PAKISTAN’S ECONOMIC INTERESTS IN CENTRAL ASIA: PROSPECTS AND CHALLENGES IN REGIONAL PERSPECTIVE

Hashmat Ullah Khan* & Muhammad Manzoor Elahi**

Abstract

Central Asia, a newly born region of Asia, possess has been anticipated to excessive geopolitical, geo-economic and geostrategic significance for its peripheral regions. The region also assumed to became an epicentre of regional and global powers’ strategic interests. The research focuses on the policy options for Pakistan in connection with its economic security as an extended peripheral actor of Central Asia. The natural oil and gas reserves of Central Asia can also serve as sources of economic connectivity between the said actors. The research accentuates that the region is one of the cost-effective source of energy for Pakistan. The Central Asian Republics’ share in the world oil production is 2.4 % (31.2 thousand million barrels), and the share of gas production is 4.2% (20.2 billion cubic meters). Despite historical affinities, religious commonalities and geographical proximity, Pakistan’s relations with Central Asian countries remain to be strengthened. In addition, the research highlights the prospects and challenges faced in strengthening of economic interests between Pakistan and Central Asia when the landlocked region and the former provides shortest land route access. But this phenomenon could not be materialized due to poor law and order situation in Afghanistan. The New Great Game and the power politics of global powers also poses hurdles for Pakistan to develop strong economic ties with Central Asia and get benefits from its natural resources.

Keywords: energy security, geo economics, trade connectivity, natural gas and oil, Central Asia

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Introduction

“Pakistan provides the natural link between the SCO states to connect the Eurasian heartland (Central Asia) with the Arabian Sea and South Asia … We offer the critical overland routes and connectivity for mutually beneficial trade and energy transactions intra-regionally and inter-regionally”

--- President Gen. Pervez Musharraf (June 15, 2006)

Central Asian Republics, i.e. Kazakhstan, Tajikistan, Kyrgyzstan, Uzbekistan and Turkmenistan, combinedly having 64.7 million population and covering an area of four million square kilometers came into being in 1991 after the disintegration of USSR. The region is rightly called the ‘Heart of Asia’ as it endows with cross-border mobility and accessibility in Eurasia. The landlocked nature of the region makes it dependent upon its peripheral regions is West Asia, East Asia and South Asia. Central Asian Republics (CARs) have mainly relied on Russia, for trade connectivity with rest of the world.

No doubt, the southern tier of the region is a plausible strategic option to overcome the landlocked status. In the southern dimension, Pakistan’s geographical position is a potential asset for the CARs. In this regard, Pakistan’s policy options towards Central Asia are mainly revolving around three contending discourses: First upholds the principle of unipolarity and adheres the hegemonic discourse. This argues that one should line up one’s foreign policy on the US strategic interests in Central Asia. Second discourse revolves around unipolar-cum-multipolar world and focuses on the policy of diversification. This discourse of ‘strategic-alternatives’ accentuates on strengthening up ties with China and Russia and other great powers of the world in order to maximize its policy options towards Central Asia. The third discourse talks about Muslim ideological bounds for the strengthening up ties with Central Asia.

Where’s, Pakistan has been trying to make cordial ties with Central Asian Republics since their independence but the incident of 9/11 among several other factors changed the global and regional dynamics of power politics. Like many other states, Pakistan also became the victim of hegemonic discourse of the US. The volatile security environment of Afghanistan hampered the process of regional connectivity between northern and southern states. Later, the opening up of intermediary corridor, a transit trade route from Xinjiang-China to Balochistan-Pakistan, is reshaping the geo economic concerns of the region and providing opportunities to

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1 Umbreen Javaid & Azhar Rashid, “Oil and Gas Potentials of Central Asian Republics and Relations with Pakistan.” South Asian Studies, 30(1), (Lahore: Area Study Centre, 2015), 128.

