

PAKISTAN AND CENTRAL ASIAN REPUBLICS: COOPERATION AND OPPORTUNITIES TRADE AND ENERGY CORRIDORS: A RECIPE OF PROSPERITY FOR PAKISTAN AND CARs

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Abstract

After the collapse of the Soviet Union, natural resource-rich Central Asia, located in the heart of Asia, became an arena of struggle for sphere of influence between global and regional players, the competition between which continues and affects the security situation in Central Asia. The purpose of this report is to identify the main problems and prospects of cooperation between Pakistan and Central Asia, including in the context of the current dynamics of the situation in Afghanistan. The following methods were used in the research of this topic: systemic, historical, comparative, and interdisciplinary approaches. The report examines the Pakistani factor and its peculiarities in Central Asia. An attempt was made to assess the Pakistani factor in Central Asia, the drivers of its policy and its changing role in recent years. The advantages and disadvantages of Pakistan in building its policy toward the countries of the Central Asian region are analyzed. Particular attention is paid to energy and transport-logistics cooperation between Islamabad and Central Asian countries.

Keywords: Pakistan, Central Asia, Afghanistan, trade, interests, geo-economics, energy, CASA-1000, TAPI, transport, communications.

Introduction

Historically, Central Asia has been at the crossroads of major trade routes linking Europe and Asia. The region has also been closely linked to South Asia since ancient times.

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For the Central Asian peoples, South Asia has historically served as an equally important destination as Russia, China or the Middle East. In ancient times, a branch of the Great Silk Road led to South Asia. The ancient routes have retained their importance for thousands of years.

In the 19th century, Central Asia became the site of a clash of interests between Tsarist Russia and Britain. Known in history as the "Great Game," the confrontation led to the withdrawal of Central Asia to Russia, and the territories of modern Pakistan were finally fixed in their borders to the British Empire. Afghanistan became a buffer zone separating the spheres of influence of the two major 19th century empires, the British and the Russian. The formation of Pakistan in 1947 led to the formal establishment of diplomatic relations with the USSR. During the Cold War, however, Soviet-Pakistani ties were quite strained, especially when Soviet troops were in Afghanistan. However, the collapse of the Soviet Union led to the formation of independent states in Central Asia and its emergence as an arena of struggle for resources and influence. The interest in Central Asia stems from the fact that the region, rich in natural resources and located at the crossroads of Russia, China, South Asia and the Middle East, has faced the challenges of fragile state institutions, conflict in Afghanistan and competition from external powers in an unformed regional security system. Under the new conditions of a multipolar world, in addition to the global powers, the role of regional powers is growing, on whose actions the new security paradigm depends.

Meanwhile, the formation of independent states in Central Asia led to a revival of mutual interest and attempts to restore interregional ties. The Central Asian republics have found themselves cut off from the world ocean, and the southern direction has become the geographically shortest route to seaports. One such power is Pakistan, which has warm-water ports and energy transportation routes to India and China, and shares borders with Afghanistan, India and Iran.

Pakistan to Central Asia: Opportunities and Limitations of Cooperation

Pakistan's post-Cold War discovery of Central Asia has sparked a wave of enthusiasm for the prospect of establishing relations with Muslim countries. Pakistan can offer the states of the region the shortest access to the world's oceans. The geographical factor is complemented by the presence of a developed transport and communications network and the possibility of using the world-class ports of Karachi, Qasim and Gwadar.

Also, Pakistan's products look quite competitive in the Central Asian market with a population of over 80 million people. With safe and inexpensive

transit, Pakistan gains a new market and at the same time a source of energy resources, the permanent shortage of which negatively affects the development of the country. However, as the economies of the Central Asian states strengthen, the growing attractiveness of the Pakistani market of two hundred million is becoming evident. The importance of Central Asia depends on its strategic geographic location and enormous natural resources.¹

Multilateral cooperation should also help strengthen relations. Pakistan's participation in the SCO allows the country to engage in regular dialogue with the governments of Central Asian republics, improve interaction, exchange views and better understand each other. In the same context, the participation of Pakistan and the Central Asian countries in China's "One Belt, One Road" project, as well as in the ECO, an organization that also brings together Afghanistan, Iran and Turkey, can be considered.

The activities of this organization are focused on economic issues. According to experts at the Indian Institute of Defence Studies and Analysis, the effectiveness of the ECO as a platform for interaction between Pakistan and the states of Central Asia is relatively low. According to the authors of the study, the reason for this lies in the weak economic ties between Pakistan and the states of Central Asia, as well as in the hidden competition between Pakistan, Iran and Turkey within the framework of this organization.

Another important platform for interaction between the states of Central Asia and Pakistan is CAREC, a program of regional economic cooperation in the Central Asian region that began in 1997, with a strong emphasis on cross-border economic partnerships and the development of transport infrastructure. Islamabad also seeks to support Central Asian countries through the work of the Islamic Conference.

