on agriculture in the rural areas has caused widespread poverty in the provinces. Agriculture sector is basically unproductive, and is carried on in an old fashion, with obsolete and outdated method of production, which is the main reason for poverty in Baluchistan. Traditional agricultural methods and unreliable water supplies are the main obstacles. The main source of irrigation and drinking water are mostly seasonal.

The provinces' main agricultural products include wheat, barley, hay and forage crops, watermelon, melon, onions, Garlic, oilseeds, leafy vegetables, dates, banana , lemon tart, Orange, Mango, Papaya, Sapodilla, Guava, Grape, figs and Pistachios, etc. The province ranks first in the Iran with regard to the amount of tropical and semi- tropical products and citrus.

There are important contrasts between Balochistan and the rest of Iran and Pakistan in terms of comparative advantage and potential sectors of economic growth. While the rest of Pakistan and Iran are mainly labour-abundant economy with potential growth modes in agriculture, manufacturing as well as labour-intensive service sectors, Balochistan is relatively scarce in its endowments of agricultural growth and industrial investment. The overall share of Balochistan in the national GDP of both Iran and Pakistan are not much. Any growth strategy for Balochistan would need to take these differences as a point of departure. While agriculture continues to attract interest, like in the rest of countries, as a source of growth, its relative potential in Balochistan is circumscribed by the chronic scarcity of water over much of the province. However, these farming systems do provide, in conjunction with livestock and off-farm income, the major source of revenue for many of the poorer farming communities. Crop gross margins are small, and farmers have limited access to expensive irrigation technology.

2.2 Natural Resources and Industry

Balochistan is rich in terms of natural resources yet the poorest province of both Iran and Pakistan. The natural resources of the province are under developed and remained idle. To harness these natural resources of the province, particularly with numerous world class mineral deposits embedded in its plains and mountains ranging from building material and precious stones to iron, copper and uranium and energy sources as gas, oil and coal requires a careful development strategy. The proper utilization of these natural resources can make the province, one of the richest areas of the world. So far very limited amount of these resources have been exploited. The natural wealth of Balochistan can be used to produce valuable goods for export and a sizable amount of foreign exchange can be earned.

Chromite, copper, manganese, lead and zinc, tin, tungsten deposits of the Non-such as talc, magnesite, white flowers and ornamental stone, especially granite and natural gas, oil, iron, copper and uranium are the main resources.

Balochistan is also a transit and transport route of gas pipelines. The 4 billion US\$ Iran-Pakistan-India gas pipeline, with an approximate length of 3000 km and capacity of 1.1 to 3.4 BCFD, is planned to pass through Balochistan.⁵⁰ The 1700 km Turkmenistan-Pakistan gas pipeline and the 1650 km US\$ Qatar-Pakistan gas pipeline also pass through Balochistan.(Haris. G, 2007)

Industry of the provinces with preparing the infrastructure, mobilize human resources and economic and social developments is possible to grow. Linking this section with other sections of the marine and fisheries industry and natural resources is a potential of Balochistan development. Infrastructure development strategy for the industrialization of Iran's Balochistan leads to create 11 industrial regions with 37 and 507 thousand hectares in the province. The specific location of the Balochistan and neighborhood with the other countries despite the free trade zone of Chabahar and Gwadar port is as important components for the province's industrial and mineral units.

2.3 Fisheries

Pakistan has a coastline of about 990 kilometers, of which 770 kilometer-long coastal belt is in Balochistan. This coast line extends from the mouth of the Hub River in the east to the Iranian border in the west along the warm waters of the Arabian Sea. Bays, beaches and headlands characterize the coastline. These bays and headlands provide natural harbours, around which fishing communities have developed. It is estimated that 70% of the coastal population in some way or other depends upon the sea which provides a major source of livelihood.

Balochistan province of Iran also has about 300 kilometers blue border with Oman Sea and Indian Ocean. For Fisheries development activities there are 11 fishing dock and unload position, and more than 23,040 people are involved and more than 2,332 fishing vessels are fishing.