2 Mubeen Adnan & Bushra Fatima, “Strategic and Economic Interests of Pakistan and India in Central Asia.” South Asian Studies, 30(2), (Lahore: Area Study Centre, 2015), 187.
strengthen political and economic linkages between the regional states. Pakistan’s geographical positioning in South Asia is a strategic asset for its northern peripheral (Afghanistan and China) and extended peripheral states (CARs).

Moreover, Pakistan has important strategic location which provides the energy rich but landlocked Central Asian republics the shortest route through Gwadar and Bin Qasim ports to other parts of world. Pakistan is not only a bridge between South and Central Asia but can also be used as an energy and trade corridor for CARs. Pakistan offers rail and road links through which oil and gas from Central Asia could be transported to other parts of world, but unrest in Afghanistan remain among many the main challenge in the way of all such plans.

Pakistan provided $10 million in credit and $100,000 worth of medicines to each state of Central Asia after their independence. Later, it was increased to $30 million for Uzbekistan. In addition, 5000 tons of rice were also provided by Pakistan. Pakistan also offered training facilities to Central Asian Republics in English language, accounting and banking, postal services, insurance and diplomacy.

The historical and cultural affinities between Pakistan and Central Asia can pave way for the present-day collaboration and would also affect future policies of Pakistan and CARs. Their historical relations can be traced back to 2nd century B.C. when the nomadic people of both regions had cultural, economic and religious links with each other. The Indus Valley was once inhabited by Central Asian dynasties. Scythians, a Central Asian tribe, came from present day Kyrgyzstan and Tajikistan to Pakistan via the Pamir region (Gilgit-Baltistan) and reached up to Taxila and Sindh. Later, relation between Central Asia and subcontinent became so strong that Peshawar remained the capital of Kushan dynasty. At that time, Peshawar was known as Puroshapura. The concept of Shalwar-Kameez was also introduced in the area at that time which later on became the national dress of Pakistan.

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5 Umbreen Javaid & Azhar Rashid, “Oil and Gas Potentials of Central Asian Republics and Relations with Pakistan.” South Asian Studies, 30(1), (Lahore: Area Study Centre, 2015), 128.


Geoeconomic Potentials of Central Asia

Central Asia has been blessed with huge amount of natural resources. It has 31.2 thousand million barrels of proven oil reservoirs whereas its oil production was only 1357 thousand barrels daily in 2012. On the other hand, the proven gas reservoirs of Central Asia were 19.9 Trillion cubic meters in 2012, and a leading country in gas proven reservoirs is Turkmenistan. The Central Asian States production of gas was 141 billion cubic meters in 2012 and only Turkmenistan’s gas production was 64.4 billion cubic meters during that period. Central Asian states has 4% of world proven oil reservoirs while producing 2.4% oil of the world, on the other hand Central Asia has about 10% of total world gas reservoirs while its production is 4.2%.  

Table 2: Oil and Gas Potential of Central Asia

<table>
<thead>
<tr>
<th>Resource</th>
<th>Proven</th>
<th>% in world share</th>
<th>Production</th>
<th>% in world share</th>
<th>Leading CAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>31.2 thousand million barrels</td>
<td>4 %</td>
<td>1357 thousand barrels daily</td>
<td>2.4%</td>
<td>Kazakhstan</td>
</tr>
<tr>
<td>Gas</td>
<td>19.9 Trillion cubic meters</td>
<td>10 %</td>
<td>141 billion cubic meters</td>
<td>4.2%</td>
<td>Turkmenistan</td>
</tr>
</tbody>
</table>

Along with hosting the world's 2nd largest energy reservoirs Central Asia is also rich in metals. Out of 110 periodic table elements, 99 have been discovered in this region especially in Kazakhstan such as gold, magnesium, silver and uranium, tungsten, zinc, bohrium, lead, copper, chromite, molybdenum and fluorides etc.  

