

Economic perceptions of

The abrupt collapse of the Soviet Union in 1991 led to the emergence of a number of independent states in the Central Asia and consequently, triggered a wave of interest around the world. There was great speculation about how they would develop. Some analysts looked forward to a bright future, emancipated from Soviet yoke, in which these republics would be able to exploit for their own benefit the enormous natural resources, which they possess.

Pakistan has showed great keenness in exploiting new openings in Central Asia. Geopolitical proximity coupled with commonness of the religion, and commercial acumen, necessitated Pakistan to take a series of initiatives in Central Asia.

Overall Pakistan had very important economic interests in the region. Its economic priorities were clear: developing bilateral trade in raw materials and manufactured goods, opening up communications and contracting for regular power supplies.

The initial goal was to start up direct air flights between the various capitals of Central Asia and Pakistan. A longer-term goal was a projected highway and railway across Afghanistan to Pakistan, giving trade access to the Indian Ocean. Pakistan saw substantial benefits for its industrial growth in obtaining regular supplies of surplus power, through gas and electricity grid schemes or through *future oil supplies from Tajikistan, Turkmenistan, Kazakhstan and Uzbekistan.*

Pakistani entrepreneurs felt they had a great deal to offer in setting up or expanding banking and insurance as well as stock markets, joint-venture capital and import-exports, all sectors particularly poorly developed in Central Asia, and where training is badly needed. Here, however, Pakistani firms faced considerable competition from Turkey, India and other countries of Asia as well as from Europe and North America. Some goodwill for Pakistan, and interest in what it has to offer, may indeed exist, but there is also caution and a natural tendency in the Central Asian capitals to wait and see what other commercial offers are made.

The theme of economic cooperation between Pakistan and its Muslim neighbour states is hardly new. Speculation about the need for and potential benefits from an 'Islamic Common Market' dates back at least three decades. Pakistani government delegation was sent in December 1991 to the

Central Asian republics, paying short visits to each capital in turn. Sardar Asif Ali, Minister of State for Economic Affairs, led it. A high Pakistani priority was the building up of relations with Uzbekistan, as the biggest potential market and arguably the key republic in political terms for the future. Pakistan offered the country a revolving credit of \$30 million for purchase of Pakistani engineering goods, and assured the newly independent republic of 'full diplomatic support' in its attempts to obtain membership of the UN and the Organisation of Islamic Countries (OIC).

The opening in Tashkent of a branch of the National Bank of Pakistan in 1992 was the first operation by any foreign bank in Uzbekistan. In Pakistan's business circles, active pursuit of economic opportunities centred inevitably on Uzbekistan, helped by the start-up in 1992 of direct flights between Tashkent and Islamabad and Tashkent and Karachi by the two respective national airlines, PIA and Uzbekistan Hava Yollari (created out of Aeroflot in 1992).

As well as Pakistani tourists, many businessmen from Punjab, Karachi and the North West Frontier came to see things for themselves and investigate commercial openings. Then in April 1994, PIA widened its existing network in Central Asia by inaugurating flights to Ashkhabad and Baku from Karachi. These flights were expected to promote bilateral trade and tourism.

Among the early visitors was the chairman of the 'Forum of the Restoration of the Pakistan Economy', Abdul Razzak Rajwani, who visited Tashkent, Dushanbe and Baku in December 1991 to explore markets for Pakistani exports of textiles, garments and food-stuffs. He claimed there was indeed a big potential market. Many of the joint ventures announced were small-scale, but some larger operations were also set up. Pakistan was keen in marketing pharmaceuticals and cotton, and in tourism and other service sectors.

For Pakistani businessmen, Central Asia's cotton sector is an obvious attraction with prices of raw cotton remarkably low since the collapse of the Soviet Union. Turkmenistan,

Central Asia Khalid Khokhar *The Frontier Post*

Tajikistan and Uzbekistan produced raw cotton for the whole of the Soviet Union, but nearly all the processing was done in Russia and Ukraine. Now there is a natural ambition to industrialise. Pakistan offered to help in increasing the capacity for textiles and cotton yarn production.

Great potential is also said to exist for Pakistani firms wishing to export machinery for oil crushing and cotton ginning.

In Kazakhstan, there was an exchange of letters of intent to build a luxury hotel in Almaty and to set up a cellular telecommunications network. Pakistan's private entrepreneurs entered briskly into business with an agreement reportedly worth \$50 million to export food and consumer goods to Kazakhstan

experts was invited to establish new management systems in the government. The Institute of Management and Policy in Lahore agreed to train Tajiks in business studies, while in the commercial field, textile and telephone deals were made with Pakistani companies, together with an agreement to build a luxury hotel in Dushanbe.

Bilateral exchanges of youth delegations and students were also agreed.

