

PAKISTAN'S TRADE OPPORTUNITIES AND CHALLENGES WITH CARS: KAZAKHSTAN AND TURKMENISTAN IN PERSPECTIVE

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Abstract

Pakistan, Turkmenistan, and Kazakhstan are struggling from lack of trade diversification and post COVID-19 economic woes. These issues can be addressed via regional cooperation and expansion into each other's markets. Pakistan's new geo-economics ambition and efforts to reach out to Central Asian Republics (CARs) is gaining momentum, with Gwadar port being touted as the go to port for CARs. Pakistan has a lot to offer these countries in terms of being a reliable source of imports, as well as being the closest outlet for their ocean trade. Presently, issue of access via unstable Afghanistan remains a major challenge, which has been a regular point of academic discussion. However, there hasn't been much discourse on the challenges and opportunities that await Pakistan, once stability in Afghanistan is regained and physical access issues between CARs and Pakistan are resolved. This work employs limited quantitative analysis to examine trade potential and proposes practical solutions to barriers to trade that must be addressed if these countries wish to be more than pawns in the New Great Game.

Keywords: Barriers to trade, Turkmenistan, Kazakhstan, Oligopsony, Warehouse, New Great Game

CARs are energy rich nations, limited in their potential for trade due to their landlocked geography. The Caspian Sea allows for trade between these countries themselves, but it does not provide them much needed access to the world's ocean waterways and, by extension, global markets.

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CARs and the subcontinent have historically been connected with each other through the ancient silk route. However, this connectivity met a setback when CARs and the subcontinent were colonized by the Russians and the British respectively. The 'Great Game' that followed further insulated this connection with creation of a buffer zone in Afghanistan,¹ insulating British and Russian empires spheres of influence. Today, decades after the demise of both the Russian and British empires, a new competition, dubbed 'the New Great Game',² is brewing, over control of CARs hydrocarbon and mineral resources, as well as their transportation infrastructures.

Among CARs, Kazakhstan and Turkmenistan are geographically the largest countries, with the highest purchasing power and GDP per capita.³ Moreover, Kazakhstan and Turkmenistan constitute the northern most and the southern most CARs, respectively. CARs have a total population of about 72 million people, with Kazakhstan and Turkmenistan contributing 18 million and 6 million people, respectively.⁴ While neither of these countries (or the CARs as a whole) have a large enough population to replace Pakistan's traditional export markets of the US and EU: their central location, relative financial stability, and good infrastructure make them a potential jump off base from which goods can be re-exported to other countries such as Uzbekistan, Kyrgyzstan, Tajikistan, Russia, and Eastern Europe. It also merits noticing that Pakistan's exports to Turkmenistan and Kazakhstan combined for the year 2018 amounted to \$87.7 million.⁵ Compared to this miniscule figure, Pakistan's exports of goods and services to a war-torn Afghanistan amounted to \$1.3 billion,⁶ i.e. fourteen times greater than the two relatively rich countries, indicating huge trade potential.

Because of the CARs landlocked status, China, Iran, and Russia have become Kazakhstan's and Turkmenistan's primary trade partners, resulting in a lack of trade diversification. This lack of trade diversification makes these countries vulnerable to oligopoly for their hydrocarbon wealth. Challenges faced by Turkmenistan and Kazakhstan due limited number of trading partners are described in ensuing paragraphs.

¹ Adam Saud, "Revivalism of silk routes: CPEC and south Asia-central Asia connectivity." *Journal of Political Studies, (Special Issue)*(2018): 191-205.

² Ramakrushna Pradhan, "Energy Geopolitics and the New Great Game in Central Asia." *Millennial Asia*, (May 2021). <https://doi.org/10.1177/09763996211003260>.

³ "GDP per Capita (current US\$) - Europe & Central Asia." World Bank Data. Accessed February 22, 2021. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2019&locations=Z7&start=1960&view=chart>.

⁴ "Population, Total - Europe & Central Asia." World Bank Data. Accessed February 22, 2021. <https://data.worldbank.org/indicator/SP.POP.TOTL?end=2019&locations=Z7&start=1960&view=chart>.

⁵ "Pakistan Trade Summary 2018 | WITS Data," accessed September 30, 2020, <https://wits.worldbank.org/CountryProfile/en/Country/PAK/Year/2018/Summary>.

⁶ Ibid.

