

Pakistan and Central Asia: A Comprehensive Analysis of Regional Connectivity Drive, Challenges and Policy Options

Policy Brief

This policy brief highlights the hurdles in materializing the regional connectivity projects. Among these projects, CPEC has become the flagbearer of connectivity between different regions, particularly Central Asia, one of the most resourceful regions, and South Asia, one of the biggest consumer markets of the world. In addition, it aims to highlight the neglected areas of potential economic activity and policy options that might enhance the regional connections as well as the economic wellbeing of both regions.

Introduction

The tremendous growth of Asian economies over the last decade and a shift in the global economic center towards Asia have highlighted the potential of Asian states in the increasingly connected global economy. Now connectivity has become a substantial trend for modern economies. Megaprojects of inter-regional connectivity have become crucial in economic development and regional integrations. The Belt and Road Initiative (BRI) has phenomenal importance in this regard. Its regional projects have become synonymous with Central Asia-Pakistan regional connectivity as they will enhance bilateral relations, economic competition, domestic production and new markets for them. Consequently, this will increase the level of interdependence on each other and regional connectivity. This will create bright prospects for Pakistan's economic development and in increasing its strategic strength. Infrastructural connectivity is important for economic growth and supply chain efficiency, to increase the collaboration between the states particularly in trade, and lowering transportation cost and time, and resilience.

Consequently, reliable connectivity is effective for the economic development of all the regional states.¹

Regional and global powers have already realized the economic potential of connectivity in this region and have initiated multiple connectivity projects. Despite Pakistan's position as a connecting corridor between Central Asia and South Asia, it has not been able to reap the full benefits of its location and potential. Externally, conflict-ridden Afghanistan remains a stumbling block in realizing the dream of regional connectivity and economic growth along with regional rivalries and colliding interests of major powers. Domestically, financial constraints, bureaucratic delays, poor infrastructure, and divergent political interests compel the state of Pakistan to pay more attention to the hurdles in connectivity to take full advantage of its geographic location as a transit route. This is going to have long-lasting repercussions on the country's future. Pakistan's geographic location is pivotal in the regional connectivity drive between Central and South Asia that makes it a hub of regional economic activity. Pakistan's sea lane provides a closer route to the land-locked Central Asian states. CPEC, as a flagship project of China's

¹ "Infrastructure Connectivity," World Bank Group, January 2019, <https://www.oecd.org/g20/summits/osaka/G20-DWG-Background-Paper-Infrastructure-Connectivity.pdf>

BRI, is not only located close to other major corridors of all other regional connectivity programs like Central Asia Regional Economic Cooperation (CAREC) and Eurasian Economic Union (EAEU), its location in the heart of Shanghai Cooperation Organisation (SCO) member states provides an opportunity to institutionalize its efforts through the SCO platform. Therefore, Pakistan's changing foreign policy based on economic diplomacy seems to steer the connectivity drive in the region.²

Relative Importance of Pakistan and Central Asia and Inevitability of Regional Connectivity

Pakistan's location and Central Asia's resources complement each other. Pakistan's location, land and sea routes of trade, proximity to the Middle East, Africa and South Asia make it an attractive option for Central Asian states and even for China. Pakistan's central location makes it an important transit route for trade relations between land-locked Central Asia and African countries. Similarly, Pakistan provides a shorter route to China for its trade with Africa. The distance from the South China Sea port of Guangzhou to Mogadishu in Somalia is 5,615 nautical miles,³ which is three times greater than from Gwadar, which is only 1,932 NM.⁴ Thus, Pakistan's importance for regional connectivity is extremely significant. The Central Asia region retains its importance due to its vast natural resources. But their unidirectional energy trade has greatly undermined the potential of energy trade of the region. The region has great energy

potential with approximate oil between 15 and 31 million barrels and gas reserves between 230 and 360 trillion ft.⁵ Pakistan with its 220 million population and the whole South Asian region with approximately 1.6 billion people presents a great opportunity for energy trade. In fact, they complement each other and present an enormous opening to establish a regional energy market. Since Pakistan has not come up as a great exporting nation, it must utilize its potential as a transit route.