Official visits between Pakistan and Central Asia mushroomed from early 1992. Nazarbayev paid a visit to Pakistan in February of that year; he signed a series of protocols for cooperation, with industrial deals and joint ventures proposed in Kazakhstan. Pakistan's Prime Minister,

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The Asian Development Bank (ADB) has announced about \$300 million financing for road projects, linking Pakistan's Balochistan and Frontier provinces to Afghanistan and the Central Asian republics (CARs). Trans-Asia gas pipeline (TAP) would develop a regional trading system, by facilitating trade through the Karachi port via coastal highway and through Gwadar port to Afghanistan and through Afghanistan to the CARs. Similarly, the Central Asians would find ways to transport goods and vast untapped energy resources to Pakistani ports and to the rest of the world

some from Pakistan. Training of Kazakh business managers in Pakistan was agreed with Almaty University.

A much lower degree of Pakistani activity took place in Turkmenistan and Kyrgyzstan, though trade credits were offered. It was in Tajikistan, the poorest of the five republics, that Pakistan made apparent progress, with a memorandum of understanding signed for mutual cooperation in many areas. Tajikistan's offer to supply Pakistan with hydroelectricity, through a power line across Afghan territory would, however, have to wait on peace and stability in Afghanistan.

Meanwhile, a team of Pakistani economic and fiscal

Nawaz Sharif, himself made a formal tour of Central Asian capitals in June 1992. Uzbekistan was one of the main focuses of attention. In a letter to Karimov the previous year, Sharif had stressed 'the strong bonds of culture, history, religion and tradition that have existed between Pakistan and Uzbekistan'. Talks were held in Tashkent between Sharif and Karimov, but little real warmth or trust was generated. In a series of speeches and statements Karimov continued to claim that both Pakistan and Afghanistan were providing military instructors for training Tajik rebels fighting in Tajikistan against the regime backed by troops supplied by

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This suspicion may have been a deciding factor in Karimov's decision not to offer Pakistan participation in development of new oil and gas reserves in Uzbekistan. Pakistan had shown great interest in becoming involved in oil and gas production, but these hopes were dashed in February 1993, when a bilateral protocol for oil and gas development in Uzbekistan was signed instead with Ukraine. The Ukrainian premier Leonid Kuchma stated that Karimov himself had told him that the oil and gas protocol had been originally intended for Pakistan.

Pakistan had initially placed considerable hopes on cooperation with Tajikistan, although the civil war which developed there from the second half of 1992 placed in doubt virtually every project. A Tajik delegation led by I. Daulatom, Minister for Finance and Economic Affairs, had visited Pakistan in April 1992, and signed a fixed-price contract to supply Pakistan from 1997 with 1,000 megawatt of electricity for a 30-year period, via Afghanistan.

In return Pakistan would over five years provide goods to a value of \$500 million, some of which would be utilised to complete a partly constructed 300-megawatt dam close to Dushanbe. Tajikistan expressed interest in importing drugs and commissioning a cement plant, also requesting Pakistani banks to set up branches in Dushanbe. The government pledged that any Pakistani bank willing to establish itself in the republic would be

allowed to buy up to 50 per cent of shares in Tajikistan's foreign trade bank, and also be invited to rename the street in which the bank was to be located after a Pakistani city.

Meanwhile, Dushanbe was twinned with Lahore, and a 'Pakistan-Tajik friendship society' was started in 1992. Then, in May 1994, Pakistan signed an agreement with Turkmenistan to train a batch of new cadets for Turkmenistan's Air force. This development in a sensitive area of state policy was the first move to lessen the long-standing monopoly of Russia in providing military training.

By mid-1994 there were some obvious setbacks to Pakistan's early ambitions of rapidly becoming a major play-

er in regional trade and relations. Improving land communications to and from Central Asia depended upon peace and stability in Afghanis, but with fighting raging in Kabul and some other regions of Afghanistan, construction of a railway and upgrading the existing highway proved impossible. Moreover, the scale of participation by Pakistani private business firms in the Central Asian region was disappointing, with numerous projected schemes languishing for lack of funding.

Despite Pakistan's current under-involvement in CARS; these countries offer great opportunities, which if availed would help in consolidating Pakistan's short and long-term foreign policy goals in this region. The government of Pakistan is making an effort to create the right kind of atmosphere for companies to enter the market. It has been striving to improve the connectivity.

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The programme would help prepare an integrated road development project, comprising a policy and investment programme, in Balochistan and the NWFP that would also improve growth rate, reduce poverty, promote intra-regional cooperation, and its suitability for external financing. For Pakistan, economic cooperation is possible through joint ventures in banking, insurance, agriculture, information technology, and the pharmaceutical industry. Certain Pakistani commodities, for example, tea and drugs, pharmaceuticals and fine chemicals have established a foothold in the Central Asian market. Pakistan has to strive hard to increase its exports to Central Asia in order to maximise mutual benefits through bilateral trade cooperation.