Turkmenistan & Kazakhstan's Challenges

Turkmenistan has the world's fourth largest⁷ natural gas reserves. However, neighbouring countries of Kazakhstan, Uzbekistan, Azerbaijan, and Iran also have adequate gas reserves making it hard to sell its gas to its immediate neighbours. Moreover, its neighbours benefit from better geographical positioning for hydrocarbon exports than Turkmenistan and are working on their own pipeline networks for exporting gas rather than facilitate Ashgabat for the trans-shipment of Turkmen gas to the same markets.⁸ Russia used to be Turkmenistan's primary export market for gas, but with Russia having surplus gas of its own, Turkmenistan's gas was routed through Russian pipelines to former Soviet bloc republics that often defaulted on payments,⁹ necessitating the search for new markets.

Recent disputes¹⁰ over gas pricing with Russia and Iran have further prompted Turkmenistan to seek diversification of its export markets. Turkmenistan's reliance on Russian pipelines has ended with the commissioning of Central Asia-China pipelines,¹¹ which has made China its main customer, importing 30-35 BCM¹² of natural gas per year. However, Turkmenistan's farther location makes its gas more expensive than Uzbek and Kazakhstan's gas exports to China. Moreover, in comparison to LNG, same large distances have made cost of moving Central Asian gas to China's eastern load centres uncompetitive.¹³

Aside from China, one other potential eastern market for Turkmen gas remains untapped: Pakistan and, by extension, India. This is the primary motivator for Turkmenistan to seek trade ties¹⁴ with Pakistan in the form of the Turkmenistan Afghanistan Pakistan India pipeline. This presents Pakistan with an opportunity to influence Turkmen trade policies in its favour, owing to the ubiquitous desire for equitable balance of trade and favourable balance of payment.

⁷ Asian Development Bank. "ADB Approves First Full Country Partnership Strategy for Turkmenistan." (Asian Development Bank. February 13, 2018). Accessed August 06, 2021. <https://www.adb.org/news/adb-approves-first-full-country-partnership-strategy-turkmenistan>.

⁸ Paul Stronski, "Turkmenistan at twenty-five: The high price of authoritarianism." (Carnegie Endowment for International Peace, 2017).

⁹ Ibid.

¹⁰ Bruce Pannier, "Analysis: Iran Offers Turkmenistan New Gas-Swap Deal to Pakistan." (Radio Free Europe/Radio Liberty. April 30, 2018). Accessed July 31, 2021. <https://www.rferl.org/a/iran-offers-turkmenistan-new-gas-swap-deal-to-pakistan-tapi/29201086.html>.

¹¹ *Central Asia-China Gas Pipeline*. Accessed February 11, 2021. https://www.cnpc.com.cn/en/CentralAsia/CentralAsia_index.shtml.

¹² Simon Pirani, "Central Asian Gas: prospects for the 2020s." (2019).

¹³ Ibid.

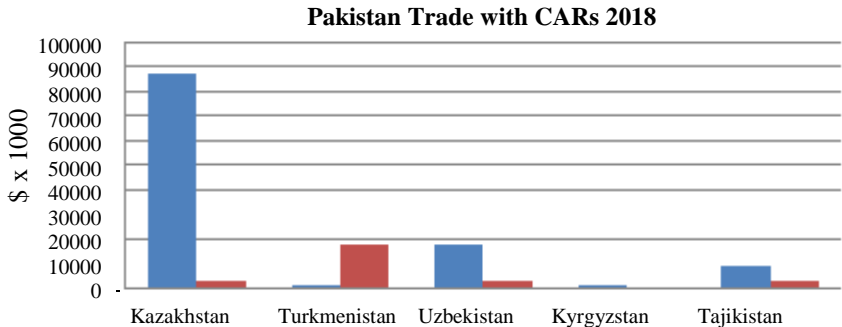
¹⁴ Oxford Analytica. "Low gas prices drive Turkmenistan to seek volume sales." *Emerald Expert Briefings* oxaan-db (2016).

Kazakhstan, like Turkmenistan, relies on the goodwill of its neighbours to trade with the rest of the world. Its hydrocarbon exports to rest of the world through Russian territory via Caspian Pipeline Consortium is an example of this handicap.¹⁵ Similar to Turkmenistan, its oil and gas pipelines to the east have one big customer in China. Energy pipelines to Pakistan and its ports offer an appealing alternative to Kazakhstan to not only reach energy hungry markets of the south Asia but to diversify its trade partners, eliminating oligopsony.

Trade with Turkmenistan & Kazakhstan

Pakistan stands to benefit significantly from trade with CARs. Contrary to common assumption, while Pakistan's industrial and agricultural output may not be at par with countries such as China and Russia, it does offer an alternative in agricultural and light industrial commodities with competitive quality and price.