Apart from natural resources, Central Asia has potentials of trade and foreign direct investment. The flow of foreign direct investment in CARs increased 9 folds from 2000 to 2009 and its GDP grows 8.2% per annum. CARs have market oriented new correlation of interests. The dissolution of USSR created a power vacuum and brought about commercial as well as political rivalry for abundant natural gas and oil reservoirs of the

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9 Umbreen Javaid & Azhar Rashid, “Oil and Gas Potentials of Central Asian Republics and Relations with Pakistan.” *South Asian Studies, 30*(1), (2015), 143-144.
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newly independence Central Asian States. Their energy resources are contributing to power politics at regional and global levels. Such environment is not much conducive for Pakistan.

Pakistan’s Quest for Economic Security vis-à-vis Central Asia

A predominant objective of every country’s foreign policy is to fulfil its economic interests while pursuing relations with other countries and such is the case of Pakistan’s relations with Central Asian Republics (CARs). They are rich in natural energy resources whereas Pakistan is energy deficient state. The former is landlocked and having no seaport while the later can provide shortest route to the Indian Ocean.

The objectives of Pakistan’s foreign policy in Central Asia has been determined by its economic interests, political and security requirements, countering Indian influence and the desire to be an energy transit corridor in the region. Pakistan as a gateway to Central Asia believes that close relationships with CARs will not only lead to economic development but will also improve its security at its northern frontiers. All competitors of Pakistan in Central Asia including India recognize that Pakistan’s geostrategic location makes it hard for Central Asian Republics to rule out it.12

Pakistan is looking towards Central Asia for many economic connections among which energy is overwhelming. Pakistan, the 2nd largest populated state of South Asia and 6th most populated in world ranking, is also facing energy crisis. The commercial energy pool of Pakistan is covered by natural gas 51%, oil 29%, coal energy 8%, electricity 11% and nuclear energy 1%.13

Table 1: Commercial Energy in Pakistan: Consumption and Demand Forecast

<table>
<thead>
<tr>
<th>Energy Resources</th>
<th>Year</th>
<th>Quantity in Million Tons of Oil Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Consumption</td>
<td>2010</td>
<td>29.72 (29.7%)</td>
</tr>
<tr>
<td>Oil Demand Forecast</td>
<td>2020</td>
<td>30.94 (103%)</td>
</tr>
<tr>
<td>Gas Consumption</td>
<td>2010</td>
<td>39.21 (43.2%)</td>
</tr>
<tr>
<td>Gas Demand Forecast</td>
<td>2020</td>
<td>72.75 (165%)</td>
</tr>
<tr>
<td>Coal Consumption</td>
<td>2010</td>
<td>4.71 (42.7)</td>
</tr>
<tr>
<td>Coal Demand Forecast</td>
<td>2020</td>
<td>13.9 (278%)</td>
</tr>
</tbody>
</table>


13 Marie Lall et. al.,The Geopolitics of Energy in South Asia,(Singapore: The Institute of Southeast Asian Studies, (2009), 4-7.
Now a days, Pakistan is passing through serious energy crisis which is causing a decline of its economy and disturbing every field of life. Though, at present Pakistan is mostly dependent on Gulf Region for oil and gas but the oil and gas reservoirs of Central Asian Republics are a strategic remedy for Pakistan’s energy crisis. Central Asia is the nearest and cost-effective source of energy supply for Pakistan. Comparatively, Pakistan could acquire advantageous position due to its geographic location making her a communicational hub for the entire region.

Economic stability in Pakistan can be achieved through strong economic relations with CARs. Pakistan cannot ignore the importance of Central Asia in any way. Due to realization of this fact Pakistan immediately recognized all Central Asian Republics after their independence in 1991. Peace and stability in Afghanistan also remains a top priority for Pakistan’s foreign policy because of Pakistan’s politico-economic interest to Central Asia.14