Despite all the announced initiatives, progress and mutual desire to bring bilateral relations to a qualitatively new level, the actual results of cooperation between the states of Central Asia and Pakistan in most areas at the moment are far from the expected ones. There are several reasons for this.

Undoubtedly, the main obstacle to realizing the potential of cooperation is the situation in Afghanistan and the divergence in its prospects. Peace and security in Afghanistan is key to the growing

¹ Farra F., Burgio C. *The competitiveness potential of Central Asia*, (2011). Retrieved from: https://www.oecd-ilibrary.org/finance-and-investment/competitiveness-and-private-sector-development-central-asia-2011/the-competitiveness-potential-of-central-asia_9789264097285-5-en

importance of Pakistan and Central Asia for each other. In addition, there have been differences in the past over what terms peace should be and what kind of government Afghanistan should be. Another limiting factor is the lack of economic resources. Pakistan does not have the resources to claim to be a real competitor to Central Asia's leading trading partners and does not have the capacity to undertake trans-regional projects on its own. The Central Asian states also have limited resources, indicating the need for external forces to implement strategic projects.

Another fundamental problem in the relations between the states of Central Asia and Pakistan is the profound divergence of views on the role of Islamic religion in the life of the state and society. The model of an Islamic republic is unacceptable to the Central Asian states, while the concept of a secular state looks like an existential threat to Pakistan. Moreover, differences in understanding of Islamic radicalism have led Pakistan and Central Asian states to support different sides of the conflict in Afghanistan. Central Asia's secular states are wary of Islamabad's intentions. The ties between the IMU and Hizb-ut-Tahrir groups with Pakistan and Afghanistan are of great concern to the Central Asian states.² Currently, these tensions have been somewhat mitigated, but all seem to retain their potential. In addition, Pakistan faces stiff competition not only from Russia or China, but also from India, Iran, and Turkey in the region, which have their own competitive advantages. Finally, stability in Afghanistan is crucial for Pakistan's involvement in Central Asia. Any attempt by Pakistan to bring pipelines or electricity from the region will not be profitable or possible until the situation in Afghanistan stabilizes.

Undoubtedly, with the political uncertainties in Afghanistan, foreign entrepreneurs will not want to invest in any project.³ The weak infrastructure linking Pakistan and Central Asia is directly related to the situation in Afghanistan. Alternative transport projects to Afghan transit through China deprive the main advantage of the shortest access to the world ocean. Overall, Pakistan's relations with Central Asia are based on several factors, some of which facilitate cooperation and some of which limit it.

² Ahmed Rashid, *Afghan President Confronts Pakistani Counterpart over Suicide Bombers*, (2006). Retrieved from: <https://eurasianet.org/afghan-president-confronts-pakistani-counterpart-over-suicide-bombers> & *Ahmed Rashid*, *US-Pakistan Relations in Downward Spiral*, 2006 at <https://www.refworld.org/country/COI,EURASIANET,,PAK,,46f257e4c,0.html>

³ Ahmed Rashid, *Karzai Embraces Risky Plan to end Afghanistan-Pakistani Antagonism*, (2006). Retrieved from: http://www.eurasianet.org/departments/insight/articles/eav101206_pr.shtml

The Current State of Cooperation

At present, the Afghan factor still predetermines the difficulties in the development of cooperation between Pakistan and the Central Asian states. In the economic sphere, some improvement in trade and economic ties with the Central Asian republics can be observed, but overall trade turnover remains insignificant in the overall foreign trade picture. The most active trade partners of Pakistan are Kazakhstan and Uzbekistan.

In 2020, trade turnover between Kazakhstan and Pakistan grew by 68.5% compared to 2019 (\$27.1m) and reached \$45.6m. In the first nine months of 2021 alone, bilateral trade between Kazakhstan and Pakistan increased to 39.4% compared to the same period last year (\$34.5 million) and reached \$48.2 million. At the same time exports increased by 85.9% and amounted to \$26.6 million, while imports increased by 6.6% and amounted to \$21.6 million¹.

Uzbekistan's foreign trade turnover with Pakistan increased 3.4 times between 2017 and 2020 from \$36.5 million to \$123.3 million. At the same time, the growth in trade turnover came at the expense of Uzbekistan's exports, which increased almost 10-fold over the period, from \$10.2 million to \$98.5 million.

The foreign trade turnover between the Kyrgyz Republic and Pakistan in 2021 was \$8.945 million (export - \$1.205 million, import - \$7.743 million). Compared to the same period in 2020, trade turnover increased by 21.1%, including an increase in imports by 42.6% and a decrease in exports by 36.8%.