The Central Asian region with its 75.2 million population⁶ and \$300 billion GDP in 2019⁷ is a potential market for Pakistan's traders and investors. This strategic importance of Pakistan was reiterated by the country's top officials during the first Islamabad Security Dialogue. It was emphasized that regional peace and cordial relations with neighbors are prerequisites for Pakistan to take full advantage of its geostrategic location.⁸

Despite this convergence of interests between Pakistan and Central Asia, both regions have been unable to reap the full benefits of their geographic proximity and each other's potential. The leaders of Pakistan and Central Asian Republics (CARs) made several visits and signed MoUs, protocols, and agreements, including 64 with Tajikistan, 69 with Uzbekistan, 28 with Kyrgyzstan, 39 with Kazakhstan, and 47 with Turkmenistan from 1991 to 2019.⁹ But these were not fully operationalized and no real steps were taken for their implementation.

² Kinza Arif, "Geopolitics of Central Asia," Regional Rapport, November 22, 2017, <https://regionalrapport.com/geopolitics-central-asia/>

³ "Sea route and distance," <http://ports.com/sea-route/port-of-guangzhou-canton,china/port-of-marka-merca,somalia/>

⁴ "Sea route and distance," <http://ports.com/sea-route/port-of-gwadar,pakistan/port-of-mogadishu,somalia/>

⁵ Saleem Khan, Sher Ali and Saima Urooge, "The Analysis of Regional Bilateral Trade Between Pakistan and Central Asian Republics," *Pakistan Journal of Applied Economics*, 29, no. 1, (93-106), Summer 2019, aerc.edu.pk/wp-content/uploads/2019/06/Paper-940-SALEEM-KHAN-V-1.pdf

⁶ "Central Asia Population," worldometer, <https://www.worldometers.info/world-population/central-asia-population/#:~:text=Countries%20in%20Central%20Asia&text=The%20current%20population%20of%20Central,the%20atest%20United%20Nations%20estimates>

⁷ "International Monetary Fund: 5. Report for Selected Countries and Subjects," IMF Outlook Database, October 2019.

⁸ "Food security, climate change among new national security challenges, says PM Imran," *Dawn*, March 17, 2021, <https://www.dawn.com/news/1613025>

⁹ According to official website of Pakistan Foreign Office, <http://mofa.gov.pk/mous-agreements/>



Number of MoUs/Protocols/Agreements between Pakistan and five Central Asian Countries¹⁰