Presently, Pakistan conducts less than 1% of its total trade¹⁶ with CARs. The following graph shows trade statistics of CARs with Pakistan.¹⁷ With a volume of US \$ 86.9 million, Kazakhstan is Pakistan's largest¹⁸ export partner, and Turkmenistan is its largest import partner, with a volume of US \$ 17.996 million.



Graph 1. Pakistan Trade with CARs 2018.

Source : <https://wits.worldbank.org/>

¹⁵ BTI, *Kazakhstan Country Report*. (BTI, 2020). Accessed January 25, 2021. <https://www.bti-project.org/en/reports/country-report-KAZ-2020.html#pos17>.

¹⁶ World Integrated Trade Solution (WITS). World Integrated Trade Solution (WITS) | Data on Export, Import, Tariff, NTM. Accessed February 22, 2021. <https://wits.worldbank.org/>.

¹⁷ Ibid.

¹⁸ "Trade with Central Asia: Minister for Better Linkages to Increase Trade." *The Express Tribune*. (March 23, 2018). Accessed March 02, 2021. <https://tribune.com.pk/story/1667901/2-trade-central-asia-minister-better-linkages-increase-trade#:~:text=Pakistan's largest trading partner in with the Central Asian countries.>

Regional Partnerships

Pakistan, Kazakhstan and Turkmenistan are in many regional partnerships and bilateral/ multilateral treaties, which aim to increase trade volumes between countries. One of the most prominent regional cooperation programmes is Economic Coordination Organization (ECO), founded by Pakistan, Iran and Turkey. However, efficacy of this organization has been lacklustre despite many bilateral and multilateral agreements to enhance trade and connectivity among members. One of the major reasons¹⁹ is US sanctions on its key member, Iran. Other influential and active international conventions or programmes which aim to improve trade with Kazakhstan and Turkmenistan are:

a. Central Asia Regional Economic Cooperation (CAREC). It is an Asian Development Bank (ADB) sponsored initiative which was established in 2001.²⁰ It sponsors hard and soft infrastructure²¹ development projects like roads/ railway links, improving logistics quality²² and removing trade barriers to establish connectivity with CARs and the rest of the world. It is an analogue to Chinese Belt and Road Initiative, but with CARs in focus. CAREC has earmarked six routes, called transport corridors, to connect CARs with rest of the world. Two of these routes²³ (routes 5 and 6) originate/ terminate at Pakistani ports linking CARs with the Indian Ocean.

b. TIR. Transports Internationaux Routiers (TIR)²⁴ or International Road Transports, is an international road transit convention that was concluded in 1975²⁵ to harmonize issues of international transport of goods. This convention not only covers

¹⁹ Abdur Rehman, and Muhammad Mushtaq. "US Sanctions on Iran: Implications for the Economic Cooperation Organization (ECO)." *ASIAN Journal of International Peace & Security (AJIPS)* 4, no. 1 (2020): 96-108.

²⁰ "CAREC Program." CAREC Program. March 12, 2021. Accessed March 12, 2021. <https://www.carecprogram.org/>.

²¹ Michael J. Ferrantino, "11 Policies to improve the supply chain: what needs to be done?." *Global value chains in a changing world*(2013): 263.

²² Cordula Rastogi, and Jean-François Arvis. *The Eurasian connection: supply-chain efficiency along the modern silk route through Central Asia*. (The World Bank, 2014).

²³ "CAREC Corridor Performance Measurement and Monitoring Annual Report 2019" CAREC Program. June 1, 2020. Accessed February 07, 2021. <https://www.Carecprogram.org/?publication=carec-corridor-performance-measurement-monitoring-2019>.

²⁴ "TIR Introduction." UNECE. Accessed February 11, 2021. <https://unece.org/transporttir/introduction>.

²⁵ "UN, United Nations, UN Treaties, Treaties." (United Nations). Accessed February 11, 2021. https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XI-A-16&chapter=11&clang=_en.

customs transit by road but also by rail or a combination of rail and road. It is the only universal customs transit system in existence, allowing cargo to be moved in sealed containers/vehicles from one country's customs office of departure to another without requiring customs inspections through intermediate country borders, while ensuring cargo security and guarantees to customs authorities.