Prospects of Economic Connectivity: Pakistan and CARs

Due to its important geostrategic location Pakistan provides a shortest access route to land locked Central Asia to the Indian Ocean and other parts of the world. Pakistan is a bridge between West Asia, East Asia and Central Asia. The Karakorum highway, ancient SilkRoad, connects Pakistan with China, Afghanistan and Tajikistan. The port of Pasni, Karachi and Gwadar are about 1600km away from Central Asia which is the shortest trading route. If properly utilized it can probably boost up bilateral trade relations and exports and imports of raw material and manufactured goods.15 It also provides shortest route to Central Asia to world energy markets. Though there is no geographical contiguity between Pakistan and Central Asia but transit-trade routes can be built via Afghanistan and China as both countries’ borders are attached with CARs.16 For land routes, Pakistan and Central Asia have the following options to reach Pakistani seaports:17

1. Road from Salang Pass, Kabul, Jalalabad, Peshawar, to Karachi and Gwadar.
2. Road from Tajikistan through Badakhshan, Peshawar to Karachi and Gwadar.
3. Via Karakorum Highway; Kashgar (China), Gilgit to Karachi and Gwadar.

Most important development in this regard is China-Pakistan Economic Corridor (CPEC) signed in 2013. The economic corridor connects Kashgar with Gwadar through Khanjrab pass via 2700 km of road and rail network. This corridor will not only connect China and Pakistan but also work as an energy and trade route for Central Asia. Gwadar port of Pakistan is located on Gulf of Oman very close to Persian Gulf on Eastern side it is only on 75 km distance from Iran. From Karachi, it is around 460 km away. The Strait of Hormuz, through which daily 13 million barrels of oil passes, is also very close to Gwadar port. Gwadar port is located between land locked Central Asia and oil rich Middle East. Approximately world’s 40% oil trade is daily carried out from this Gulf.

The inception of CPEC has turned Pakistan in a natural trade and energy corridor for Central Asian states. With the development of Gwadar port and its related road and rail links Pakistan will be the hub of trade of the entire region. It could bring a lot of trade opportunities and economic activities to Pakistan. At present trade between Pakistan and Central Asia is in a declining state. The trade volume between Pakistan and CARs has declined from a total of $81.19 million in 1997 to just $45.3 million in 2009. If this planned route with Central Asia is developed then dependence of Pakistan will definitely decrease. A new choice for Pakistan linkage with Central Asia is through Wakhan corridor of Tajikistan. The development of Gwadar Port is a big opportunity for Pakistan to obtain economic integration in surrounding region and serve as a regional and international transit trade facilitator for Central Asia. When Gwadar port is fully developed, all these countries may need access via Pakistan.

Energy crisis is the major issue facing the present-day world and every state is struggling to ensure her energy needs. Pakistan is also one of energy lacking state and facing a serious energy crisis which affect every field of life, looking for the durable and economical energy supply. Pakistan 80% of her commercial energy needs fulfil by oil and gas and both these taking a handsome share of foreign exchange reservoirs. Pakistan’s domestic oil and gas production does not fulfil its needs. So, the energy resources of

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Central Asia can be strategic asset in this regard. The geostrategic position of Pakistan allows her to not only fulfil indigenous needs but also can offer a plausible trade corridor to Central Asian States for their oil and gas exports.

However, the first ever mega project between Pakistan and Central Asia a concerns quad-lateral energy connectivity i.e. Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline. The feasibility for this pipeline was prepared in 2002 under the sponsorship of the Asian Development Bank. At first, the pipeline included three countries i.e. Pakistan, Turkmenistan and Afghanistan, but later on in May 2006, the plan was extended to include India. Thus its total proposed length became 1,680 km, initiating from Turkmenistan’s Daulatabad gas field up to India via Herat, Kandahar (Afghanistan) then Quetta, Multan (Pakistan) to Fez like city of India. It was proposed construction in 2010 so that gas supply would be started in 2015. The Sales Purchase Agreement (GSPA) of gas was also concluded in January 2012. According to the project details the TAPI pipeline will supply 3.2 billion cubic feet gas daily to the buyer countries. It is also hoped that TAPI will contribute to the progress and stability of South Asia. It will not only strengthen inter regional cooperation but will also ebb away the Indo-Paktrust deficit.