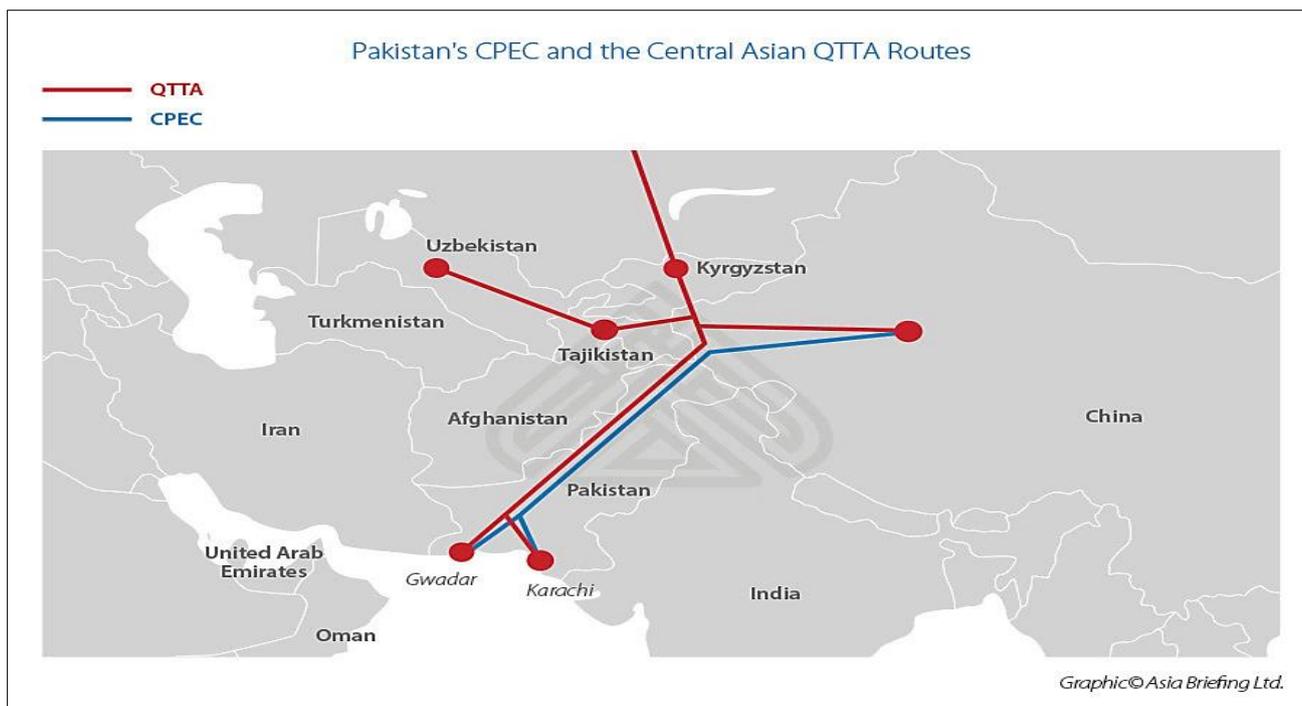
Year	Tajikistan	Uzbekistan	Kyrgyzstan	Kazakhstan	Turkmenistan
1991	Nil	Nil	2	Nil	Nil
1992	8	12	1	6	Nil
1993	Nil	2	2	2	3
1994	3	5	6	1	9
1995	Nil	5	2	10	1
1996	Nil	5	2	4	3
1997	Nil	Nil	Nil	Nil	2
1998	Nil	Nil	1	Nil	Nil
1999	Nil	Nil	Nil	Nil	1
2000	Nil	Nil	1	Nil	Nil
2001	Nil	3	Nil	1	Nil
2002	Nil	Nil	Nil	Nil	Nil
2003	1	Nil	Nil	4	Nil
2004	9	Nil	1	Nil	Nil
2005	1	3	5	1	Nil
2006	3	14	1	Nil	Nil
2007	Nil	5	Nil	Nil	1
2008	1	Nil	Nil	Nil	1
2009	6	3	Nil	Nil	Nil
2010	1	Nil	Nil	Nil	2
2011	4	4	1	1	5
2012	Nil	Nil	Nil	1	Nil
2013	2	Nil	Nil	Nil	Nil
2014	6	Nil	Nil	Nil	Nil
2015	8	4	2	5	4
2016	1	Nil	Nil	1	8
2017	4	Nil	Nil	Nil	Nil
2018	3	Nil	Nil	1	2
2019	2	4	Nil	Nil	5
No Year	1	Nil	1	1	Nil
Total	64	69	28	39	47

These MoU numbers are not very promising. In addition, regional security issues like terrorism and Afghan instability have been a stumbling block. Regional peace and stability are a pre-requisite for enhancing trade relations with Central Asia and ultimately for Pakistan's economic development. Consequently, regional trade remains lower than its potential and stood at \$86.15 million in 2020.¹¹ It has a meager share in Pakistan's total exports and has the potential to increase further. The great potential of regional economic development through connectivity

has been realized by all major regional and global players. There are multiple regional connectivity projects underway in the region. Pakistan and Central Asian states have joined several connectivity projects which will increase cooperation such as Central Asia-South Asia (CASA)-1000 power project, Quadrilateral Transit in Traffic Agreement (QTTA), Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline, Belt and Road Initiative (BRI), Central Asia Regional Economic Cooperation (CAREC) and Trans-Afghan railway line.

