

Pakistan

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Background

Political orders can shape socioeconomic and cultural development by conquests and migrations, through economic or military disasters and civil wars, or simply by their collapse and the creation of power vacuums. The construction of new political orders can take decades. The power vacuum following the fall of the Soviet Union initiated the emergence of a new political order, which, among other things, must somehow determine how landlocked Central Asian countries—including Afghanistan, but also the Caucasus—can reconnect with the world economy via cost-effective transportation routes in Southwest Asia. Today these states are dependent upon old Soviet routes to the north. Constant civil unrest in Afghanistan continues to hamper efforts to create the commercial regime needed to restart Central Asia's long-stalled economic and new political links with its southern neighbors. In spite of this, there are ample geographic, political and economic reasons to believe that alternative transportation routes originating at the warm waters of the Arabian Sea and continuing to Central Asia's historic land outlets can stimulate regional and cross-continental trade,

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advance the ongoing economic and political transitions, and foster regional stability.

Approximately seventeen years of international effort to invigorate the economies of the Central Asian states has yet to yield substantial results, except in Kazakhstan. Attempts to create regional economic unions akin to the Economic Cooperation Organization (ECO) or the Central Asian Common Market have failed to integrate Central Asian republics (CARs) with one another or with the world economy. These states are hindered by dependency-oriented, unidirectional Soviet transportation infrastructures and the lack even of international awareness of the possibility of renewing traditional communication routes through Southwest Asian ports in Pakistan and Iran. The Greater Central Asia Partnership (GCAP) conceptualized by Professor S. Frederick Starr¹ is the first major attempt in the United States to craft a regional development strategy to reintegrate Central Asian trade cross-continently via traditional transportation routes. The goal is to create modern rail, road and maritime trade infrastructures where formerly there were camel and horse caravan routes. This North-South corridor strategy promises to reintegrate efficiently Central Asia and Caucasus with the broad-based world economy. This in turn will further regional economic, social and political development in the region.

Conceptual Justification

GCAP is a gradually evolved geographic, political, and economic concept related to transit route politics. It is derived from earlier concepts in geopolitics and economics. Halford Mackinder's early twentieth century "heartland" theory of global politics depicted modern Central Asia and the surrounding regions as the center of competition among world powers. The "heartland" theory aroused interest within the area and was also applied to the strategic doctrines and defense policies of all the major powers. By the middle of the twentieth century Nicholas Spykman's "rimland" offered a plan by which heartland expansionism could be restricted. During the Cold War both the heartland and rimland theories were reflected in the defense

¹ S. Fredrick Starr, "Greater Central Asia Partnership: Afghanistan and its Neighbors," *Foreign Affairs*, July/August 2005, pp.168-174.

and foreign policies of the competing superpowers, whether in conflicts between the heartland and rimland spheres, or in the cooperative alliances that were formed within each power's respective area of influence.

GCAP proposes simultaneous cooperation between heartlands and rimlands by effecting an insertion between geopolitics and economics. The aim is to spur a new geographic, political and economic regime in Central and South Asia and surrounding regions, providing a mechanism for regional economic integration and cross-continental trade. GCAP's focus is to re-link Central Asia with the world economy through traditional Southwest Asian commercial transit routes via Afghanistan and through the Karakoram Mountains. This new geographical, political and economic realism is derived from the reality of extensive regional and cross-continental commerce between Europe and East, Central and South Asia across centuries. It is worth noting that for centuries on end the southern Indus river port of Barbarikon² in present day Pakistan served Central Asia as a trade node, as well as a nexus of economic and political socialization, within a network of land and sea "silk-routes."

The Indus River Basin served as a natural boundary between historic India or Hindustan (modern Pakistan) and Bharat (modern India). The Indus River Basin played a significant role in mediating and shaping intercultural and international relationships between Central and South Asia, including modern Afghanistan and Iran. Focusing upon transit routes as a requisite for trade growth, the strategic doctrine of GCAP requires cooperation between the heartland and the rimland. The Indus Basin state—modern Pakistan—plays a pivotal role in this configuration. Pakistan has much of the necessary rail, road and maritime infrastructures for trade, and can participate in prospective alternative oil and gas pipeline projects involving Europe,

² Barbarikon may be the port on the Indus that Alexander of Macedonia established in 332 B.C. to ship his war booty to Babylon by sea, while personally taking the harsh route through Gedrosia (modern Pakistani Baluchistan). All historians of Alexander describe this, yet the origins of Barbarikon/Bhambhor remain a mystery, and the pronunciation of the word Barbarikon resembles the localized term Bhambhor, just as the Greek word Indus is locally pronounced as Sindh, Hind by Persians and Al-Hind by Arabs. The Barbarikon port on the Indus is shown on the territorial map D of the Kushan Empire.

Central, South, Southeast and East Asia. Pakistani road and rail networks and port facilities can provide critical aid to the hitherto handicapped economic and political development processes in Central Asia. Justification for GCAP can be traced to various ancient, medieval and modern historical epochs. As a mechanism for modern-day cooperation it can help bridge the gap between conflicting political interests and regional interdependence arising from energy pipelines and trade routes. In the process it promises to forge new political trends, both regionally and internationally.

Critics of GCAP³ oppose the idea of using traditional Southern transportation routes as main transportation routes but are unable to offer alternative solutions to the problems arising from Central Asia's landlocked condition. This paper demonstrates that alternative transportation routes through Pakistan, once fully functional, will facilitate the commercial transactions needed to strengthen economic and political linkages in Central and South Asia, the surrounding regions of China, Mongolia, Central Russia, the Middle East, as well as with the East Asian, European, American and African markets. GCAP focuses on transit-root corridors to aid the hitherto stunted process of political reordering in Central and South Eurasia.

GCAP's Historical Significance

Geopolitical orders often resemble previous epochs when analyzed across time periods and generations. Trade between the Indus Basin and Egypt, Mesopotamia, and Europe dates back to 3000 B.C. Early internal migrations within the Indus Basin occurred largely through the northern Khunjerab Pass in the Karakurams.⁴ This pass contrasts historically with the Khyber, Golan

³ Омаров М. Н, Новая Большая Игра В Центральной Азии. Мифы И Реальность. (Бишкек: «Салам», 2005). [Omarov, M.N (ed.) *New Great Game in Central Asia: Myths and Reality*. (Bishkek: Salam, 2005)].

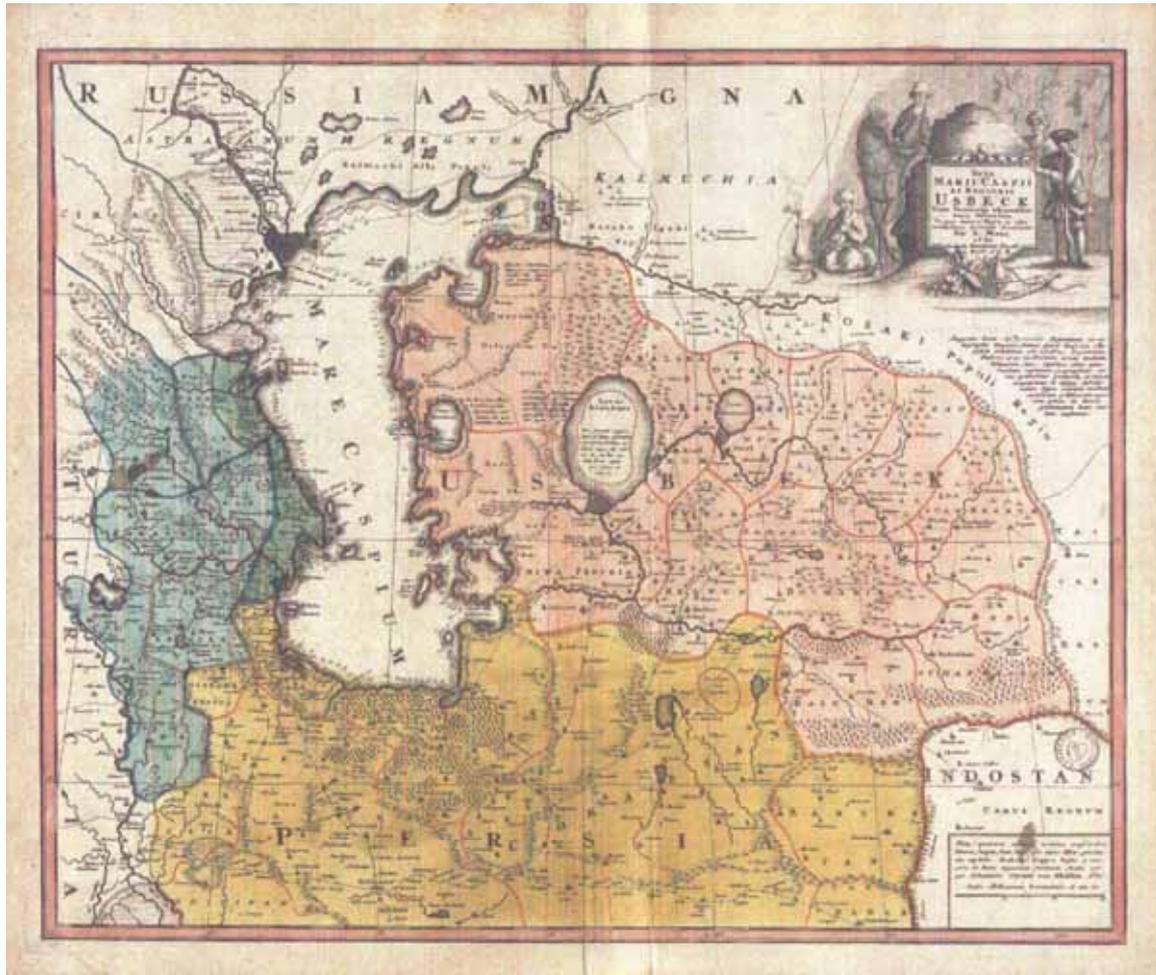
⁴ Historical information provided in this paper is from several books, including the *Encyclopedia Britannica*. Several publications in Farsi on historic India, Sindh and Hindustan and Muslim rule in the subcontinent were also used as sources for historical information. References in English and Sindhi include: M.H. Panhwar, *Chronological Dictionary of Sindh* (Jamshoro, Pakistan: Institute of Sindhology, 1983); Eraly, Abraham, *The Mughal Throne: The Saga of India's Great Emperors* (London: Orion Books Ltd., 2004); Olmstead, A.T., *History of the Persian Empire* (Chicago: Phoenix Books, University of Chicago Press, 1948); Yunus, Mohammed and Parmar, Ardhana, *South*