As the diversity of marine life indicates, the coastline of Balochistan is one of the most productive marine ecosystems of the world. According to an estimate, 60 species of fish and 10 of shrimps, including the best in the world, are found in these waters. But the coastal areas of Balochistan remain the least developed part of Pakistan and Iran as compare to other places instead of their strategic importance and economic potential. Distances are large; the population is small, road networks poor or nonexistent, the climate inhospitable. The development of fisheries sector could increase the living standard of the people residing around these coastal areas.

2.4 Transit and Transport

The global economy is facing remarkable growth and development by reducing tariffs and other barriers and providing bivariate and multivariate international agreements since 60s. In addition, industry structure, especially in developing countries is such that which leads to un-localization of activities and the use of different sources in different parts of the world. Institutions and manufacturing organizations are unwilling to carry large volumes of materials and final products because such products and materials are massive and often lead to greater levels of transport. More emphasis is now on-time delivery of goods that is demanded speed and security in transit.

This industry today is considered as a one of the most lucrative businesses around the world and naturally the countries along the transit corridors are able to take maximum advantage of this trade. At present the volume of circulation of money, goods and energy transfer between Asia and Europe is about 1500 billion dollars per year which 120 billion dollars of that are related to transportation. Considering the potential income of 5 percent of annual revenue to \$ 120 billion transit of goods between Asia and Europe, confirms the point that taking advantage of this golden opportunity to improve the livelihood standard of the people and reduce dependence on other resources.

Aside from its role in increasing foreign exchange earning industry, another important consideration which is not less important is the development of the tourism industry. According to prediction of experts, tourism will be the world's top industry in the future and then it will be obvious that without the development of the transportation industry as one of the factors facilitating this industry, tourism development seems to be impossible.

Chabahar Port

Chabahar Free Zone is situated on international shipping routes in the sea of Oman and the Indian Ocean. The Zone is situated next to the town of Chabahar. The strategic position of Chabahar gives it ready access to international waters, and places it in a most convenient position among regional markets. Trade zone covers a total area of 145 sq. kms. There is a dock in Chabahar Free Zones which harbors ocean-going vessels and facilitates loading and unloading of up to 2000000 tons of goods per year. An international airport, and land transportation routes which links the area to as far as the Central Asia.

Chabahar free trade-industrial zone started its activities in 1995 focusing on five major areas: transit of merchandised goods, investment attraction and related services, tourism, construction & urban development and education under the administration of public controlled Chabahar free trade-industrial zone organization.

In 2002, Chabahar free trade-industrial zone organization established five specialized subsidiary bodies with the permission of the secretariat of the high council of Iran free trade-industrial zones, including four holding companies and one education center that is listed below:

- Company of Transit & development of trading
- Company of Investment and industrial development
- Company of Social welfare and tourism development
- Company of professional civil and civic development

As large as 14,000 ha, Chabahar Free Zone is located and established at the east Chabahar gulf, in the vicinity of Chabahar Port City and Oman sea and 70th km of the Pakistan border. Some part of its land area has been allocated for industrial activities while the rest part has been earmarked for trade, commercial services, residential, tourism and green area activities.

As the complementary cycle of the eastern transit route of Iran, Chabahar Free Zone is considered as the development of the eastern route in national dimension and as a communication bridge of central Asian states and southeastern Asian countries in ultra-national dimension for entrance to the global markets coupled with moving in tandem with globalization. It should be noted that Chabahar Free Trade Zone enjoys specific Strategic and prominent situation. It is regarded as an important gate of Iran for entering international waters and also the origin of noncompetitive transit routes with vast lands and also with investment opportunities in various fields.

On the other hand, its specific climatic condition, brilliant sun in all season of the year, azure waters and coastal areas and also natural beauties in this region is enough scenery that has turned Chabahar into a model and exemplary tourism hub of the region. Location of monsoon winds of the Indian subcontinent (known as monsoon) Chabahar Free Zone has been turned into the coldest southern region of the Iran in summer season and the hottest point in winter seasons thanks to ever breezing of Oman Sea and Indian Ocean. On one hand, it is regarded as gate of country for entrance to the international waters and the origin of noncompetitive transit routes with vast land areas and with investment opportunities in different areas.

Gwadar Port

Gwadar is strategically located at the apex of the Arabian Sea and at the mouth of the Gulf of Oman. The city's strategic, warm-water, deep-sea Gwadar Port was completed in 2007. The port is 14 meters (46 ft) deep and handles the largest cargo ships to Pakistan. The city is emerging as

a trade hub and a transit for Chinese oil and timber imports and transshipments. The city has also taken an increasing role in China's String of Pearls.