¹⁰ Table prepared by author using data from website of Pakistan Foreign Office, <http://mofa.gov.pk/mous-agreements/>

¹¹ "Chapter 8: Trade and Payments," Pakistan Economic Survey 2019-20, http://www.finance.gov.pk/survey/chapter_20/08_Trade_and_Payments.pdf



Source: Silk Road Briefing (<https://www.silkroadbriefing.com/news/2020/05/12/uzbekistan-looks-chinas-belt-road-pakistans-cpec-connect-gwadar-karachi-ports/>)

QTTA signed among Pakistan, China, Kyrgyzstan, and Kazakhstan in 1995 covers more than 3,700 km long route. Under this agreement, Central Asian states acquired alternative access, bypassing Afghanistan, through China and Karakoram Highway to Pakistan’s ports. BRI’s other routes and rail projects would also play an important role in regional connectivity. The TAPI corridor is the most important project for this connectivity between Central Asian providers and South Asian client states which include gas pipeline, road and railway line, fiber optic linkages, and power

transmission. Turkmenistan has garnered tremendous importance due to these projects and is actively working in this direction for more than a decade.¹² Regional trade activities will increase rapidly when CAREC and CPEC’s transportation routes are completed. And eventually, it will lead to economic connectivity between Central and South Asia, Russia, and China. An overview of distances between Pakistan’s seaports of Karachi and Gwadar to the Central Asian capitals and eastern Russian cities is shown in the table below.

Comparative Distance of Pakistan’s and Iran’s Seaports from Central Asian States¹³

From	To	Distance (km)	From	To	Distance (km)
Karachi	Dushanbe	2,041	Chahbahar	Dushanbe	2,574
Karachi	Bishkek	3,245	Chahbahar	Bishkek	3,491
Karachi	Tashkent	2,613	Chahbahar	Tashkent	2,862
Karachi	Almaty	3,422	Chahbahar	Almaty	3,668
Karachi	Ashgabat	2,187	Chahbahar	Ashgabat	1,853
Gwadar	Ashgabat	1,956/4,372	Vladivostok	Dushanbe	8,664
Karachi	Chelyabinsk	4,670	Novorossiysk	Dushanbe	3,401

¹² “Masoom Stanekzai speaks at videoconference ‘Afghanistan Peace Process: Current status, Challenges and Solutions’,” News Central Asia, March 26, 2021, <http://www.newscentralasia.net/2021/03/26/masoom-stanekzai-speaks-at-videoconference-afghanistan-peace-process-current-status-challenges-and-solutions/>

¹³ This table was prepared by the author by using Google Maps.

Road Infrastructure in Pakistan Which Will Connect to Afghanistan

Pakistan joined the partnership of 11 countries, CAREC, in 2010. It is working for enhanced cooperation, economic growth, and poverty reduction. The CAREC Transport Strategy 2030 is aimed at extending transport infrastructure for shared economic and social development. Most members of CAREC have linked with Europe, the Middle East, and East Asia but some partners are landlocked. CAREC planned six corridors in partner countries with the objectives of connectivity, sustainability, liberal visa policies, removing aviation barriers for the independent flow of freight and passengers, and encouraging tourism. CAREC's corridors 5 and 6 will connect Pakistan's urban centers and seaports to Afghanistan, China, and CARs. Asian Development Bank is providing technical assistance and investments.¹⁴