Analysing Trade Opportunities

In Post COVID-19 world economic recession, Pakistan faces bleak prospects amplified by lack of diversification of export markets; with her major export partners being US and EU. This lack of trade diversification renders Pakistan at the mercy of politics/ policies of these entities affecting its geopolitical interests.²⁶ In terms of imports, Pakistan's highest import bill is for petroleum from the Arabian Peninsula. Pakistan's dwindling indigenous gas resources are expected to fall to about 1 BCFPD (Billion Cubic Feet Per Day) by 2025²⁷ and at the same time, gas demand in Pakistan is expected to rise to about 8 BCFPD, creating a demand gap of 7 BCFPD which will be fulfilled through imported gas and LNG. With linking up of Turkmenistan and Kazakhstan through gas (and oil) pipelines, Pakistan has the opportunity to create a buyer's market for petroleum and get the best deal on fuel prices by pitting OPEC countries and non-OPEC countries (Kazakhstan and Turkmenistan) against each other. Furthermore, since the Persian Gulf is a potential conflict zone between Iran and GCC states, this can provide Pakistan with energy security, ensuring investor confidence in Pakistani industry to deliver even when regional issues impede global trade. In turn, Pakistan has significant expertise in banking, pharmaceutical, irrigation, livestock, poultry, agricultural machinery, and light industrial goods sectors,²⁸ which it could²⁹ trade³⁰ with CARs in exchange for aforementioned hydrocarbon resources.

²⁶ Hafner-Burton, Emilie M. "Trading Human Rights: How Preferential Trade Agreements Influence Government Repression." *International Organization* 59, no. 3 (2005): 593-629. Accessed February 6, 2021. <http://www.jstor.org/stable/3877810>.

²⁷ Anzar Mahmood, Nadeem Javaid, Adnan Zafar, Raja Ali Riaz, Saeed Ahmed, and Sohail Razzaq. "Pakistan's overall energy potential assessment, comparison of LNG, TAPI and IPI gas projects." *Renewable and sustainable energy reviews* 31 (2014): 182-193.

²⁸ Mubeen, Adnan, and Bushra Fatima. "Strategic and economic interests of Pakistan and India in Central Asia." *South Asian Studies* 30, no. 2 (2020).

²⁹ "Pakistan and Turkmenistan Agree to Boost Trade Relations." *Daily Times*. Last modified May 7, 2021. Accessed December 16, 2022. <https://dailytimes.com.pk/753405/pakistan-and-turkmenistan-agree-to-boost-trade-relations-2/>.

³⁰ Pakistan interested in oil and gas cooperation with Kazakhstan. (22AD, November 9). *Official Information Source of Prime Minister of the Republic of Kazakhstan*. Retrieved December 13, 2022, from <https://primeminister.kz/en/news/pakistan-interested-in-oil-and-gas-cooperation-with-kazakhstan-17105028>.

Demand for Pakistani Goods in Kazakhstan

Analysis of trade data³¹ reveals that there is untapped export potential of more than \$3.5B for Pakistani goods in Kazakhstan. The table below compares the total value of top eleven commodities exported (A) to Kazakhstan to the total value of same commodities imported by Kazakhstan via other international markets (B). The export potential column (B-A) indicates how much more of that item can be reliably exported from Pakistan on provision of incentives and removal of trade barriers. The highest export potential for Pakistan includes pharmaceutical products, optical/ surgical appliances, textiles and apparels.

Pakistan Export Potential to Kazakhstan						
S.#	HS Code	Product Label ³²	Pakistan export to Kazakhstan 2019 (US Dollar thousand)	Kazakhstan import from world 2019 (US Dollar thousand)	Pakistan Export to world 2019 (US Dollar thousand)	Export Potential (US Dollar thousand)
			A ³³	B ³⁴	C ³⁵	B - A
1.	07	Edible vegetables and certain roots and tubers	2,332	167,679	250,245	165,347
2.	08	Edible fruit and nuts; peel of citrus fruit or melons	8,694	416,856	398,771	408,162
3.	09	Coffee, tea, maté and spices	375	130,119	115,333	129,744
4.	10	Cereals	61,561	78,641	2,375,641	17,080
5.	11	Products of the milling industry; malt; starches; inulin; wheat gluten	149	29,735	150,723	29,586

³¹ ITC, International Trade Centre. "Trade Statistics for International Business Development". Trade Map - Bilateral Trade between Pakistan and Kazakhstan in 2019. Accessed February 21, 2021. <https://www.trademap.org/Bilateral.aspx?nvpm=1|586|398|TOTAL||2|1|1|1|1||1|1|1|1>.

³² Ibid.

³³ Ibid.

³⁴ Ibid.

³⁵ Ibid.