Figure 1: TAPI Natural Gas Pipeline

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26 *The News*, 04/02/2012.
Apart from the gas and oil reservoirs, CARs have also the potential to fulfil the demand of electricity in Pakistan. Tajikistan and Kyrgyzstan have the potential of 40,000 MW and 26,000 MW of electricity respectively. Pakistan has been facing severe electricity crisis since many years. During the working hours, the shortfall of electricity reaches upto 7000 MW. Demand of electricity in Pakistan is increasing about 7% to 8% annually. The CASA-1000 electricity export scheme has been signed in 2007. Kyrgyzstan, Tajikistan, Afghanistan and Pakistan are the parties to this project. CASA-1000 will supply electricity from Kyrgyzstan through Tajikistan to Afghanistan which then will reach the Pakistani city Peshawar. It will supply Afghanistan 300 MW and Pakistan 1000 MW. A 450Km long transmission line will be built between Datka of Kyrgyzstan to Khodzhent of Tajikistan and another 750 km long transmission line, 117 km in Tajikistan, 526 km in Afghanistan and 71 km in Pakistan will be built from Sangtuda of Tajikistan through Kabul to Peshawar. The total coast of CASA-1000 has been estimated to 970 million dollars. Afghanistan will contribute $300 million, Tajikistan $270 million, Kyrgyzstan and Pakistan will provide $200 million each one.

Furthermore, Uzbekistan has the world’s 5th biggest gold reservoirs, from which Pakistan can also take benefits. Apart from energy resources there are a lot of trade opportunities for Pakistani goods in Central Asia. Pakistan’s medium and small productions and consumer goods can find a vital market in Central Asia. Pakistan has also the capability to supply textiles, cement, medicines, shoes, telecom equipments, garments, machinery and defence equipments.

Regional Challenges

Although, the hopes for cooperative financial, political and strategic collaboration with Central Asia is an important aim for Pakistan’s foreign policy but she is still facing many difficulties, irritants and hurdles in increasing cooperation with CARs, fulfilling economic interests and utilizing...
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their economic potentials. The most important challenge which Pakistan faces to fulfil its economic interests in Central Asia is the lack of a common border with any state of Central Asia. Tajikistan is separated from Pakistan by Wakhan strip which is only 16 km narrow strip, accessible through Afghanistan and China but the law and order situation in Afghanistan is the main barrier in this respect. Otherwise, land access between Pakistan and Central Asia is possible.

All shortest and main routes to Central Asia from Pakistan pass through Afghanistan, and, without restoring peace and stability in Afghanistan neither Pakistan nor CARs can move forward with the desired economic corridors and other projects like TAPI and CASA-1000 to create a viable economic zone. Terrorism in Afghanistan has cast a very negative impact on trade links between both the regions. The worst law and order situation is the main obstacle in the way of proposed oil and gas pipelines to import gas and oil from CARs to Pakistan. Moreover, opposing interests of regional and global powers present in Afghanistan are also a critical obstacle in inter-regional connectivity. Many agreements have been signed to advance the communication links between Pakistan and CARs, including road and rail links.

In addition, an absence of basic network of road connectivity and lack of infrastructural developments are hindering the process of energy cooperation between Pakistan and Central Asia. At present, there is no pipeline connecting Central Asian gas and oil fields with Pakistan. A Memorandum of Understanding (MoU) was signed in May 1997 between two oil companies UNOCAL and Sandi Delta Oil for the building of an oil pipeline to import oil from Turkmenistan to Pakistan passes through Afghanistan but, unfortunately, this plan could not be materialized due to war in Afghanistan and ultimately UNOCAL left this plan. Weak economic condition and political crises are also affecting such projects. The projects Pakistan has planned in commerce, trade and particularly in the energy sector with Central Asian States are also pending due to weak economy of Pakistan.