and Bolan passes in Central Pakistan, all of which were largely used by conquerors. From Darius of Persia and Alexander of Macedonia to Muhammad bin Qasim and Mahmud of Ghazna, only one conqueror ever attempted to cross the eastern banks of the Indus inside the Bharatan hinterlands until the eleventh century A.D. The sole exception was Emperor Kanishka of the Kushan dynasty. From his capital in modern Peshawar, Kanishka in ca. 238 A.D. also penetrated the Eastern Punjab up to Mathura region in Bharat. At least until the mid eleventh century, dynasties of the Lodhis, Khiljis and their successors from Central Asia all penetrated into Eastern Punjab. On the Bharatan lands this established the foundations of the Muslim Empire in Delhi.

Although modern Western accounts of the region's history often describe the entire South Asian subcontinent as India, Central Asian and European records until the rise of British power in the eighteenth century applied the name Indostan or Hindustan mainly to territories of the Indus Basin and its tributaries in Punjab, Sindh and surrounding regions. After the establishment of Mughul rule in Delhi, Bharatan territory beyond the Indus Basin was also called Hindustan, as shown in Map A.

The annexation of the Indus Basin into Bharat by the Maurya dynasty in 327 B.C occurred not by conquest but through negotiations between the Greek General Seleucus and the Bharatan ruler Chandra Gupta Maurya.

Asia: A Historical Narrative (Karachi: Oxford University Press, 2003); Dani, Ahmad Hassan, *New Light on Central Asia* (Lahore: Sang-e-Meel Publications, 1993); Dr. Baloch, N.A., *Sindh: Studies in History, Vol. I* (Karachi: Kalhora Seminar Committee, 1996), and a publication in Sindhi: Shamsudin Rukandin Quraishi, *Aina-e-Qadeem Sindh [A Mirror of Ancient Sindh]* (Hyderabad Sindh: R.H. & Ahmed Brothers Publishers, 1956). Over 20 additional publications on the ancient and medieval history of Central and South Asia translated from Persian into the Sindhi and Urdu languages could be cited.

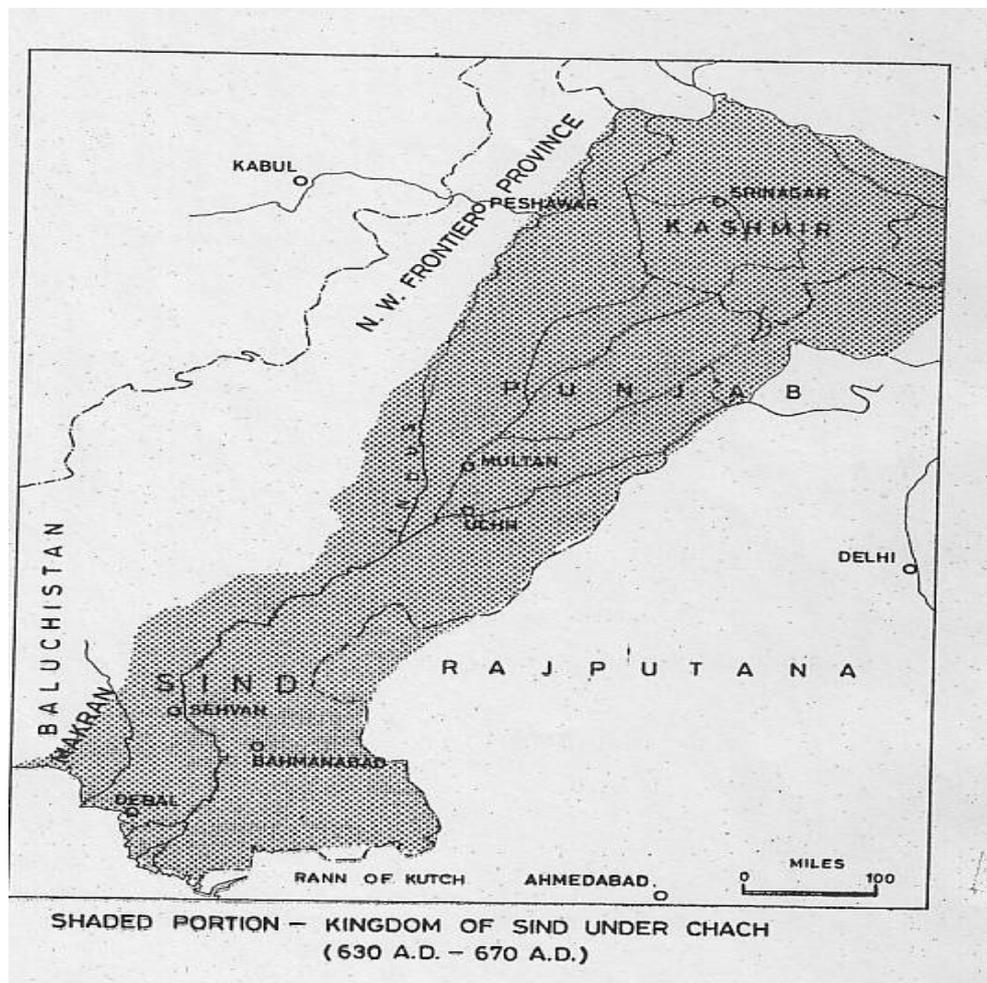
Map A.⁵

Seleucus came under pressure from local rivalries after Alexander the Great named him to rule over that largest part of Alexander's vast empire stretching from the Mediterranean to the Indus. Seleucus negotiated with Chandra Gupta an exchange of the Eastern Indus regions for peace on the eastern borders of his domain, in the territory that is now Pakistan. The fall of the Maurya dynasty reopened the Indus Basin's political links with Central Asia and Persia. The Gupta dynasty, which succeeded the Mauryas, ruled Eastern Punjab and parts of Sindh that are now within modern India, although not the entire Sindhu (Indus) Basin. Although the Lodhis of

⁵ A Greco-Latin map of Central Asia, University of Leiden 1731 A.D.