Strategic location of Gwadar and possible oil lines through the region. Gwadar is located on the southwestern coast of Pakistan, close to the important Straits of Hormuz, through which more than 13 million bbd of oil passes. It is strategically located between three increasingly important regions of the world: the oil-rich Middle East, heavily populated South Asia and the economically emerging and resource-rich Central Asia.

The Government of Pakistan has initiated several projects, with majority financial and technical assistance from China, to develop Gwadar's strategic location as a goods transit and trade point. The primary project is the construction of a deep-sea port at Gwadar to enable high-volume cargo movement to and from the landlocked Central Asian states. The new port will also encompass conversion facilities to allow for the movement of natural gas as a part of plans for a termination point for the Turkmenistan-Afghanistan-Pakistan natural gas pipeline. The secondary project is a coastal highway connecting Gwadar to Karachi, whose \$200 million cost will be completely financed by the Chinese. Gwadar will serve as a port of entry for oil and gas to be transported by land to the western regions of China.

The construction of the port has spurred other major infrastructure projects in the area. This includes the 700-km Makron Coastal Highway. The road links Karachi with several ports along the coast including Ormara, Pasni, and Gwadar. The highway has reduced travel time to Karachi from 48 hours to only 7 hours. Other road projects include the Gwadar-Quetta-Chaman road which is due for completion in 2006 and a road link to the town of Khuzdar in eastern Balochistan. There are also plans for a terminal for passenger ships.

The Civil Aviation Authority of Pakistan has earmarked 3000 acres of Gwadar land for a new airport which will be built 26kms away to the northeast of the existing airport towards Pasni. The new airport will be given international status and operate under the open sky policy. In the meantime there are plans to improve facilities at the existing airport. Beside of the fact that Gwadar is the global commercial hub, it also has amazing tourist attractions.

Iran and Pakistan are developing competing port, rail, and highway networks, hoping to funnel the trade of Central Asia through their own national territories. As neither country can handle the costs and technical challenges on its own, both are partnering with other states; Pakistan has turned to China, and Iran to India.

3. Iran and Pakistan's Border Trade

Borders are human artifacts, lines in space, drawn on a map by human beings, at a certain moment in time and for certain political or military purposes. Yet borders ought not to be regarded as an epistemological subject alone. Their impact stretches far beyond political or military affairs. The consequences of that line are often less manifest as their marks in space.

National borders, for instance, may represent natural, cultural, psychological, economic, political, or geographical dividing lines. It cannot be stated a priori and with great certainty that all these different types of borders will follow the same pattern in space. To the contrary, it may be assumed that each type will have a different impact on a certain territory and the people that live in it. The distinction traditionally made is that between natural and artificial or man-made borders. It is based upon the following line of reasoning: all borders that have not come into existence through nature, i.e. that do not follow seas, rivers, mountains and the like, are made by human beings. Such territorial borders are then usually described as 'artificial', as opposed to the natural borders (Henk van Houtum, 1998).

National border effects have recently received a great deal of attention in economic literature. The term "border effect" most often refers to the downward impact of national borders on the volume of trade between bordering regions of different countries. The existence of such effects has been explained in terms of tariffs, transport costs, regulatory differences, information cost differences, a high elasticity of substitution between imports and domestic goods, etc. Another important and closely related issue that has so far received very little attention is the impact of borders on the location of multinational economic activity within countries. (Andrzej C, 2004)

Pakistan and Iran are close neighbours, sharing 909 kilometers border in a strategically important location. The ties between Iran and Pakistan are further strengthened by their membership in the Organization of Islamic Conference (OIC), comprising 57 Muslim countries, and Economic Cooperation Organization (ECO), formed of ten states of Central and West Asia for promoting sustainable socio-economic development. The ECO replaced the Regional Cooperation Development (RCD), established in 1962 by Pakistan, Iran and Turkey. In addition, both Iran and Pakistan now have an observer status in the Shanghai Cooperation Organization (SCO).