Pakistan provides a transit trade link to Central Asia and China for access towards Middle East. Likewise, Pakistan could also extend plausible access to Central Asia and Afghanistan for India and vice versa. The

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network of economic connectivity is only possible when peace and security is restored in Afghanistan. To reach CARs, the Chabahar port of Iran is being developed by India. Now the Central Asian Republics will have two options Gwadar and Chabahar. The forthcoming few years are too critical for Pakistan's interests in Central Asia. If Gwadar is efficiently developed, then Pakistan can become energy and trade corridor for the CARs and rest of regional countries. Otherwise, “India is trying her best to restrict Pakistan interests in Central Asia”. The strategic relations between CARs and India is also a challenge for Pakistan. India has founded a military base at Farkh in Tajikistan in May 2002. It has serious consequences for strategic interests of Pakistan in Central Asian Republics. Moreover, since its independence Central Asian Republics have become a focus of attention of big powers like US, Russia, China, Turkey, Iran etc. which lead to New Great Game. It has also created challenges for Pakistan’s interests.

The mainstream ruling elites of Central Asian Republics are mostly the USSR Communist Party ex-leaders and members and also Russians ethnic is the major group of CARs, having decisive influence on decision making. As Russia has deep influence in CARs thus her goals in Central Asia could also marginalize the role of Pakistan in Central Asia. Russia has also strong ties with CARs economically, so in the absence of sound relations with Russia, Pakistan would continue to face problems in terms of boosting its engagement and fulfilment of its economic interests in Central Asia.

Whereas the political-system is concerned, CARs are not too much inclined to the religion Islam like Pakistan. They are attracted to secularism and favour the Turkish model. So, Pakistan should be cautious of using the card of Islam in CARs. It is a significant factor which can influence relations between the Pakistan and CARs.

Conclusion

The disintegration of the USSR opened avenues for Pakistan to formulate mutually beneficial relations with the newly independence Central Asian Republics. Policymakers of Pakistan are in the process of formulating a comprehensive foreign policy towards this region in order to fulfil its economic, political and strategic interests but, unfortunately, Pakistan is

38 Ibid.
41 Ibid, 223.
facing hurdles and irritants in establishing relations with CARs. One major hurdle in fulfilling economic interests of Pakistan is lack of common border for better access to the region. The Wakhan corridor, a 16 km narrow strip, on the north-eastern side of Afghanistan can connect Pakistan with Tajikistan but law and order situation and terrorism in Afghanistan is the main barrier in this regard. Because of unrest in Afghanistan any trade agreement, oil and gas pipeline and electricity transmission line cannot be easily materialized. Pakistan’s geographical location can also be utilized as Central Asian energy supply to the other parts of the world. A hope has risen in the shape of China Pakistan Economic Corridor and development of Gwadar port. To fulfil its economic and other interest in Central Asia, Pakistan must develop strong diplomatic ties with CARs, encourage people to people contact, strengthen ECO role, create political good-will and, above all try her best for bringing peace and stability in Afghanistan. In case, if aforesaid critical measures are not considered on a serious note in time then every significant economic venture would bypass Islamabad because many other alternatives are available to Central Asian Republics. No doubt, it is impossible for Pakistan to establish good relations and ensure its economic interests in CARs overnight, but, serious efforts are need of the hour.

**Recommendations: The Way Forward**

- At present, people to people contacts are not developed which is much needed to fulfil the maximum economic interests of Pakistan in Central Asia. There should be regular exchanges of scholars, government representatives and cultural representatives to develop better mutual understanding. Pakistan should offer scholarships to Central Asian students. It will strengthen bilateral relations.
- Peace in Afghanistan is prerequisite for rail and road connectivity as well as construction of oil and gas pipelines and electricity transmission lines between CARs and Pakistan. The later should leave no stone unturned for restoring peace and stability in Afghanistan.
- The revival of Economic Cooperation Organization (ECO) can also initiate the development of infrastructural projects as transportation and economic connectivity is one of its main objectives. Pakistan and CARs are member of this regional organization.
- Internal instability would harm Pakistan’s interests in abroad. So, Pakistan should work on internal political and economic stability. The internal instability, political uncertainty and economic crisis are huge irritants for Pakistan to have ties with Central Asia.
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