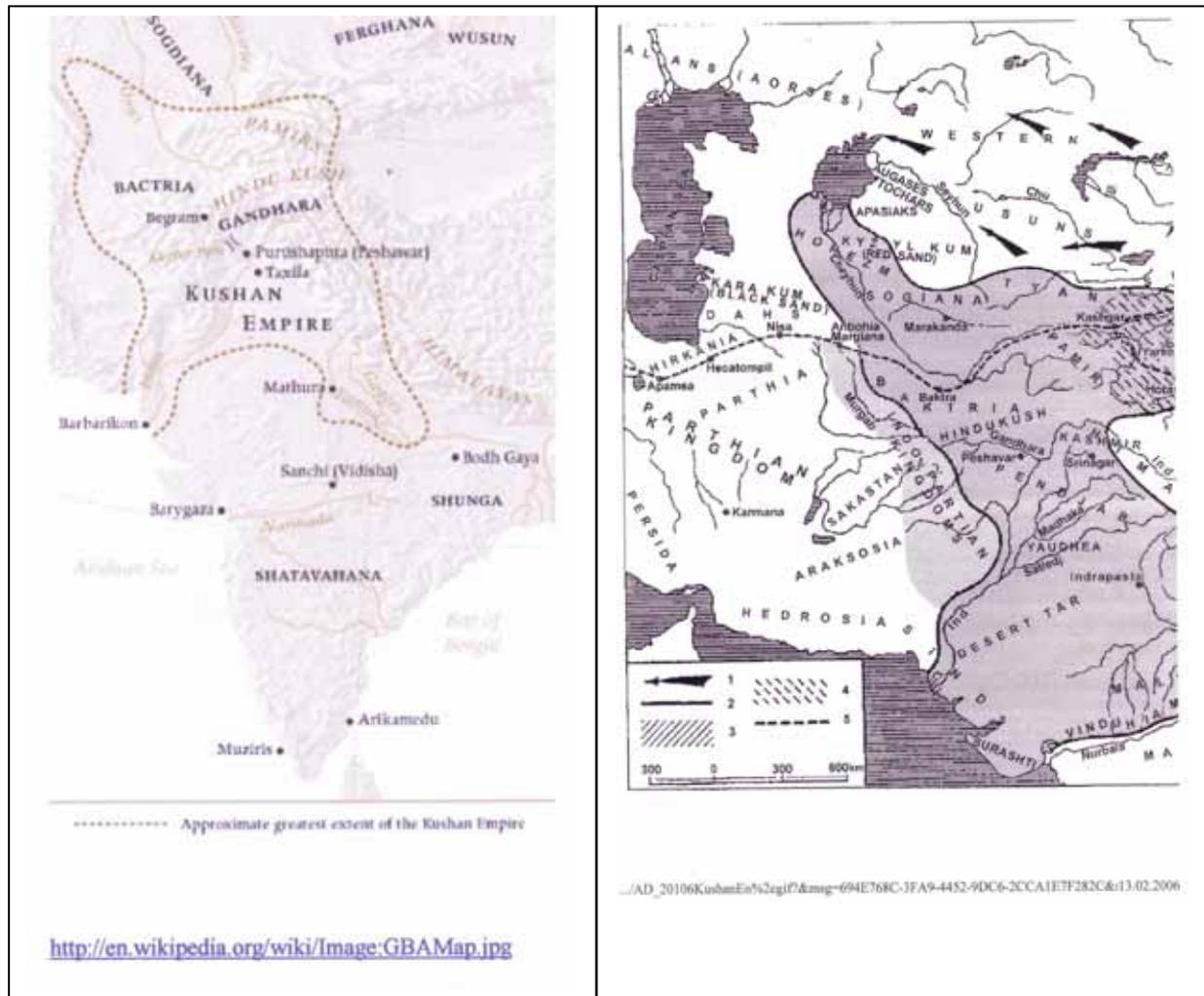
Central Asia conquered Punjabi parts of the central Indus Basin during the eleventh century A.D., the entire Indus Basin was not formally annexed by an Indian –based dynasty until the seventeenth century, when the Mughul Emperor Akbar integrated it into his Empire. During the conquest by Arab General Muhammad bin Qasim in 610 A.D., Sindh state stretched from modern Kashmir to Karachi on the Arabian Sea coast, territory roughly equivalent to present day Pakistan. (See map B)

Map B⁶



⁶ Source: Pithwala, Maneck, *Historical Geography of Sind*, Institute of Sindology Publication #53, Karachi, Pakistan, 1978.

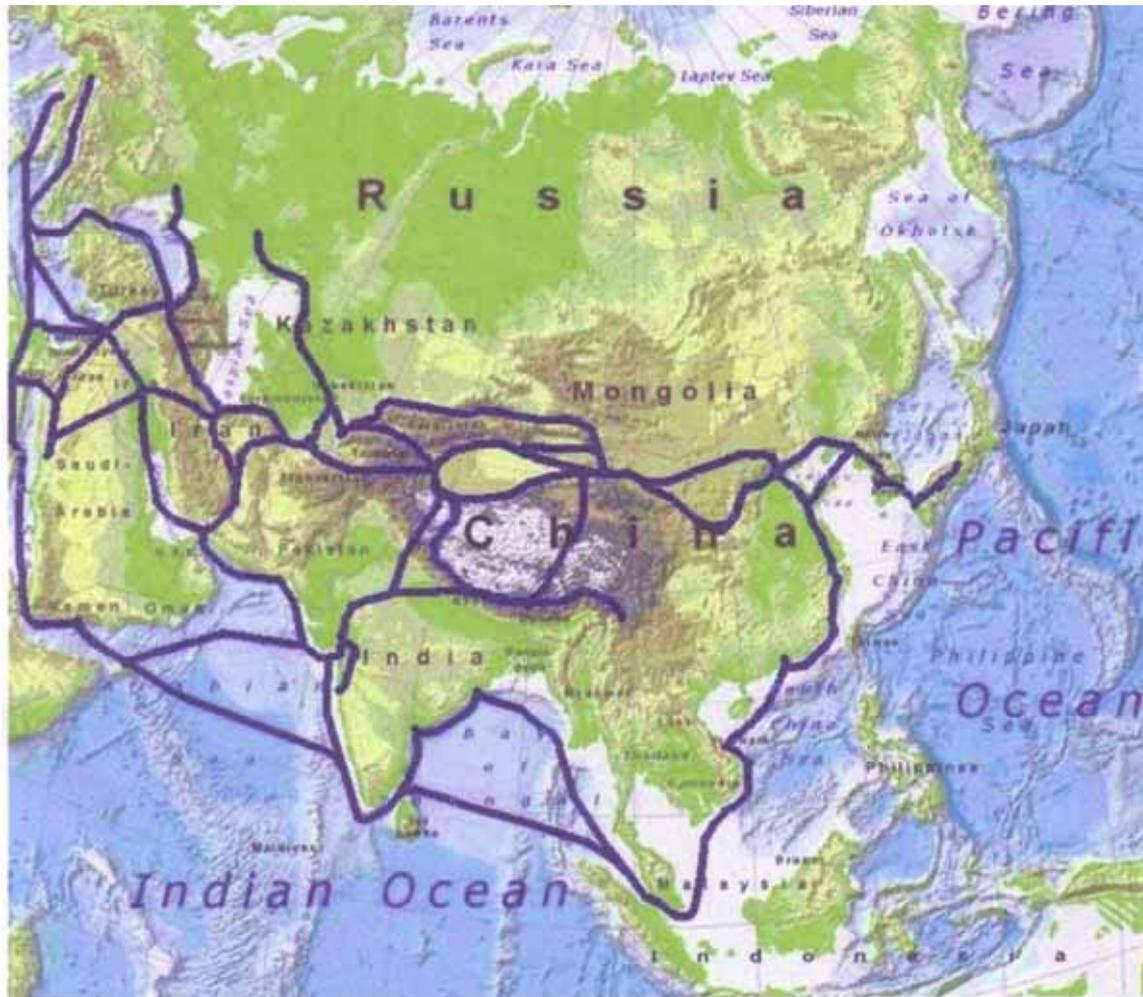
Maps D & E: Boundaries of the Kushan Empire



The Indus coastal harbor of Barbarikon—some sixty km from Karachi—served as a route from the Arabian Sea into what is now Pakistan. Cross-continental trade between Rome, the Kushans and China was carried along this route.

Maps A, B and C show the resemblance between the Kushan Empire territory and the GCAP trade regions, with transportation corridors largely running through the coastal regions of what is now modern Pakistan.

