

Pakistan and Central Asia: Understanding the Nature of the Evolving Relationship

Sajid Aziz

Introduction

Recent years have seen a greater level of interaction between Pakistan and Central Asian Republics (CARs). Mr. Nawaz Sharif, after assuming the office of Prime Minister, has officially visited all the member states of Shanghai Cooperation Organization (SCO) that includes all the Central Asian Republics with the exception of Turkmenistan. Leaders of the region have reciprocated in kind. These interactions have covered a whole gamut of issues: TAPI, CASA-1000, Pakistan's offer to SCO members to use Pakistani Ports after the successful completion and operationalization of China-Pakistan Economic Corridor (CPEC) for the purposes of both exports and imports, etc.

This paper seeks to understand the nature of this evolving relationship, its potential to increase regional connectivity and the concomitant benefits for stakeholders; and challenges in materialization of this vision in a precarious and turbulent regional context. These issues will be discussed in the broader context of other regional developments generally and the 'Great Powers' increasing interest in Central Asia, particularly.

Central Asia: A Region of Great Strategic Significance and Playground of Great Energy Conquest

Different epochs and their distinct politics and economics apportion various epithets to regions. Central Asia, which was once an important link to the Old Silk Road, became at the turn of the 20th century what the geo-political thinker sir Halford Mackinder referred to as, "the pivot of the world's politics and the heartland." He considered it the natural fortress in the world.¹ After the collapse of the Soviet Union and the emergence of five 'republics' in Central Asia in early 90s, Zbigniew Brzezinski in his book, "*The Grand Chessboards*," referred to Central Asia as 'Eurasian Balkans' representing a power vacuum in the 'Black Hole' that emerged with the break-up of the Soviet Union.² Now different major powers

particularly China are vying for influence in the region to explore its immense natural and energy resources. What was once a centre for Great Game has now metamorphosed into a focal point of the *Great Energy Game*³, a term arguably controversial and subject to dispute among scholars and in the mainstream press.

Central Asia is rich in hydrocarbon resources and has the world's second largest uranium reserves.⁴ It possesses large reserves minerals of different varieties, as shown in the following tables.

Table no 0.1 Total Proven Oil Reserves in Central Asia

Country	2014 Thousand Million Barrels	Share of world Reserves Total %
Kazakhstan	30.0	1.8
Turkmenistan	0.6	NA
Uzbekistan	0.6	NA

Source: BP Statistical Review of World Energy 2015

Table no 0.2 Total Proven Gas Reserves in Central Asia

Country	2013 Trillion Cubic Meters	2014 Trillion Cubic Meters	Share of World Total %
Turkmenistan	17.5	17.5	9.3
Kazakhstan	1.5	1.5	0.8
Uzbekistan	1.1	1.1	0.6

Source: BP Statistical Review of World Energy 2015

Table 0.3 Known Recoverable Resources of Uranium in the world

	tonnes U	percentage of world
Australia	1,706,100	29%
Kazakhstan	679,300	12%
Russia	505,900	9%
Canada	493,900	8%
Niger	404,900	7%
Namibia	382,800	6%
South Africa	338,100	6%
Brazil	276,100	5%
USA	207,400	4%
China	199,100	4%
Mongolia	141,500	2%
Ukraine	117,700	2%
Uzbekistan	91,300	2%
Other	358,800	4%
World total	5,902,900	

Source: Uranium Mining Overview (World Nuclear Association, June 2015)

But its land-locked geography has been a disadvantage and has hindered its potential to transform these immense resources into economic dividends. Though, the first turning point came with the collapse of the Soviet Union and the emergence of independent states in Central Asia that sought to diversify their trade partners and routes in an effort to get away with the system of bartering their natural resources in lieu of low-tech consumer goods from Russia.⁵