6.	12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal	6,342	86,660	92,407	80,318
7.	30	Pharmaceutical products	2,835	1,156,897	217,587	1,154,062
8.	42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles	200	76,304	634,279	76,104
9.	62	Articles of apparel and clothing accessories, not knitted or crocheted	218	352,517	2,814,503	352,299
10	63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	136	162,681	4,070,644	162,545
11	90	Optical, photographic, precision, medical or surgical	218	891,249	454,177	891,031
Export Potential						\$3.5B

Table 1. Export potential to Kazakhstan

Demand for Pakistani Goods in Turkmenistan

Similarly, following table shows analysis of trade data³⁶ of top exports to Turkmenistan, which reveals more than \$286M of unrealized export potential of Pakistan to Turkmenistan (B-A). The highest export potential for Pakistan includes textile, pharmaceutical products, items of iron/ steel and sugar confectionery.

³⁶ ITC, International Trade Centre. "Trade Statistics for International Business Development." Trade Map - Bilateral Trade between Pakistan and Turkmenistan. Accessed February 21, 2021. https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|586|795|TOTAL||2|1|1|2|2|1|1|1|1|1.

Pakistan Export Potential to Turkmenistan						
S#	HS Code	Product Label ³⁷	Pakistan export to Turkmenistan 2019 (US Dollar thousand)	Turkmenistan import from world 2019 (US Dollar thousand)	Pakistan Export to world 2019 (US Dollar thousand)	Export Potential (US Dollar thousand)
			A ³⁸	B ³⁹	C ⁴⁰	B - A
1.	53	Other vegetable textile fibers; paper yarn and woven fabrics of paper yarn	1,176	1,664	5,048	488
2.	36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparation	437	3,762	8,927	3,325
3.	63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	386	4,299	4,070,644	3,913
4.	30	Pharmaceutical products	324	111,301	217,587	110,977
5.	08	Edible fruit and nuts; peel of citrus fruit or melons	102	23,233	398,771	23,131
6.	72	Iron and steel	80	92,013	63,335	91,933
7.	17	Sugars and sugar confectionery	48	39,935	343,688	39,887
8.	07	Edible vegetables and certain roots and tubers	48	6,483	250,245	6,435
Export Potential						\$286M

Table 2: Export potential to Turkmenistan

Regional Competitors

Pakistan's geo-economic designs are curtailed by lack of direct borders with Kazakhstan and Turkmenistan. Pakistan can only access these countries via Afghanistan, Iran and China. Traditionally, Afghanistan has been the main transit route to CARs for Pakistan. Iran and China can also be used to circumnavigate Afghanistan. Afghan Pakistan Transit Trade Agreement (APTTA 2010)⁴¹ and Quadrilateral Transit Trade Agreement

³⁷ Ibid

³⁸ Ibid

³⁹ Ibid

⁴⁰ Ibid

⁴¹ "Afghanistan Pakistan Transit Trade Agreement." (Digital image. Ministry of Commerce Pakistan). Accessed January 25, 2021. <https://www.commerce.gov.pk/wp-content/uploads/pdf/APTTA.pdf>.

(QTTA)⁴² are the main instruments through which Pakistani goods reach CARs via Afghanistan and China respectively. Unlike China and Iran, Afghanistan does not have a robust industry and hence, at present, cannot act as a trade competitor to transiting Pakistani goods. Whereas transit trade through China and Iran does pose that risk.

Iran has traditionally been a go-to port for the CARs. With its excellent rail infrastructure and contiguous connectivity, it offers CARs access to the Persian Gulf and Indian Ocean via Bandar Abbas and now Chahbahar. Iran views itself as the hub of trade for all CARs and its endeavours in-terms of International North–South Transport Corridor (INSTC)⁴³ and Chahbahar port agreement⁴⁴ reflect that ambition. Moreover, ECO headquartered in Tehran, places Iran in a perfect central position to further its geo-economic ambitions by influencing all commerce, traversing east to west and north to south, to pass through Iran. Economic sanctions against Iran are the only thing standing in Iran's way to dominate trade with CARs, due to its superior rail infrastructure and contiguous borders with Turkmenistan. Pakistan can access Turkmenistan and other CARs via Iran, but this would only help Iran compete more effectively with Pakistani goods and would likely result in shrinking trading space for Pakistani exports. The perception of Iran's ambitions as being complementary⁴⁵ to Pakistan's is misleading. Iran has a precedence of trade rivalry⁴⁶ with a country to whom it provided a land bridge to CARs. Iran had repeatedly raised costs for Turkish cargos transiting Iran to CARs by increasing transit trade fees⁴⁷ and refusing to refuel CARs bound Turkish trucks⁴⁸ in order to make Turkish

⁴² Muhammad Shoaib, "Presentation on Quadrilateral Agreement" CAREC Program. 2015. Accessed February 07, 2021. <https://www.carecprogram.org/uploads/2015-QTTA-06-PAK-Presentation-QATT-Workshop.pdf>.