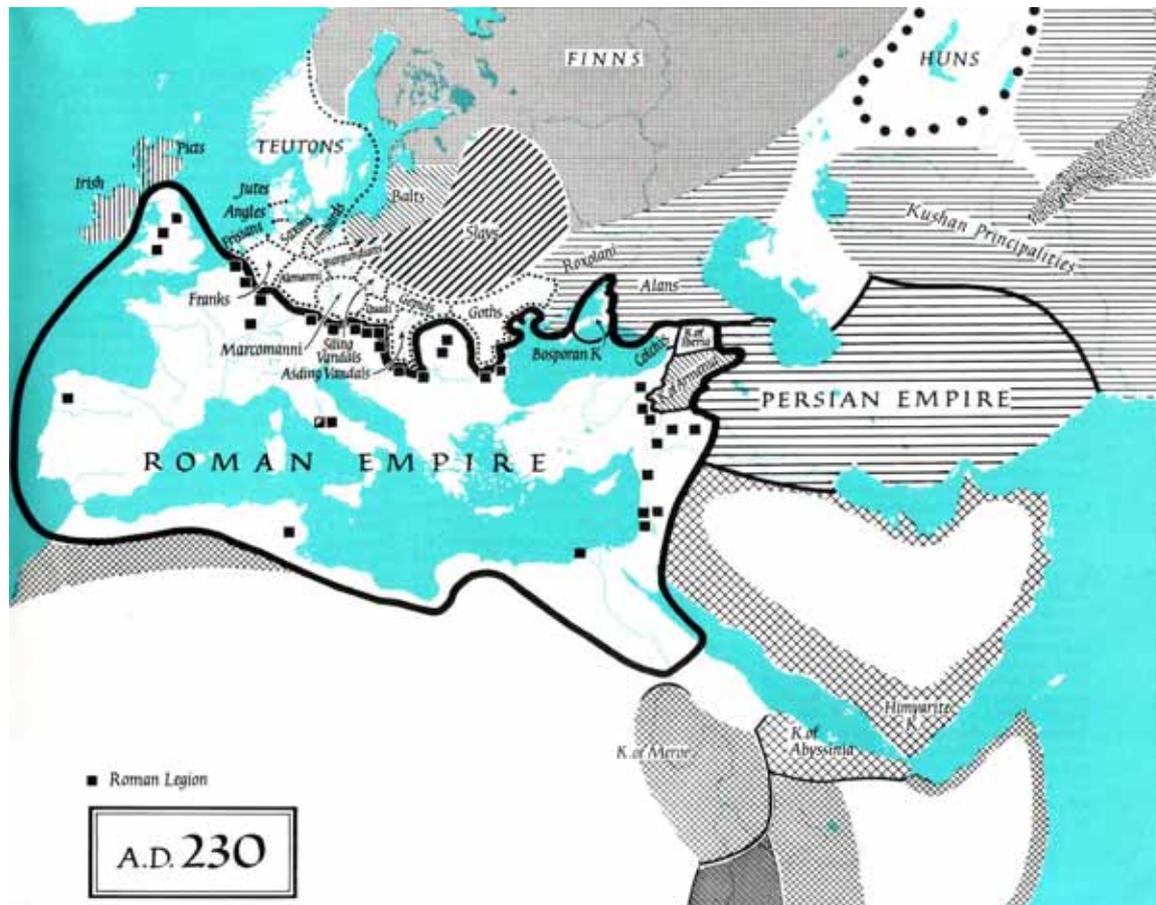
Map F.



<http://en.wikipedia.org/wiki/Image:Silkroutes.jpg>

Contrary to the conclusions of the 1968 Dushanbe Conference on the ‘Kushan Period’ that examined India-Central Asia commercial and cultural interactions,⁸ the name “India” referred to regions of modern Pakistan whence Kushan commercial and cultural influences (in the form of Hellenistic Gandharan arts) extended to Bharat.

⁸Cited by Ahmar, Moonis, “India and its Role in the New Central Asia,” *Pakistan Horizon*, vol. 45, no.3, July 1992, p. 59, from Khilnani, Niranjan M., *Realities of Indian Foreign Policy* (New Delhi: ABC Publishing House, 1984), pp. 167-168.

Map G.⁹

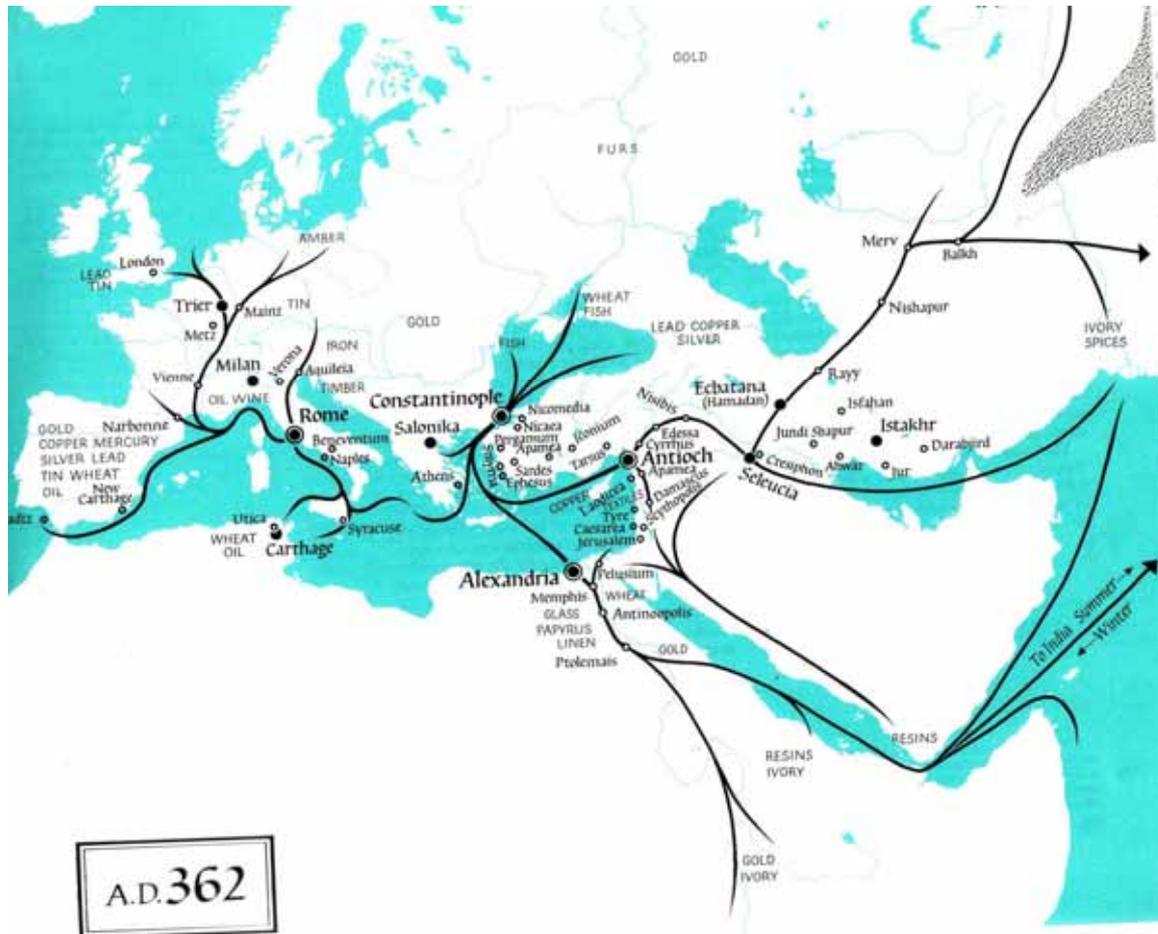
Thus, the GCAP proposal of regional partnerships resembles the trade patterns under the Kushans with their gold and silver currencies.

Moreover, transportation corridors used by the Kushans strikingly resemble trade routes currently planned by the Pakistan government. Modern technology has facilitated connections between Pakistan national highways, railways, and the port facilities of Karachi, Port Qasim and Gwadar. Newly planned roads include connecting points with Afghanistan at various junctions, among them Jalalabad, the Wakhan border, and Western China through the northern Karakoram Highway. Chinese roads connected to Kyrgyzstan and Kazakhstan provide a North-South alternative transit route (see map 1). Under a \$200 million contract, China will refurbish the Karakoram highway with five to six bridges, making it a year-round

⁹ Source: McEvedy, Colin, *The Penguin Atlas of Ancient History*, Penguin Books, 1988.

weather-fair road.¹⁰ Pakistani transit routes connecting to India already exist, but their effectiveness largely depends upon long-term transit-related negotiations between the two countries.

Map H.¹¹



The Geography, Politics and Economics of Transit Routes:

Pakistan's location allows it to provide convenient and modern rail and roadways with relatively short distances. Table 1 provides a comparative overview of distances between Islamabad and Karachi, the capital cities of Central Asia, and Soviet-era Russian port facilities.