China's Relations with CARs

China has done the most to undermine and 'break' Moscow's monopoly on the region. Its trade with Central Asian Republics (CARs) has steadily been increasing. In 2002, China's trade with Central Asian states stood at no more than \$ 1 billion. It rose to \$ 10 billion in 2006, climbing up to nearly \$ 30 billion in 2010. Compared to this, Russian trade with CARs stood just at \$ 15 billion.⁶ Chinese President Xi Jinping, in 2012, visited all the states of the region and announced billions of dollars in loan to build energy and transport infrastructure. It was a part of the proposed New Silk Road Economic Belt, which would link China to Europe cutting through mountainous regions in Central Asia (CA). It is part of the broader Chinese vision of One Belt One Road (OBOR) proposed by Xi Jinping during his visit to Indonesia in 2013. It is an initiative that stretches from South and South-East Asia, the Middle East and Europe through Central Asia, linking China to the rest of the world.⁷ China has also built pipelines, originating from the Kazakh shores of the Caspian Sea and Turkmenistan that carry respectively oil and gas from CARs to Xinjiang. These aim at considerably reducing Chinese dependence on sea-borne imports.⁸

India too has sought to get access to the Central Asian Republics' hydrocarbon resources to meet its energy needs. It is helping Iran to build Chahbahar Port. Moreover, it is financially supporting Iran to construct Zarang-Delaram highway which would connect to the Chahbahar Port via Milak.⁹ The route will cut New Delhi's transport cost and freight time to Central Asia, presumably by about a third.¹⁰

America's Interests in Central Asia

American interests in the region have been largely strategic. It sought and got bases in both Uzbekistan and Kyrgyzstan for its so-called 'War on Terror,' in the wake of the 9/11 attacks.¹¹ USA left its last base from Kyrgyzstan in June 2014. Northern Distribution Route, passing through the whole breadth of Central Asia, was used as a second conduit for US cargoes and personnel in Afghanistan. On the economic front, it has supported Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline as an alternative to Iran Pakistan India (IPI) gas pipeline and has in past put considerable pressure on Pakistan to scupper the IPI gas project. Moreover, US has also backed Baku-Ceyhan pipeline, which carries Caspian oil to

the West without Russian participation.¹² USA fears the consequences of Chinese and Russian dominance over the region.

Russia's Interests in Central Asia

Russia has had a long history of being the pre-dominant power in Central Asia and holds considerable influence there and still continues to maintain military bases in the region. Though, China has emerged as the biggest trading partner of CARs, its trade volume of close to \$50 billion is greater than any other country in the region, it is Russia that has preponderance in military realm. To hold its influence intact in the region, it has sought to institutionalize its relations with CARs.

It formed Commonwealth of Independent States (CIS) in 1991 that includes all Central Asian Republics along with some former Soviet republics.¹³ Russian-led Collective Security Treaty Organization (CSTO) also includes three central Asian states with the exception of Uzbekistan and Tajikistan. In 2001, Russia transformed Eurasian Customs Union into Eurasian Economic Community (EEC) to create an integrated market and make a trading bloc.¹⁴ In addition, Russia gives CARs access to international markets thanks to its geographical proximity with the region. Kremlin's economic offensive is aimed at retaining its influence in the large landmass of Central Asia which complements its military preponderance in the region.

There are also many common interests that all of the actors share. Russia, China and USA see eye to eye when it comes to militancy by Islamist groups like Islamic Movement of Uzbekistan (IMU) and Islamic Jihad Union (IJU) and recognize the potential of these groups to destabilize Caucasus region and Xinjiang province. Trade of narcotics through this region is a threat these states face. The issues of extremism, terrorism and separatism are the three areas that define the essence of Chinese's 'Three Evil' doctrine.¹⁵ China is worried about its Xinjiang Uighur Autonomous Region, the fear of extremism and separatism is echoed by Russia for its Caucasus region. Thus, if there are 'conflicting' interests and fears of dominance by either one or the other power, then there are shared threats, tackling them could possibly provide common ground for cooperation.

Pakistan and Central Asia

Pakistan's interest in CARs emanates predominantly from economic and geo-strategic reasons. Central Asian region is a source of cheap imports and greater connectivity with the region will benefit Pakistan from transit income. For CARs, Pakistan and its ports provide the shortest route to the global market. Through Pakistan, energy-rich states in Central Asia could possibly connect to the energy-starved South Asia and exploit its big market. It is in this framework that the increasing interaction between Pakistan and CARs should be analyzed.