In the field of energy, Pakistan has traditionally been interested in Central Asian resources. However, despite the fact that two key projects in this area have decades of history, their implementation is still in an area of unrealized potential. Pakistan's importance to Central Asia's energy sector must be seen in the context of Islamabad's interest in the consumption and transit of Central Asian energy resources. Unlike Central Asia, there is a chronic energy deficit in South Asia. Pakistan and India need reliable energy at reasonable cost to sustain their economic growth. The Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline, or trans-Afghanistan pipeline, was the first post-Cold War project aimed at exporting energy from Central Asia to South Asia. It is to supply gas from Turkmenistan to Afghanistan, Pakistan and India. The pipeline would connect the Yolotan-Osman gas field in Turkmenistan with the Indian city of Fazilki through Afghanistan and Pakistan.⁴ In 2008, the TAPI pipeline estimated cost was

⁴ Joshi, Madhura, *Turkmenistan-Afghanistan-Pakistan-India Pipeline: Possibility or Pipe Dream*, (Gateway House: Indian Council on Global Relations, 2011), Retrieved from: <https://www.gatewayhouse.in/wpcontent/uploads/2011/11/TAPI.pdf>

least \$7.6 billion. This project dates back to 1995, as result of a memorandum signed by Pakistan and Turkmenistan on its construction. Taliban regime ruling Afghanistan at the time also consented for this project. However, the company named Unocal, that had hoped to build the pipeline, withdrew from the project in 1998, referring human rights violations by the Taliban. As a result, the project was halted until 2002, when the next round of negotiations was intensified and Turkmenistan, Pakistan and Afghanistan asked the Asian Development Bank for technical and economic support, which was completed in 2005 and updated in 2008. In the same year, India officially joined the project. The countries participating in the project were joined by the United States, which was interested in strengthening security in Afghanistan and disrupting the Iran-Pakistan gas pipeline project. Nevertheless, the TAPI project still remains unrealized.

The Central Asia-South Asia Transmission Project (CASA-1000) is a project to export electricity from Central Asia to South Asia. Initially, these were to be transmission lines that export 1,000 to 1,300 MW of electricity produced in Tajikistan and Kyrgyzstan to Afghanistan and Pakistan annually, beginning in 2015.⁵ The World Bank, the Islamic Development Bank, and USAID have pledged to finance the project. In 2011, a CASA-1000 feasibility study was provided by SNC-Lavalin International at the request of the World Bank. As for project implementation, it, like TAPI, faces obstacles that make it doubtful that these grand projects will ever be realized. The main problems boil down to security, diplomatic tensions between participating countries and lack of adequate finances for implementation. Protecting pipelines and power lines in Afghanistan seems to be quite a challenge.⁶

The Taliban have so far demonstrated the ability to control the situation in the country, which can serve as a good basis for the implementation of projects, and the need for this was recognized even during the period when U.S. forces were in Afghanistan. Already at that time, funds for CASA-1000 were allocated by international financial institutions and USAID. However, the costs were increasing because

⁵ Vinokurov E., Ahunbaev A., Usmanov, N., Cukarev T., Sarsembekov T. Investicii v vodno-energetic heskij kompleks Central'nojAzii. Dokladyirabochiedo kumenty 21/3. Almaty, Evrazijskij bank razvitiya, (2021). *Nematov A.* Stroitel'stvodorogi «Mazari-SHarif – Kabul – Peshavar» pozvolitsokratit' transporti rovkugruzoviz Uzbekistana v Pakistan s 35 do 3-5 dnei, 20 maya 2021// <https://isrs.uz/ru/yangiliklar/ismi-stroitelstvodorogi-mazari-sarif-kabul-pesavar-pozvolit-sokratit-transportirovku-gruzov-iz-uzbekistana-v-pakistan-s-35-do-3-5-dnei>

⁶ Shanthie Mariet D'Souza, "The TAPI Pipeline: A Recipe for Peace or Instability?," *ISAS Brief 194* (2011): 3

security concerns were the main reason for the increase in costs.⁷ Still, the project continued to be funded. Diplomatic tensions could also hinder the development of TAPI and, to a lesser extent, CASA-1000. Rivalry between Pakistan and India remains an obstacle, and frequent clashes on the border between the two countries in Kashmir point to continuing tensions and instability that undermine inter-regional cooperation.⁸ The clash of Indian and Pakistani interests in Afghanistan has increased antagonism and mutual mistrust in the region.⁹ Overall, the current state of cooperation is still determined by the factor of instability in Afghanistan. The problem remains the recognition of the Afghan government and its ability to maintain stability and security and its ability to negotiate. In this regard, cooperation between Pakistan and Central Asian countries is still ambitious in theory but modest in practice.

Central Asia and South Asia

As hopes for the end of the conflict in Afghanistan grew, attempts to revive trans-Afghanistan projects intensified. In 2021, an international conference on "Central Asia and South Asia: Regional Interconnection: Challenges and Opportunities" was held in Tashkent, where Uzbek President Sh.Mirziyoyev emphasized the strategic importance of South Asia as a priority of his foreign policy.