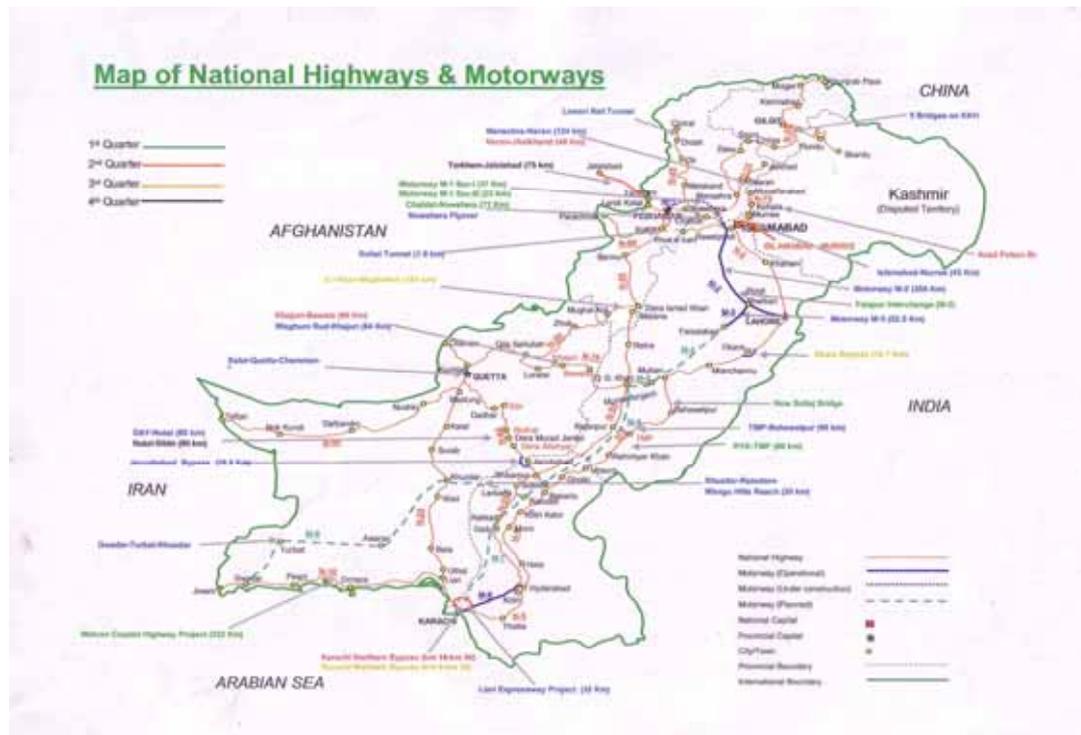
¹⁰ Conversations at the Ministry of Communications, Government of Pakistan, Islamabad, February 27, 2006.

¹¹ Source: McEvedy, Colin, *The Penguin Atlas of Ancient History*, Penguin Books, 1988.

Table 1: Distances Between Destinations in Pakistan, Russia and Central Asia¹²

From	To	Distance	From	To	Distance
Islamabad	Tashkent	800 km	Karachi	Dushanbe	2720 km
Islamabad	Dushanbe	640 km	Abadan	Dushanbe	3200 km
Islamabad	Alma Ata	1040 km	Bandar Abbas	Dushanbe	3440 km
Islamabad	Bishkek	960 km	Odessa	Dushanbe	3400 km
Tashkent	Chaman	1292 km	Vladivostok	Dushanbe	9500 km
Karachi	Lahore	1292 km	Gwadar	Karachi	489 km

Map I³



Pakistan expressed interest in being a major transit-route corridor for Central Asian states at the time of their independence in the 1990s. In 1995, the Pakistani government estimated distances to prospective port facilities and considered constructing more ports, in addition to Karachi and Port Qasim.

¹² Table prepared from the article by Shameem Akhtar, "Strategic Significance of Central Asia", *Pakistan Horizon*, Vol.45, No.3, July 1992, pp.29-56. Routes remain same since this publication.

¹³ Source: Ministry of Communications, Government of Pakistan, Islamabad, 2006.

The new Gwadar deep-sea port on the Baluchistan coast and the highways connecting it to Afghanistan reduce the distances of Pakistan-Central Asia traffic by about 500 km. During a summer 2005 visit to the United States, Afghan President Hamid Karzai, in a speech at the Central Asia-Caucasus Institute, emphasized the 32 hour-long travel time by road from Karachi to Tashkent via Afghanistan. The distance between Karachi to Chaman is relatively longer than traveling from Chaman to Dushanbe via Afghanistan; the Gwadar port reduces travel time from five to ten hours, depending upon where the journey started.

The value of Afghanistan-Pakistan trade from 2004 to 2006 has fluctuated between \$1 to 2 billion.¹⁴ According to officials at Pakistan's Ministry of Foreign Affairs, "By early 2006, the Afghan-Pak trade has already reached US\$1.2 billion as contrasted to the \$3 million trade between India and Pakistan."¹⁵ Pakistan shares a border of approximately 2500 km with Afghanistan and offers it key trade facilities. Trade volume between Afghanistan and Pakistan has continued to rise, despite some disagreements over tariffs on electrical supplies from Dubai, which is often smuggled back to Pakistan. Afghan government officials have complained about the length of time needed to clear cargo at Karachi and Port Qasim, yet recent port modernization and reformed customs rules and technology have reduced delays from twelve to four days.

Recent reports indicate that the value of trade between India and Pakistan may soon reach \$1 billion¹⁶, while Pakistan-Central Asian trade volumes remain similar to those of the mid-1990s. India-Afghanistan trade, much of it reconstruction assistance, moves through Pakistan on Afghani/Pakistani vehicles traveling between Karachi and Kabul. Direct transit for India through Pakistan is part of the compound package of confidence-building measures tied to the détente process between these two countries. Progress has been achieved, although far less than would be desirable.

¹⁴ "Trade with Kabul to rise to \$1 bn," Daily Dawn (Karachi), January 19, 2004.

¹⁵ Personal meetings with top officials at the Ministry of Foreign Affairs, Government of Pakistan, Islamabad, February 28, 2006.

¹⁶ "India Pakistan trade on the rise," Daily Dawn (Karachi), March 20, 2006.

Trade between Pakistan and the Central Asian states will likely increase thanks to new bilateral agreements on commercial mechanisms, and as transit security in Afghanistan is improved. Tajikistan, Afghanistan and Pakistan have agreed to construct jointly a key 20 km-long road through Wakhan border to facilitate trilateral trade; parallel to the road will be an electricity transmission line that will allow Pakistan to import electricity from Tajikistan, with the further possibility of exporting it to India.¹⁷ Pakistan has also welcomed President Karzai's suggestion that electricity bound for Pakistan could be routed through Kabul, as opposed to traversing the remote Wakhan border route.

Pakistan's initiatives over the past seven years have improved its relations with the Central Asian states. Pakistan and Uzbekistan signed an extradition treaty in January 2002, and the Pakistani government waived a \$10 million loan to Kyrgyzstan. The Almaty-Karachi road via the Karakoram Mountains (the Almaty-Bishkek-Kashgar-Karakoram-Islamabad-Karachi network) is functioning, although it transports a low volume of trade; trade volume will likely grow once the construction of the Gwadar port is complete. The development of Gwadar will open new opportunities for foreign direct investment in both Central and Southwest Asia. The Pakistani government has reservations about Tajikistan's decision to lease a military airbase to India, yet the Tajik government seems attentive to Pakistani concerns.¹⁸ Other promising developments include the positive tone of Uzbek President Islam Karimov's May 2005 visit to Pakistan, and the revival of plans for a Turkmenistan-Afghanistan-Pakistan gas pipeline after Turkmenistan certified the size of the reserves in the Daulatabad gas fields.¹⁹ Besides the historic ethnocultural relationship—the majority of the Pakistani people and their culture trace to the Ferghana and Zarafshan valleys of Central Asia — most Central Asian governments now acknowledge Pakistan's importance as a southern transit route, providing an outlet for their landlocked economies.

Pakistan has an edge over other transit routes because it offers three major seaports along the Arabian Sea. The planned Iranian port of Chahbahar at

¹⁷ Meetings at the Ministry of Foreign Affairs, Islamabad, February 28, 2006.

¹⁸ Meetings at the Ministry of Foreign Affairs, Islamabad, February 27, 2006.

¹⁹ *Ibid.*

the mouth of the Persian Gulf is only 200 km away from Gwadar and is being built with Indian assistance. But Chabahar will not be directly competitive with Gwadar for two reasons. First, Chabahar's scope will be limited since it is near the Strait of Hormuz and is constrained by the relatively shallow waters of the Persian Gulf. Second, regional commerce may grow to the point that existing port facilities may no longer be sufficient. Once the GCAP-proposed southern routes are developed, the construction of additional ports may be necessary, and these will likely be in Pakistan.

Let us now turn to the Pakistani government's plans to build rail and road networks to channel Central Asian traffic through Pakistan's national highways and to connect Afghanistan, Tajikistan, Kyrgyzstan and eastern Kazakhstan via the Karakoram mountains through the western China road network. The proposed gas pipeline from Turkmenistan to Pakistan via Afghanistan will also be considered in greater detail.

Rail and Road Network

Although the Karakoram Highway and Pakistan's national highway system already constitute an important North-South transit corridor, new internal bypasses, motorways and expressways that will facilitate Central Asian trade are now under construction or have been completed. Map 1 shows these routes. Pakistani officials believe that the addressing of underdevelopment, poverty and instability within Pakistan and nearby regions requires a formal network of commercial communication; official Pakistani investments in the transit sector reflect this concern. Table 2 provides an overview of planned rail and road infrastructure that will aid Central Asian trade. Pakistani roads carry 89 percent of the country's passenger traffic and 96 percent of all inbound and outbound freight traffic. This reliance has made the development of road infrastructure a top priority. N-5, the main national highway, connects Karachi in the south with Torkham at the Afghan border in the north; an additional Torkham-Jalalabad link with Afghanistan is nearing completion.