Under CAREC Transport Strategy 2030, Gwadar-Chaman railway line will connect to Kandahar, Herat, and Kabul then further link with Central Asian states to Ashgabat (Turkmenistan) through Herat, Termez (Uzbekistan), and Badakhshan (Tajikistan). Pakistani seaports will provide a shorter route to Western China, Kyrgyzstan, Eastern Kazakhstan, and Russia through the Karakorum Highway after completion of all CPEC projects. CAREC's historic railway projects will connect Pakistan to Turkmenistan, Tajikistan, and Uzbekistan through Afghanistan. Pakistan, Afghanistan, and Uzbekistan have signed an agreement to establish this 573 km long railway network worth \$5 billion between them which will pass through Peshawar-Kabul-Mazar Sharif-Termez. Under BRI, China is expanding the road and rail networks in Pakistan and Uzbekistan.¹⁵ Uzbekistan is

also involved in Indian International North-South Transportation Corridor (INSTC) which is planned through Afghanistan to the Iranian seaport of Chabhar but international sanctions on Iran are a hurdle in its completion. Likewise, Pakistan's economic potential is more feasible and convenient for this Central Asian state and other regional powers like Russia.¹⁶

Challenges for Regional Connectivity

Despite the huge potential and numerous connectivity projects in the region, Pakistan is still struggling to reap their full benefits. The major challenges emanate from both external strategic competition, regional rivalries as well as Afghan security and direct access to Central Asia region. Domestically, political divisions, law and order situation, poor infrastructure, financial crisis, bureaucratic impediments, and trade obstacles have been the major barriers in strengthening trade relations.¹⁷ On the domestic front, Pakistan has been facing the dilemma of consensus-building among divergent political groups on CPEC projects. Unnecessary bureaucratic obstacles have hobbled foreign investment because of undue delays faced in acquiring NOCs and other permissions. The power generation sector can be given as an example to highlight this issue where investors have to deal with multiple agencies like Alternative Energy Development Board, Central Power Purchasing Agency, Securities and Exchange Commission of Pakistan, and State Bank of Pakistan.¹⁸ Besides, poor transportation infrastructure and development of new roads, especially in the mountainous northern regions, throw up several problems.

Despite geographical proximity, Pakistan's trade with Central Asian region is still below \$1 billion while Indian trade with this region reached \$2 billion in

¹⁴ "Carec Transport Strategy 2030," Asian Development Bank, January 2020, <https://www.carecprogram.org/uploads/CAREC-Transport-Strategy-2030-1.pdf>

¹⁵ "Pakistan, Afghanistan & Uzbekistan Agree 573km Connecting Railway," Silk Road Briefing, March 5, 2021, <https://www.silkroadbriefing.com/news/2021/03/05/pakistan-afghanistan-uzbekistan-agree-573km-connecting-railway/>

¹⁶ Andrew Korybko, "Why this summer's Central Asia-South Asia Connectivity Conference will be crucial," *The Express Tribune*, March 8, 2021, <https://tribune.com.pk/article/97319/why-this-summers-central-asia-south-asia-connectivity-conference-will-be-crucial>

¹⁷ Saleem Khan, Sher Ali and Saima Urooge, "The Analysis of Regional Bilateral Trade Between Pakistan and Central Asian Republics," *Pakistan Journal of Applied Economics*, 29, no. 1, (93-106), Summer 2019, aerc.edu.pk/wp-content/uploads/2019/06/Paper-940-SALEEM-KHAN-V-1.pdf

¹⁸ Javed Mirza, "Foreign investors resent bureaucratic hurdles in energy projects," *The News International*, October 28, 2015, <https://www.thenews.com.pk/print/69860-foreign-investors-resent-bureaucratic-hurdles-in-energy-projects>

2020.¹⁹ Turkish trade with this region was \$8.5 billion in 2019.²⁰ Turkey and India do not have direct access to the Central Asian region. On the other hand, Afghan instability remains the main hurdle in fulfilling this dream of connectivity. Afghanistan's location in the heart of Asia provides a route to all major transportation and energy projects. Moreover, Indian and US opposition to China-led projects and competitive schemes like INSTC, Chabahar port, and EAEU have led to severe competition in the region.²¹ Multiple railway projects are increasing access to the landlocked region that connects Afghanistan with the Uzbek-Turkmenistan-Iran-Oman transport corridor and the China-Kyrgyzstan-Uzbekistan railway line with the Uzbekistan-Afghanistan-Iran corridor.²²

Recommendations or Policy Options for Pakistan and Central Asian Republics

Pakistan's geographic location provides an enormous opportunity for regional connectivity. It has to play a constructive role in the peace, security, and economic development of the region. Thus, Pakistan needs to adopt a two-pronged approach, one to address domestic and the other external challenges, and reap the full advantages of connectivity.