⁴³ Evgeny Vinokurov, Arman Ahunbaev, Nursultan Usmanov, and Alexander Zaboiev. "International North–South Transport Corridor: Investments and Soft Infrastructure." Eurasian Development Bank, October 26, 2022. Last modified October 26, 2022. Accessed December 18, 2022. <https://eabr.org/analytics/special-reports/>.

⁴⁴ Shawn Amirthan, "What are India, Iran, and Afghanistan's Benefits from the Chabahar Port Agreement?." *Strategic Analysis* 41, no. 1 (2017): 87-93.

⁴⁵ "Gwadar, Pakistan's Vital Trade Route with Iran and Importance of Security in Balochistan." IRNA English. July 06, 2021. Accessed August 08, 2021. <https://en.irna.ir/news/84395002/Gwadar-Pakistan-s-vital-trade-route-with-Iran-and-importance>.

⁴⁶ Omid Rahimi and Ali Heydari for The Diplomat. "How Iran and Turkey Compete in Central Asian Trade." – The Diplomat. February 26, 2020. Accessed August 08, 2021. <https://thediplomat.com/2020/02/how-iran-and-turkey-complete-in-central-asian-trade/>.

⁴⁷ "Turkey and Iran Agree on Transit Truck Fee." *World Bulletin / News, Turkey and Islamic World* (November 17, 2014). Accessed August 09, 2021. <https://worldbulletin.dunyabulteni.net/turkey/turkey-and-iran-agree-on-transit-truck-fee-h148602.html>.

⁴⁸ Turkey Hopes to Normalize Truck Transit Fees with Iran." *World Bulletin / News from Turkey and Islamic World*. (November 11, 2014). Accessed February 07, 2021.

exports uncompetitive to Iranian exports in the CARs market. This case should serve as a cautionary tale for any trade strategist.

As lack of stability and political will in Afghanistan made transportation of goods a liability: Pakistan along with China, Kazakhstan and Kyrgyzstan, decided in the form of Quadrilateral Transit Trade Agreement (QTTA)⁴⁹ to bypass Afghanistan by transporting goods using Karakorum highway via China to Kyrgyzstan and Kazakhstan. QTTA⁵⁰ was signed on 9th March 1995 by Pakistan, China, Kyrgyzstan and Kazakhstan and enabled Pakistan to circumnavigate Afghanistan to Central Asia. It was enforced in May 2004 and followed the route Karachi-Rawalpindi-Hassanabdal -Gilgit-Khunjrab (Pak/China Border) -Kashgar-Torugart (China/Kyrgyzstan Border) -Bishkek- Akjol-Kordai (Kyrgyzstan/Kazakhstan Border) -Almaty (Kazakhstan). QTTA uses Karakorum highway to connect to Xinxiang province in China, which in turn is linked with CARs. However, this agreement has not been effective in enhancing trade as cargo trucks moving through this route face numerous delays at border crossing points (BCPs) due to oversight and lack of concentrated effort by the member countries. Since QTTA uses the Karakorum highway, CPEC projects will help Pakistan to connect with Kazakhstan using the CPEC infrastructure. Not only will hard infrastructure issues be resolved, but soft⁵¹ barriers such as delays in BCPs and customs coordination are expected to be streamlined automatically, when China's own goods are subject to such transit exercises from Pakistan to China and vice versa. However, QTTA does not provide access to Turkmenistan.

It is significant to mention that both China and Iran have good industrial capacity and compete with Pakistani products in CARs market. Relying on Iranian or Chinese transit has the potential to introduce unintended sharing of trade intelligence and subsequently loss of market share from CARs in the long run. Afghanistan with no industrial capacity, offers no competition and is a viable transit country for Pakistan despite its internal instability/ political challenges, making it imperative for Pakistan to do what it can to achieve some semblance of stability in Afghanistan, if it desires to benefit from trade with CARs.

<https://worldbulletin.dunyahabulteni.net/turkey/turkey-hopes-to-normalize-truck-transit-fee-s-with-iran-h148185.html>.