Table 2: Road Infrastructure in Pakistan

Roads	Purpose	From	To	Size	Bridges/Tunnels	Status
N-35 <u>Karakoram Highway</u>	Weather-fair year-long	<u>Gilgit</u>	<u>Khunirab Pass/Chinese Karakoram</u>	Not Available	5 to 6 bridges	Existing. Weather-fair. Cosigned with China
Motorway	Internal connection	<u>Manshera</u>	<u>Naran</u>	124 km	No	Operational
N-15	National Highway	<u>Naran</u>	<u>Jhokhand</u>	48 km	No	Operational
N-75	National Highway	<u>Islamabad</u>	<u>Murree</u>	43 km	Yes, at <u>Azad Pattan</u>	Operational
M-1 Sec. I	Motorway	<u>Manshera</u>	<u>Nowshera</u>	37 km	No	Planned
M-1 Sec. III	Motorway	<u>Manshera</u>	<u>Rawalpindi</u>	23 km	No	Planned
N-80	National Highway	<u>Chalbat</u> <u>Nowshera Flyover</u>	<u>Nowshera</u>	71 km	No	Operational
M-2	Motorway	<u>Kohat</u>	<u>Bannu</u>	1.9 km	Tunnel	Operational
M-3	Motorway	<u>Rawalpindi</u>	<u>Lahore</u>	359 km	No. <u>Faizpur Interchange</u>	Operational
M-5 & M-6	Motorways	<u>Lahore</u>	<u>Faisalabad</u>	52.5 km	No	Operational
M-8	Motorway	<u>Faisalabad</u>	<u>Karachi via D.I.G. Khan</u>	Unknown	Maybe	Planned
M-8	Motorway	<u>Gawadar-Turbat</u>	<u>Khuzdar</u>	Unknown	Maybe	Planned
M-8	Motorway	<u>Khuzdar</u>	<u>Ratodero-Wangu hills Reach</u>	35 km	No	Planned
N-10	National Highway	<u>Karachi</u>	<u>Gawadar-Giwani</u>	500+ km	Maybe	Operational

(Table prepared from the Ministry of Communication, Islamabad Map, 2006. The author apologizes for inadvertent discrepancies in his interpretation of the map.)

The second North-South corridor in Pakistan, the Indus Highway, has been updated to meet international standards; it is expected that the entire highway will have been revamped by 2008. These highways, together with new roads, the Karachi-Gwadar highway, and other connecting routes in north-central Pakistan, have reduced the overall distance for Afghanistan and Central Asian trade from Pakistan by 500 km.²⁰

Additional Roads

Direct rail and roads from Gwadar to Chaman are being planned with assistance from the Asian Development Bank (ADB); while the new port at Gwadar is already linked with Chaman via the coastal highway (N-10) and ECO Highway (N-25). Additional roads are being planned, along with the upgrade of the road from Gwadar Basima and Sorab, via Hoshab, Panjur, and Nag, at a total investment of \$59 million. Construction of a new road to Pangur and beyond is a priority in order to facilitate trade with Afghanistan and Central Asia.²¹

The Liari-Gwadar road has been completed, and the Gwadar-Jiwani-Gabad road that will facilitate trade with Iran should be completed by 2009. It is reported that 57 percent of the Gwadar-Hoshab project is already completed with the rest to be finished by 2007. In addition, the Basima-Khuzdar road will be done by 2009, and 60 percent of the Khori-Wangu project has been completed; the remaining portion from Qubo Saeed Khan to the Wangu hills is expected to be finished within three years. The Qalat-Quetta-Chamman road contract has been awarded along with an ADB financial package, and the road is expected to complete within three years.²²

The Pakistan North Western Railways network that serves the region from Karachi to Peshawar and points in between is being modernized thanks to an

²⁰ "Trade and Transport Facilitation in Pakistan: Prospects for Increasing Trade Volume," brief by the Ministry of Shipping and Ports, Government of Pakistan, Islamabad, February 27, 2006 (hereafter "Trade and Transport Facilitation in Pakistan").

²¹ "Gwadar link roads to cost Rs. 35bn: PM," *Daily News* (Islamabad), March 21, 2006.

²² *Ibid.*

agreement with China. The ADB has offered to assist the construction of a Gwadar-Chaman rail line that will extend to Kandahar, Kabul and Herat, with additional extensions to the north and west. This will allow travel to Daulatabad/Ashkgabat in Turkmenistan, Termez in Uzbekistan, and to Tajik Badakhshan via in-country railway connections.

The Pakistani road network is to be completed in the next three years with additional planned rail and road infrastructure to be completed over the coming decade. Pakistan is revitalizing its national highways with two-way double traffic lines; approximately 87 percent of this revitalization is now complete. The traffic on Pakistani national highways has almost doubled since the independence of the Central Asian states and the start of reconstruction in Afghanistan. This increase has generated a need for improvements and repairs to Pakistan's domestic rail and road network. In addition, China and Pakistan are exploring the possibility of developing a rail line and an oil pipeline from Gwadar north to the Karakoram mountain region on the border with Xinjiang.

The Gwadar Deep-Sea Port

Continuing instability in the Persian Gulf has led the ADB to consider the strategically located port of Gwadar as an alternative to Persian Gulf ports.²³ Despite having been refurbished to accommodate large cargos, the existing Pakistani ports of Karachi and Port Qasim were found unattractive due to their distance from main highways and shipping routes and their limitations in handling large mother ships and oil tankers. The construction of the Gwadar deep-sea port is therefore an important component of Pakistan's overall initiative to facilitate trade with the landlocked states of Central Asia.

Gwadar is near the mouth of the Persian Gulf, about 489 km from Karachi. Plans to develop the Gwadar port were initiated in the early 1990s, and the first phase of construction began in 2002 with Chinese assistance. In the early 1980s, during the Soviet-Afghan war, the United States also expressed

²³ "Gwadar," Board of Investment (BIO), Government of Pakistan, accessed November 15, 2004 via http://www.pakboi.gov.pkNews_event/Gwadar.html.

interest in helping to develop the Gwadar port facilities, but U.S. interest waned soon after the Geneva Agreement on Afghanistan was signed in 1985. The collapse of the Soviet Union, the growing importance of the Central Asian states and China's rising need for energy from the Persian Gulf all played a role in Beijing's decision to assist Pakistan with this initiative.

The first phase of construction cost \$248 million, with \$198 million coming from China and \$50 million from Pakistan. This phase included three multipurpose berths of 200 meters each with 350 meters backup area and related ancillary facilities; a 5 km Approach Channel dredged to accommodate vessels up to 30,000 dwt [deadweight tonnage] and with up to 11.5 meters of draft, as well as cargo handling equipment and operational craft.²⁴ The second phase, estimated to cost \$524 million, will add seven 300-meter berths and two oil piers to accommodate oil tankers up to 200,000 dwt, bulk carriers up to 100,000 dwt, general cargo vessels up to 100,000 dwt, and fourth generation container ships drawing 15.6 to 20 meters draft. The Phase One construction plans were revised in February 2005 to add an additional \$39.8 million to dredge the port channel to 14.5 meters, which will help accommodate mother ships used for transshipment. This dredging has been scheduled to be complete by the end of 2006.²⁵

The first phase of construction at Gwadar was completed ahead of schedule in November 2005. But inauguration of the first phase development was postponed following terrorist attacks in Baluchistan. These attacks were allegedly carried out by forces opposed to stability in Afghanistan and to alternative transportation routes for Central Asia. In spite of this setback, second phase construction is underway, and the inauguration of the first phase work will likely occur in 2007. In January 2007, the government of Pakistan invited all foreign ambassadors and heads of international financial institutions for a good will trip to the completed Gwadar port facilities. In addition to port construction, planned civilian structures will transform Gwadar into a modern port city capable of attracting foreign investment. Oman is planning to invest approximately \$100 million in the city's

²⁴ "A Brief on Gwadar Port Project," Ministry of Shipping and Ports, Government of Pakistan, Islamabad, February 27, 2006.