According to Mirziyoyev, *the Termez-Mazar-e-Sharif-Kabul-Peshawar railroad has the potential to become the main "architecture" of closer regional communication between Central Asia and South Asia*. He emphasized that the construction of the railroad would fully realize the transit potential of the Central and South Asian region, provide the "shortest route" and "economic viability" of the route for transporting goods between South and Central Asia. According to Uzbekistan's Ministry of Investment and Foreign Trade, the World Bank has expressed willingness to finance field work and provide technical assistance in designing the construction of a railway network between the three countries of the region - Uzbekistan, Pakistan and Afghanistan. Uzbekistan's Ministry of Investment and Foreign Trade valued the project at \$4.8 billion to \$5 billion. Estimated delivery time

⁷ Petersen, Alexander. "TAPI pipeline: Bigger is not better," *Foreign Policy*, (June 12, 2012). Retrieved from: http://afpak.foreignpolicy.com/posts/2012/06/12/tapi_pipeline_bigger_is_not_better

⁸ Fayaz Bukhari, Five more civilians killed in worst India-Pakistan fighting for years, *Reuters*, (October 8, 2014). Retrieved from: <https://www.reuters.com/article/uk-india-pakistan-idAFKCN0HX10H20141008>

⁹ William Dalrymple. *A Deadly Triangle: Afghanistan, Pakistan, and India*, (The Brookings Essay, June 25, 2013). Retrieved from: <http://csweb.brookings.edu/content/research/essays/2013/deadly-triangle-afghanistan-pakistan-india-c.html>

of goods from the Russian border (Ozinki) to Karachi will be reduced to 6-18 days, and from Termez to Karachi to only 8-10 days. The potential of the Kabul corridor route together with the China-Kyrgyzstan-Uzbekistan transport corridor allows us to talk about connecting Europe, China, Russia and South Asia. With the growing interconnectedness between the states, there is a need to strengthen not only regional ties, but also inter-regional ties.¹⁰ In order to implement the project, the governments of Uzbekistan, Pakistan and Afghanistan signed a joint letter requesting a \$4.8 billion loan from international financial institutions.¹¹ However, a month later, the Afghan government, which signed the agreement, was no more. Under the new conditions, for international institutions to agree to finance large-scale trans-Afghan projects, international recognition of the Taliban government, their ability to provide security both in their country and to guarantee that the government will not pose a threat to neighboring states are required. Nevertheless, trans-Afghanistan projects seem to be in a better position now than they were a few years ago. First of all, we should note the actual end of military operations in Afghanistan. Of course, the situation still seems fragile, but at present it makes practical sense to agree on cooperation only with the Taliban. Uzbekistan, Afghanistan and Pakistan agree that the Termez-Mazar-e-Sharif-Kabul-Peshawar trans-regional railroad is indeed a platform for economic growth and greater regional connectivity, and are ready for its joint implementation. Moreover, the countries are willing to pursue lower-cost projects, such as building power lines or developing road links through Afghanistan, which is also a good basis for enhancing cooperation.

Conclusion

Pakistan views Central Asia as an important but largely unrealized area of its foreign policy. The relationship is fairly stable, albeit modest for the scale of the participants. The Afghan conflict has remained a major factor hindering the realization of existing potential. Stability and security in Afghanistan is a priority for Pakistan and the Central Asian countries, and achieving these goals will allow the "reanimation" of "frozen" trans-Afghan energy and transport communications projects. At present, in the absence of international recognition of the Taliban government, large-scale projects are

¹⁰ Nematov A. Stroitel'stvodorogi «Mazari-SHarif – Kabul – Peshavar» pozvolitsokratit' transporti rovkugruzoviz Uzbekistana v Pakistan s 35 do(3-5 dnei, 20 maya 2021). Retrieved from: <https://isrs.uz/ru/yangiliklar/ismi-stroitelstvo-dorogi-mazari-sarif-kabul-pesavar-pozvolit-sokratit-transportirovku-gruzov-iz-uzbekistana-v-pakistan-s-35-do-3-5-dnei>

¹¹ Abaturov Viktor, Tashkent skijperekrestok sotrudnichestva — mezhdru Central' nojiY Uzhnoj Aziej, (CEIR, 2021). Retrieved from: <https://www.cer.uz/uz/post/publication/taskentskij-perekrestok-sotrudnichestva-mezhdru-centralnoj-i-uznoj-aziej>

not possible due to the limited resources of Pakistan and the Central Asian states. Nevertheless, the persistent attempts by Uzbekistan and Pakistan to seize the opportunities for peace in Afghanistan point to the possibility of some positive changes in the implementation of those projects and initiatives that these countries are able to implement without the involvement of international financial institutions.

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