- Domestically, Pakistan must ensure political stability as well as create a consensus among different political groups. For that, it is essential to take on board all political stakeholders and policy decisions should not be taken in isolation. Addressing local grievances is of utmost importance.
- To remove bureaucratic hurdles, new legislations are mandatory. One-window operation system should be adopted to facilitate foreign investors.
- Pakistan should work on alternative plans to activate the QTTA with full potential and to

remove visa issuance hurdles, trade barriers, unnecessary delays by the border/immigration departments of member states, and finalize negotiations with Uzbekistan and Tajikistan to include them in this agreement.

- On the external front, Pakistan needs to initiate active diplomacy to create regional consensus on connectivity projects. Like-minded states must be brought together in this task.
- Pakistan as well as all regional states should focus on Afghan stability. The role of regional forces in Afghan peace process should be enhanced as their sensitive interests are at stake. The role of extra-regional forces in the security affairs of the region must be reduced. For this purpose, joint institutional mechanisms like SCO and ECO must be used. This will help Pakistan to play a greater role to link South Asian Association for Regional Cooperation (SAARC) with the EAEU. For this purpose, trans-Afghan railway network will become the basis of Russia's Central Eurasian Corridor (CEC).
- Pakistan and Central Asian states should enhance people-to-people contacts through government and non-governmental delegates. This can also help in better connectivity in yet another way by using all the possible individual and local channels. CARs and Pakistan should start a mutual direct air link to enhance the volume of trade and tourism among them. This link will lead to an era of potential and beneficial economic relations among all the friendly nations.
- Pakistan and the Central Asian states should focus on joint research projects in all the possible/feasible directions – educational, cultural, academic, etc.

¹⁹ Aarti Bansal, "Continuity in India's ties with Central Asia," Observer Research Foundation, February 9, 2021, <https://www.orfonline.org/expert-speak/continuity-india-ties-central-asia/>

²⁰ "Turkey's Relations With Central Asian Republics," Ministry of Foreign Affairs, Republic of Turkey, https://www.mfa.gov.tr/turkey_s-relations-with-central-asian-republics.en.mfa

²¹ "India proposes inclusion of Chabahar port in international north-south corridor," *Hindustan Times*, March 4, 2021, <https://www.hindustantimes.com/india-news/india-proposes-inclusion-of-chabahar-port-in-international-north-south-corridor-101614848496070.html#:~:text=India%20on%20Thursday%20proposed%20the,made%20part%20of%20the%20corridor.>

²² Zaki Shaikh, "ANALYSIS – Iran offers Central Asian nations route to access global waters," Anadolu Agency, April 11, 2021, <https://www.aa.com.tr/en/analysis/analysis-iran-offers-central-asian-nations-route-to-access-global-waters/2205230#>

- Pakistan’s transit potential must be fully utilized. In terms of monetary benefits, Pakistan can get millions of dollars through these connectivity projects through transit fees, and similarly, Afghanistan will also get major profits.
- Pakistan has the best option to connect with Tajikistan through Pakistan’s Chitral (Yarkhum Valley)-Afghanistan’s Wakhan Corridor (Sarhad-i-Langar)-Boroghil-Tajikistan’s Iskashim route then link through other areas of

Afghanistan’s Wakhan Corridor where the security situation is comparatively peaceful. For this purpose, Pakistan should seek assistance from China and Russia and international financial institutions.

- Pakistan should sign free trade agreements with Central Asian states to enhance its trade relations with access to its seaports, as the ventures will benefit all the partners.

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