²⁵ *Ibid.*

infrastructure and several Polish companies have expressed interest in performing the required engineering work.²⁶

The coastal highways connecting Port Qasim and Karachi to Gwadar are complete, and the ADB is providing assistance to construct road and rail networks from Gwadar to Chaman, with links to the Afghan cities of Kandahar, Herat and Kabul. These links will in turn connect to border posts in Iran, Tajikistan, Turkmenistan and Uzbekistan, and will eventually extend to Europe via Turkmenistan and Turkey. Approximately 97 percent of Pakistani imports and exports pass through Karachi and Port Qasim. The new Gwadar deep-sea port will serve the specific needs of Central Asian trade, in addition to being a regional transit and transshipment hub.²⁷

The Gwadar port was recently leased to Singapore Port Authority for operations, and the Pakistani government is pursuing reforms to streamline and secure the import-export process. A 40-year agreement between the Gwadar Port Authority (GPA) and the Concession Holding Company (CHC) — a subsidiary of the Singapore Port Authority was signed in January 2007 for operating and managing the port. The road network supporting Gwadar is being developed in accordance with the Asian Highway Network Agreement, ECO's Decade Program of Action on Transport and Communication, and ECO's Transit Transport Framework Agreement on the development of the New Silk Route linking China with Europe.²⁸ The Pakistani customs administration has undergone massive reforms to ensure transparency and provide a user-friendly automated clearance system that will reduce the time needed to clear goods. Tariffs at Gwadar will be as low as 5 percent on raw materials and foreign-made machinery. These reforms have been initiated under bilateral agreements with Iran, Turkey and China. Under the new rules, most cargo will be cleared in four days, instead of the usual 12 or more days. In addition, the

²⁶ "Polish Companies Interested in Gwadar Development," *Pak Tribune*, accessed November 15, 2004 via <http://www.paktribune.co./news/print.php?id=61615&PHPSESSID=56818006188776b>

²⁷ "Trade and Transport Facilitation in Pakistan".

²⁸ Ibid.

Code of International Ship and Port Facility Security of the International Maritime Organization has been implemented by the Pakistani ministry responsible for ports and shipping, and the UN-sponsored Customs Trade Partnership against Terrorism has been voluntarily applied. The Pakistani National Logistic Cell will install container scanners at all border crossings, under the Container Security Initiative of the United States Department of Homeland Security.

Regional Trade Forecast

Pakistan's sea-borne trade in 2000 was 42 million tons. This is expected to rise to 78 million tons by 2015. Future trade estimates envisage substantial cargo from China, the Central Asian states, and Afghanistan. Gwadar will be the closest and most viable port for western China, Kyrgyzstan, eastern Kazakhstan and central Russia and Mongolia. This will be possible by using the Karakoram Highway, Indus Highway, and proposed linkages through Ratodero, Khuzdar, and Khairpur to Dadu, as well as links to Uzbekistan, Tajikistan and eastern Turkmenistan via Afghanistan. Table 3 displays estimated cargo figures for Gwadar.

The value of Pakistani trade has grown considerably. Exports have increased from \$8 billion to over \$14 billion in the past five years. Pakistan-Afghanistan trade has increased five-fold, and trade between India and Pakistan is experiencing similar growth.²⁹ Among Pakistani exports, cotton and textiles are prominent.³⁰ Pakistan's economic interaction with Central Asia remains minimal, and is limited to certain minerals, leather products, banking, services, training, and hotels. But projected energy transit and land-to-sea trade through Pakistani infrastructure will likely increase revenue from transit fees and tariffs in the upcoming years. Revenue estimates based on the gradual development of trade are about \$1,000,000 per year, with Afghanistan benefiting from transit fees. Pakistani officials hope that new

²⁹ Conversations at the Ministry of Commerce, Government of Pakistan, Islamabad, February 27, 2006.

³⁰ "Monetary Policy Implications for Trade," a document published by the Ministry of Commerce, Government of Pakistan, Islamabad, 2006. Also discussed in conversations with high officials at the ministry.

projects to expand trade between Afghanistan, Pakistan and Central Asia will further boost state revenue.

Table 3: Estimated Cargo Trade Volume³¹

Description	Year		
	2005	2010	2015
Dry Cargo (million tons)	3.96	4.74	5.77
Liquid Cargo (million tons)	16.62	17.74	18.77
Container (1000 TEU*)	200	241	295
Trans-shipment (1000 TEU)	200	250	300

**Twenty-foot equivalent units*

Cross-Continental Trade

It is too early to estimate Central Asia's future continental trade, but feasible transit routes and uniform tariff policy between Central and South Asia, including Afghanistan, create the potential for increased continental trade in energy, cotton, textiles, minerals and other goods. Previous regional initiatives to expand continental trade have not been successful. However, the Central Asia Regional Economic Cooperation (CAREC), a multilateral network of national and international institutions, can help integrate the Central Asian countries into the international trading system. According to an ADB report, alternative transit routes through Southwest Asia, together with "reciprocal trade liberalization under regional trade agreements, can help liberalize trade policy at relatively low costs, reduce the risks of protectionist measures by trading partners, create new trade, and improve social welfare."³² Yet the report warns that integrating the countries of Central Asia into the world economy without a regional trade agreement could divert existing trade and harm social welfare. Sound trade policy is therefore key, since "...improvements in transport infrastructure and transit

³¹ Source: Ministry of Ports and Shipping, Government of Pakistan, 2006.

³² Asian Development Bank (ADB), Central Asia: Increasing Gains from Trade Through Regional Cooperation in Trade Policy, Transport and Customs Transit (Manila: Asian Development Bank, 2006), p. ix.

systems in neighboring countries will do little to integrate a Central Asian country into the international trading system if its trade policy remains restrictive. If combined, however, regional cooperation in trade policy, transport, and customs transit can make a major contribution to the expansion of trade....”³³ The North-South alternative routes through Pakistan and Iran via Afghanistan, and through China and the Karakoram region of Pakistan, are being planned within this context.

The modest impact of Kyrgyzstan’s relatively speedy economic liberalization and its membership in the World Trade Organization (WTO) demonstrates that without alternative routes of transportation, continental trade is impossible. Access to transit routes cannot alone guarantee appreciable trade growth, and neither regional nor continental trade can develop without a region-wide standardized tariff policy. Central Asia’s ability to trade energy, minerals, agriculture and textiles with distant countries will depend upon the development of regionally integrated trade policies, and access to major seaports.

Recent increases in Central Asian exports in crude oil, metals and cotton fiber are a result of increased world prices, not growth of trade. Indeed, an ADB report agrees that barriers that delay transit, impede transit systems, and increase transport distances for Central Asian states and their trading partners, coupled with the lack of a regional trade policy, are creating unnecessary costs and delays.³⁴ It is believed that regional trade agreements and Pakistan’s revitalized transport infrastructure via Afghanistan and the Karakoram region can boost the chances of WTO membership for Central Asian states.

Table 4 shows the value of Central Asian exports. A list of commodities traded is provided in the reference.³⁵

³³ Ibid.

³⁴ Ibid.

³⁵ Merchandise commodities include animal and animal products, vegetable products, animal or vegetable fats, prepared foodstuff (including alcohol and non-alcohol beverages, tobacco, and substitutes), mineral products (including energy resources), plastics and rubber, chemical products (including pharmaceuticals, fertilizers, perfume, and detergents), hides and skins, wood and wood products, textile and textile articles,

Table 4: Merchandise Exports of Central Asian Republics, 1999-2004 (Millions \$)³⁶

	1999	2000	2001	2002	2003	2004
Azerbaijan	929.7	1,745.2	2314.2	2,167.4	2592.0	3,614.3
Kazakhstan	5,871.6	8812.2	8639.1	9709.0	12,926.7	20,096.2
Kyrgyzstan	453.8	504.5	476.2	485.5	581.7	718.8
Tajikistan	688.7	784.3	651.5	736.9	797.2	914.9
Uzbekistan	2,927.8	2,815.6	2,803.5	2,513.5	3,190.1	4,279.4

Table 5: Merchandise Imports of the Central Asian Republics, 1999-2004 (Millions \$)³⁷

	1999	2000	2001	2002	2003	2004
Azerbaijan	1,035.9	1,172.1	1,431.1	1,665.3	2,626.2	3,504.3
Kazakhstan	3,665.1	5,040.0	6,446.0	6,584.0	8,408.9	12,781.2
Kyrgyzstan	599.7	554.1	467.2	586.8	717.0	941.0
Tajikistan	663.1	675.0	687.5	720.5	880.8	1,375.2
Uzbekistan	2,841.0	2,696.5	2,814.7	2,425.8	2,663.4	3,391.5

Possible Pakistan-Central Asia Cotton and Textile Cartel

Pakistan and Central Asia are major cotton producers and officials have suggested that both regions would benefit by initiating joint projects in cotton and textiles. Facilitating transportation inside Pakistan and

footwear and headgear, articles of stone, plaster, cement, and asbestos, pearls, precious or semi-precious stones, and metals, base metals and articles thereof, machinery, mechanical appliances, and electrical equipment, transportation equipment, instruments (both measuring and musical), arms and ammunition, miscellaneous manufactured articles, works of art and other materials (list drawn from the ADB report).