The key trade and energy agreements between CARs and South Asian states corroborate the above-mentioned sources of this growing relationship. The most important agreements are TAPI and CASA-1000. Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline was inaugurated in December 2015 in the Karakun desert outside the southeastern Turkmen city of Mary. Prime Minister Nawaz Sharif joined President Gurbanguly Berymukhamadur of Turkmenistan, Afghan President Ashraf Ghani, and Indian vice-President Mohammad Hamid Ansari for the groundbreaking ceremony of this historic project with an estimated cost of \$ 10 billion.¹⁶ Turkmenistan would deliver around 90 million standard cubic meters a day (mmscmd) gas for thirty-year period from its Galkynish field. India and Pakistan would each get 38 mmscmd gas and the remaining 14 mmscmd gas would be supplied to Afghanistan.¹⁷ This project is due to be completed in 2019. Turkmenistan is estimated to have the world's fourth largest reserves of gas and is one of the top exporters of this precious natural energy resource.

The other important project is CASA-1000. In April 2015, the Economic Coordination Committee (ECC) of the cabinet in Pakistan approved the signing of the master agreement and power purchase agreement of the project.¹⁸ CASA-1000 project also includes four countries: Pakistan, Tajikistan, Kyrgyz Republic and Afghanistan. Tajikistan and Kyrgyz Republic are energy-surplus countries during summers, whereas Pakistan and Afghanistan suffer from chronic energy shortfall. CASA-100 will build a new electricity transmission system to connect the four countries and the two Central Asian Republics will supply their surplus electricity to Afghanistan and Pakistan during summer months from, May to October.¹⁹ Afghanistan and Pakistan will receive 300 MW and 1000 MW respectively during the given time.²⁰ The project is due to be completed in 2018 with the estimated cost of approximately \$ 1.17 billion, including \$ 208 million in interest rate.

Pakistan would be required to invest \$ 232 million to develop its portion of the DC transmission line of convertor station. In March last year, World Bank approved a \$ 120 million international development assistance credit for Pakistan. Islamic Banks and some other would provide \$ 35 million and \$ 17 million respectively and the gap of \$ 95 million would be filled, as assured by World Bank.²¹

This will help Pakistan to increase its volume of trade with Tajikistan which stood at a meager \$ 89 million in 2014.²² Moreover, Pakistan and Tajikistan also inked accords on defence. During Emomali Rakhmon's visit to Pakistan in mid-November, Prime Minister Sharif made an offer to his Tajik counterpart to use Pakistan's ports for Tajikistan's imports and exports.²³ Pakistan also backed Tajikistan's request for becoming part of the Quadrilateral Agreement on Traffic among China, Kazakhstan, Kyrgyzstan and Pakistan, which is aimed at recognizing the need to promote traffic in transit among contracting parties.²⁴

PM Sharif on a two-day visit, in November 2015, to Uzbekistan signed three documents in areas of economy, trade and foreign affairs to strengthen economic and political cooperation.²⁵ He and his counterpart Islam Karimov stressed the need of infrastructure and rail links that would facilitate connectivity between the regions of Central Asia and South Asia. Pakistan through its Federal Minister for Commerce, Engr. Khurram Dastagir Khan, has also offered the member states of SCO (Shanghai Cooperation Organization) which includes all Central Asian Republics with the exception of Turkmenistan, to use Pakistani ports for trade with other countries.²⁶

Challenges and Opportunities

These initiatives and projects along with China-Pakistan-Economic-Corridor (CPEC) can possibly usher in a new era of regional connectivity and economic interdependence, provided they materialize in the manner enunciated in the 'Vision' and official statements. The opportunities they entail and the ensuing benefits the stakeholders could potentially reap are considerable and significant. Pakistan has a serious balance-of payment problem; growing debt and debt servicing is taking a heavy toll on the services sector; gas deficit is stark and Pakistan is expecting its electricity demand to double in a decade or so to close to 50,000 MW.²⁷ The import of 18 mmscmd from Turkmenistan would reduce gas deficit and the supply of 1000 MW of electricity from Tajikistan during summer