Trade and economic relations between the Islamic Republic of Iran and Pakistan are based on diverse axes such as energy, infrastructural cooperation, financial assistance and commercial exchanges. Commercial exchanges between the Islamic Republic of Iran and Pakistan stands at \$1.5 billion out of which namely \$500 million relates to Pakistani exports. The export items of Iran comprise articles such as iron ore, iron scrap, dates, detergents, transformers, chemicals, bitumen, polyethylene, propylene etc, while export items of Pakistan include rice, fresh fruits, meat cloth and mechanical machinery. Whereas a major volume of commercial exchanges between the two countries takes place unofficially through the common borders, the actual volume is estimated to be twice the aforesaid figure. Also, oil is a major product that has constantly preserved its position in the exports of the Islamic Republic of Iran to Pakistan.

Iranian and Pakistani officials, in February 2010, signed the first memorandum of understanding (MoU) between the two countries on cross border trade. The MoU was penned during the two countries' first joint committee meeting on border trade in Iran's southeastern Sistan and Balochistan province. Two countries are bound to hold public and specialized fairs at their

common borders and in [the] capital of Sistan & Balochistan province, Zahedan, and Quetta in Pakistan." Both sides also decided to establish large storehouses to facilitate the storage of trade commodities at their border customs. ("Iran & Pakistan sign first MoU on cross border trade," Regional Times, 22 February, 2010,)

Iran has established border Markets in Balochistan to facilitate and increase volume and value of its export and import to Pakistan which 5 border markets of the 7 approved are currently active in: Mirjave, Koohak, Pishin, Jalq and Milak. Border markets of Pasaa Bandar, Gamshaad and Rimdaan are under construction. For the time being, annually a considerable volume of goods is exchanged at Iran-Pakistan border via these markets.

4. Conclusion

Balochistan is located at an important geo-strategic position. Opposite Straits of Hormuz, it is on the cultural and geographical crossroads of South Asia, Central Asia and the Middle East. The Straits of Hormuz marks an entry into the Persian Gulf and Baluchistan's strategic location with access routes into numerous resource-rich regions make it a possible hub for inter-regional transport and trade. Official sources recognize the importance of the province as a trade and transit route; the importance of the region can only increase exponentially with development in surrounding areas. The landlocked areas of Afghanistan and Central Asia can access the Arabian Sea through Gwadar and Chabahar, with the latter emerging as an important player in intra and inter regional trade.

The over dependence on old fashion agriculture has resulted into widespread poverty in Balochistan. The potential for establishment of mineral and agricultural especially tropical products based industries could be exploited for the economic development of the province. The establishment process of various industries can be accelerated by sound industrial infrastructure, which includes the development of entrepreneurship ability, availability of raw material, credit facilities, and communication infrastructure for transportation of raw materials. Investment in small and medium size units can increase the development process of industrialization in the Balochistan. The provinces of Balochistan can contribute sizable share in the total national GDP if proper strategy is adopted for the exploitation of its natural potential. Its economic development faces severe challenges in terms of water scarcity, persistent drought, remoteness, and under-developed infrastructure.

The developments of the Gwadar and Chabahar ports have increased economic activities in the area, but it may also have led to the disenfranchisement of the poor and the marginalized. The main impact on the local economy is the increased value of land, and in the absence of a strong bargaining power of the poor, the main beneficiaries have been those with prior connections in government and also these ports not yet economically integrated with the rest of the provinces.

Priority Sectors for Investment in Balochistan

- Minerals
- Processed and packaging industries of agricultural products specially date due to high local production
- Fisheries and Industries related to of aquatic food conversion of fish products and shrimp
- Livestock
- Handicrafts

Although the instrumental value of regional trade in terms of generation of economic growth is negligible at present, the intrinsic value of cross border trade is, no doubt, immense as it eases out the life of the people living in the border areas. For border trade to promote the economic development of border areas, it has to be integrated with the overall development strategy of border provinces. The production structure of the border provinces needs to be reorganized in line with the demand structure of the neighboring countries. Balochistan border trade is essentially transit in nature and is not organically linked to the local economy at present, the promotion of this trade, in the long run, lead to the development of transport sector as well as assembly line industrialization. These may, in turn, lead to the strengthening of resource-industry linkage in the regional economy. For development of region there should be a program with the main objective of balanced development of remote and inaccessible areas situated near the border and involving people in strengthening their resilience.

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