³⁶ Source: Central Asia: Increasing Gains from Trade Through Regional Cooperation in Trade Policy, Transport and Customs Transit (Manila: Asian Development Bank, 2006), p.97

³⁷ Source: Central Asia: Increasing Gains from Trade Through Regional Cooperation in Trade Policy, Transport and Customs Transit (Manila: Asian Development Bank, 2006) p. 98,

Afghanistan may eventually encourage Pakistan, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan to establish a world cotton cartel, either bilaterally or under ECO or all other frameworks.³⁸ The cartel would be based in the port city of Karachi with satellite offices in regional capitals, and would likely increase regional and cross-continental trade volumes. India could also join the cartel at a later stage, after the India-Pakistan détente leads to agreements on transit. A cotton and textile cartel could expand regional trade by billions of dollars, generating economic cooperation in other mutually beneficial areas, such as natural gas and oil, minerals, jewelry, hydroelectric power, education and institutional cooperation, software technology, regional agriculture, and tourism. Indeed a cotton cartel and related developments could become a cornerstone of the Central Asian prosperity.

Impediments

The major impediment to continental trade is the tense relationships between India and Pakistan and between Afghanistan and Pakistan. The end of the Soviet era and independence of the Central Asian states led to speculation that the new regional geopolitics would lead India and Pakistan to resolve their differences. But the gradually developing India-Pakistan détente needs time to mature before fundamental differences over Kashmir, Sir Creek and other issues can be resolved.

Despite increased trade and tourism, security concerns persist in both India-Pakistan and Pakistan-Afghanistan relations. Some factions in Afghanistan appear to support the insurgency in Baluchistan, and tensions between India and Pakistan persist. Several military training camps in Baluchistan—allegedly supported by the Indian consulates in Kandahar, Jalalabad and Zahidan—have been found and are being destroyed by the Pakistani Frontier Corps. Indian financial support of Sindhi and other anti-Pakistan groups based overseas is a major concern for Pakistan. Operating under the auspices of human rights and social organizations, these groups have spread propaganda hostile to Pakistan in the United States, Canada and the United

³⁸ Conversations at the Ministry of Foreign Affairs in 1996 and in February 2006.

Kingdom, working to continue negative stereotypes that do not reflect the sociopolitical and cultural realities of contemporary Pakistan. Thus, despite official rhetoric and joint statements, mistrust between India-Pakistan and Afghanistan-Pakistan appears to be increasing.

To develop infrastructure adequately, the following points must be considered:

1. Delays in developing road and rail infrastructure in Afghanistan could hamper effective communication throughout the region, leading donor agencies and countries to emphasize, at least temporarily, immediately available alternative transit routes, most likely via the Karakoram Mountains, rather than through Afghanistan.
2. Officials in the United States have expressed an interest in Pakistan providing direct transit for Indian products destined for Afghanistan and Central Asia.³⁹ However, according to Pakistani officials, the lack of trust between India and Pakistan, and Pakistan's still-developing trade and communication infrastructure prevent direct transit for the time being. In time and with improved relations, however, India may be granted this access. Currently, Central Asian states have no problems with trade through the Karakoram Mountains using the rail and road communication infrastructure of western China. In the meantime, India must rely upon the indirect transit facilities provided by Pakistan. If such transit is to be improved, Afghanistan will have to recognize and address Pakistani concerns.⁴⁰
3. Many in India and the West attribute Pakistani interest in Afghanistan to strategic concerns. This may be true, but strategic issues are of concern to all of Pakistan's neighbors as well. Landlocked Afghanistan and the Central Asian countries are all dependent in part on Pakistan for access to world trade via maritime transport. Transit routes demand reciprocity in all key bilateral interests—geopolitical, economic, security and strategic — whether between Pakistan, Afghanistan and the states of Central Asia or China and India.

³⁹ Conversation with officials at the U.S. Department of Commerce, Washington, DC, January 2006.

⁴⁰ Conversations at the Ministry of Foreign Affairs, Islamabad, February 28, 2006.

4. Most South Asian states fear India, believing that its view of its role in the world is still based upon Lord Curzon's imperial worldview.⁴¹ It is still remembered that in the 1950s K.M. Pannikar argued that India's zone of influence should extend over the entire Indian Ocean and the surrounding regions. India's presence in the Indian Ocean could eventually lead to a conflict of interests with the United States and with regional powers. One of India's leading political groups, the Bharatiya Janata Party, considers Southeast Asia, rather than Central Asia as India's proper sphere of influence. But if Southeast Asia may have been within India's sphere of influence during ancient and medieval times, the economies of this region have recently strengthened considerably, rendering it difficult for India to find suitable markets there. India's long-term competition with China and Russia in Central Asia and the Caucasus might become problematic, since China and Russia are located within Eurasia, while India is reliant upon China and Pakistan for access to the Central Asian heartland.

5. The Chinese government has reportedly been hesitant to grant Pakistan trade transit rights through Kashgar. India has the same problem with respect to both China and Pakistan. India, China, Russia, and Turkey are active in long-distance continental trade with the European Union (EU) and the United States. China and Russia both enjoy a favorable geographical location for trade with Central Asia, while India's lack of direct access to the region makes it unlikely that it can compete with these two regional powers for economic and political influence there. Indian exports to the United States, Australia and the EU are likely to be restricted by quotas, and it will be difficult for India to find suitable markets in Southeast Asia. India may seek markets in Africa but will face competition from the United States, the EU, China and Russia. If China has been hesitant to allow Pakistan, a long-time friend, transit trade rights through Xinjiang, it is likely that India, a long-time foe of Pakistan and China, will have even more difficulty attaining such rights, even if it seeks membership in the Shanghai Cooperation Organization (SCO).

⁴¹ This worldview is thoroughly discussed the following work: Mohan, Raja, *Crossing the Rubicon: The Shaping of India's New Foreign Policy* (New Delhi: Penguin Books India, 2003).

Conclusions

The United States is trying to remove the various impediments to continental trade and has been advising both India and Pakistan in an effort to normalize relations between them.⁴² Yet the success of the peace process will depend upon the leadership in India and Pakistan. The United States government should propose reciprocal confidence building measures to both governments. The prevailing distrust between Afghanistan and Pakistan will demand similar attention. Central and South Asia's complex ethno-political situation complicates matters. Regional state-building processes must include means of fostering interethnic communication, in addition to measures to establish rule of law, civil society, and constitutionalism. This is also true for Pakistan. New transit routes via Pakistan and subsequent economic developments will help stabilize political processes throughout Central and South Asia; but for the time being balance between economic and political development has yet to be achieved. In Pakistan, a democratic federal administration would greatly advance this cause. The essential administrative structures are already in place. If these are effective, democratization will inevitably occur over the long term. It will be important to recognize the multi-generational nature of democratization; attempts to hasten the process will cause more harm than good. Contrary to common opinion, Central Asia is a relatively stable region, thanks mainly to the efforts of Central Asian countries themselves. They have solved the vast majority of boundary issues through bi-lateral negotiations.

The U.S. State Department's new Bureau of South and Central Asian Affairs can facilitate the realization of the Greater Central Asian concept of regional and continental trade, which is based on geopolitical realism and solid historical experience. Improved transportation infrastructures and the reopening of Central Asia's traditional southern communication routes are likely to encourage foreign direct investment, contributing to peace and stability in Afghanistan, Pakistan, and throughout the region. The United States can also offer new incentives to encourage bilateral and multilateral confidence-building measures among Central and South Asian countries.

⁴² Conversation at the U.S. Department of Commerce, Washington, DC, January 2006.

Region-wide corruption may cause problems in the short-term but a balanced economic and political development strategy will gradually overcome this problem, or at least keep it at manageable levels; the same development strategies can also curb terrorism. It is high time that Central and Southwest Asia's problems of underdevelopment are addressed. Alternative trade and transit routes through Pakistan could help pave the way toward region-wide integration and development.

The new transportation routes discussed here will likely forge new forms of regional interdependence, which will in turn, allow the major powers to balance their interests in Central and South Asia. Such interdependence will also help stabilize U.S.-China relations in the long term. Trade will therefore play a central role, just as it did in the region's long past, and can hasten economic and political stabilization throughout the region.

Tariff systems in Central Asia must correspond to those in the key transit countries, i.e. Afghanistan and Pakistan. Regional trade negotiations between Central Asian states must include Afghanistan and Pakistan, and all regional trade agreements must consider the tariff policies of SCO members and observers.

India's foreign policy must change over time to reflect its evolving relationship with the United States and the changing geopolitical realities in Central and Southwest Asia. It is understandable that India should want to tap into emerging Central and Southwest Asian markets, but restrictions on trade between regional powers can even today lead to unpredictable consequences.