⁴⁹ Muhammad Shoab, "Presentation on Quadrilateral Agreement" CAREC Program. 2015. Accessed February 07, 2021. <https://www.carecprogram.org/uploads/2015-QTTA-06-PAK-Presentation-QATT-Workshop.pdf>.

⁵⁰ Ibid.

⁵¹ Michael J. Ferrantino, "11 Policies to improve the supply chain: what needs to be done?." *Global value chains in a changing world* (2013): 263.

Costs to Trade

Challenges to trade are gauged in terms of costs associated with it. Higher the costs, more prohibitive the trade. When compared to their coastal neighbours, landlocked countries usually have higher trade costs which are generally divided into three types:⁵²

- a. Natural Trade Costs. The location, culture, and/or history of the source country and trading partners all contribute to these costs. These factors are permanent and difficult to address in the short-to-medium term through policy. The natural trade costs include geographical factors⁵³ such as:
 - (1) Contiguity of land border.
 - (2) Access to the sea (or landlockedness).
 - (3) Geographical distance from trading partners (i.e., remoteness).
 - (4) Cultural and historical differences between trading nations. This includes using a common language (official or unofficial), having previously been the same country (e.g. USSR), and formerly being in a colonial relationship.
- b. Non – Tariff Trade Costs. These are costs that can be lowered by policies because of their domestic reasons. They are:
 - (1) Direct behind and at-the-border trade costs.
 - (2) The availability and use of information communication technology (ICT) services.
 - (3) The business regulatory environment.
 - (4) Exchange rate fluctuations.
 - (5) Other non-tariff measures (NTMs) include sanitary and phytosanitary (SPS) measures⁵⁴ (i.e., the implementation and compliance with WTO-mandated food safety, animal, and plant health measures) and technical barriers to trade (TBTs), such as technical regulations and voluntary standards.
- c. Tariff Trade Costs. This includes tariffs on goods and services levied by a country.

⁵² UN.UNESCAP. *Reducing Trade Costs In Asia-Pacific Developing Countries*. By Yann Duval, Amandeep Saggi, and Chorthip Utoktham. (2015). Accessed February 15, 2021. https://www.unescap.org/sites/default/files/publications/STI84_Final.pdf.

⁵³ Ibid.

⁵⁴ Requirements For Phytosanitary Certificates. Accessed February 10, 2021. <http://www.fao.org/3/y3241e/y3241e06.htm>.

Challenges

Modern era is the era of economic competition and cooperation with international alliances cemented on mutually beneficial trade. Pakistan is in a unique geostrategic position with direct access to Indian Ocean with her ports long envied by the landlocked states of Central Asia. Cargo handling capacities of Karachi and Bin Qasim ports are 25 and 17 million tons respectively, which are reaching their capacity.⁵⁵ With the establishment of Gwadar port, Pakistan's cargo handling capabilities have improved, which can be used to cater for CARs freight needs. However, due to lack of direct rail and road access (hard infrastructure), this facility is underutilised. Furthermore, there are soft infrastructure^{56,57} connectivity issues as well, that have plagued commerce between Pakistan, Turkmenistan, and Kazakhstan. Soft infrastructure issues of tariff and non-tariff trade costs are exacerbated by geopolitics, country policies, country's business environment, customs and border regulations. Details of factors contributing to prohibitive trade costs resulting in low trade volumes are described below:

a. Poor Rail Connectivity - Natural Trade Costs

Landlocked nature of CARs and large distances make a cheap commodity automatically expensive due high transportation costs. Only cost effective solution is transportation via rail. However, there is no direct rail connectivity from Pakistan to Turkmenistan and Kazakhstan. Even within Pakistan, roads carry 94 percent of inland cargo,⁵⁸ which is the most expensive form of transport after airplanes. Pakistan's rail infrastructure is poor, making it expensive⁵⁹ to transport goods through Pakistan via roads and unappealing to countries interested in using Pakistani ports. In contrast, Iran has invested heavily in rail infrastructure and is directly connected by rail to CARs via Turkmenistan offering a cheaper path to and from Indian Ocean.

⁵⁵ Kausar Takrim, & Afeef, M. Prospects of Gwadar Port as a Hub Port. *Journal of Managerial Sciences*, 9(1), (2015).

⁵⁶ "CAREC Corridor Performance Measurement and Monitoring Annual Report 2019" CAREC Program. (June 1, 2020). Accessed February 07, 2021. <https://www.carecprogram.org/?publication=carec-corridor-performance-measurement-monitoring-2019>.