months can help, in a small way, to bridge supply and demand gap. But more importantly, it is the successful completion of the CPEC and the operationalization of the Gwader Port as an *entrepot* for maritime trade that has the potential be the game-changer. CPEC is an important link to China's broader vision of One Belt One Road giant project that aims to build maritime and overland infrastructures, stretching from South and South East Asia, the Middle East and Europe through Central Asia, linking China to the rest of the world. Chinese ambassador to Pakistan, Sun Weidong, during a visit to Quetta, the provincial capital of Balochistan province, said, "Gwader is going to become an economic belt which would be connected to Middle East and Central Asia."²⁸

In line with this vision, a Chinese company, China Petroleum Pipeline Bureau, has offered to build the Pakistani side of the Iran Pakistan (IP) gas pipeline at a much reduced cost of below \$ 2 billion, against the cost of \$ 2.5 billion dollar estimated initially by Interstate Gas Systems.²⁹ Pakistani state-owned distribution companies Sui Southern Gas Company (SSGC) and Sui Northern Gas Pipelines Limited (SNGSP) will be 30 % shareholders in the project. The 700 km gas pipeline will be built from Gwader to Nawabshah. Moreover, a LNG terminal will be established at Gwader port, which will have the capacity to handle imports of 600 million cubic feet of LNG per day (mmcf).³⁰

For CARs, Pakistan provides the shortest route to global markets and through Pakistan, CARs can connect to South Asian states and its big market, diversifying its trading partners. Afghanistan too will benefit not only from the gas and electricity imports from Central Asian republics, but also from transit fee every year, of \$ 500 million dollars just for the TAPI gas pipeline.³¹ Moreover, thousands of jobs could be generated for the Afghans. Energy-starved India and its growing economy need access to hydrocarbon resources of Central Asia and to exploit its untapped market. The most significant development could possibly be a greater reliance and interdependency between Afghanistan, Pakistan and India.

But these potential benefits should be contrasted against some serious challenges that have equal potential to undermine the economic and political dividends. Take the case of 1,800 TAPI gas pipeline, a 700 kilometer portion of which will be built in Afghanistan and will pass through the war-ravaged provinces of Herat and Kandahar before reaching Multan via Quetta, the capital of restive Balochistan province.³² The recent gains of Taliban in Sangin in Helmand and its brief control

of Kunduz province after defeating Afghan forces, give a peep into the precarious security situation in Afghanistan. There are, though, talks of deploying a 7000 strong special force to protect the pipeline³³, but it is seen with deep skepticism. 75% of the 700 km electricity transmission lines emanating from Tajikistan, will pass through Afghanistan before entering Pakistan, which would be covering 9% of the transmission lines. Moreover, these energy projects include multiple regional states which have their own specific interests and problems of finances and law and order that have the potential to undermine them or even scupper them. Regional and international political and security situation should be taken into account that would possibly determine the fate of energy projects. Given the financial clout of some international actors that emanates from their control of international financial institutions, would also have a role in the success or failure of these projects. USA was keen to promote TAPI as an alternative to IPI. Will USA continue to support this project when its relations with Iran seem to be taking a positive turn and all sanctions on Iran might be lifted? The positive factor is that the giant Chinese project of OROB and its successful completion will be key to regional connectivity. The China-Pakistan Economic Corridor is an important part of that vision and its successful completion will bring significant benefits to Central Asian and South Asian regions.

Then, there is the issue of mutual distrust among certain actors. Accusations are made by India and Pakistan, and Pakistan and Afghanistan against each other of supporting proxies and fomenting instability in each other's country. This makes the successful completion of regional gas pipelines and electricity transmission lines contingent upon regional peace and internal stability of the states. Until and unless, the leaders have the strategic vision to 'think regionally' and make efforts to help materialize the goal of regional economic integration, the successful completion of these initiatives will be quite difficult. Regional connectivity and the concomitant benefits accruing from it can only come through a strategic vision that seeks regional peace and an approach of win-win for all.

*Sajid Aziz is a
Research Assistant at CISS*

CISS Insight

Endnotes

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