⁵⁷ Michael J. Ferrantino, "11 Policies to improve the supply chain: what needs to be done?." *Global value chains in a changing world* (2013): 263.

⁵⁸ Ibid

⁵⁹ Rashid, Amjad, Ejaz Ghani, and Tariq Mahmood. "Export barriers in Pakistan: results of a firm-level survey." (2012): 103-134.

b. Customs and Border Control - Non Tariff Trade Costs

While Pakistan, Kazakhstan, and Turkmenistan are members of ECO⁶⁰ and CAREC, passing goods through these countries is difficult because customs/border crossing points (BCPs) in these countries take an inordinate amount of time to process and clear goods. This cause cost escalation to businessmen due to delay and makes trade between these countries unattractive.

Asian Development Bank sponsored study⁶¹ has adjudged that BCPs at Pak Afghan border (Torkham and Chaman) are one of the slowest and most expensive in the region. A positive step was the recent implementation⁶² of 24/7 operations at Torkham, which reduced long waiting times at this high-traffic BCP. However, Pakistan still faces challenges to reduce costs and time for clearing cargo at BCPs. This delay is also attributed to unwarranted loading and unloading of cargo from Pakistani trucks to Afghan trucks at Pak Afghan border, as opposed to letting cargo pass on Pakistani trucks through Afghanistan as per APTTA.⁶³

c. Inefficient Ports- Non Tariff Trade Costs

Pakistani ports have the longest dwell periods in the region.^{64,65} Cargo delays at ports result in accumulated demurrage charges (penalties for failing to unload cargo within the allotted time), as well as higher land transportation costs. Moreover, security deposit, detention, demurrage and other associated port charges are significantly greater than Iran's Bandar Abbas port,⁶⁶

⁶⁰ Organization, Economic Cooperation. About ECO. Accessed February 11, 2021. http://www.eco.int/general_content/86055-History.html?t=General-content.

⁶¹ "CAREC Corridor Performance Measurement and Monitoring Annual Report 2019." CAREC Program. June 1, 2020. Accessed February 07, 2021. <https://www.carecprogram.org/?publication=carec-corridor-performance-measurement-monitoring-2019>.

⁶² Al Jazeera. "Pakistan, Afghanistan Inaugurate 24/7 Torkham Border Crossing." Conflict News | Al Jazeera. September 18, 2019. Accessed August 01, 2021. <https://www.aljazeera.com/news/2019/9/18/pakistan-afghanistan-inaugurate-24-7-torkham-border>.

⁶³ PAJCCI. "Pakistan- Afghanistan Bilateral and Transit Trade Issues & Proposed Resolutions." April 2018. Accessed February 08, 2021. <http://www.pajcci.com/Downloads/Pakistan%20Afghanistan%20Bilateral%20and%20Transit%20Trade%20Issues%20%20Proposed%20Resolutions%20-%20April%202018.pdf>.

⁶⁴ Arif Rafiq. "Regional Transit Trade Isn't Enough to Drive Pakistan's Gwadar Port." Middle East Institute. October 14, 2020. Accessed February 08, 2021. <https://www.mei.edu/publications/regional-transit-trade-isnt-enough-drive-pakistans-gwadar-port>.

⁶⁵ *Sector Assessment*. Publication no .PAK 46378. Accessed January 1, 2021. <https://www.adb.org/sites/default/files/linked-documents/46378-002-ssa.pdf>.

⁶⁶ PAJCCI. "Pakistan- Afghanistan Bilateral and Transit Trade Issues & Proposed Resolutions." April 2018. Accessed February 08, 2021. <http://www.pajcci.com/>

resulting in loss of business to Iran. For instance, security deposit for a 20 Ft container at Karachi costs⁶⁷ 20 times more than in Bandar Abbas (Iran).

d. Lack of Standard Business Culture -Non Tariff Trade Costs

There is a general reluctance⁶⁸ on part of businessmen on opening Letters of Credit⁶⁹ (L/C) for doing business in Kazakhstan and Turkmenistan due strict Kazakh and Turkmen governments foreign exchange controls, cumbersome banking procedures^{70,71} and currency conversion⁷² issues there. L/C ensures that business parties keep their end of the bargain and that payments are made on time, with no risk of the payee reneging at the time of payment. Generally, businesses in these countries import goods, sell them, and then reimburse the exporting party. This non-standard business practice is a big risk to exporters and discourages serious Pakistani businesses who wish to do business there. Furthermore, due to lack of banking activity and financial viability, Pakistani banks⁷³ have started leaving CARs.

e. Removing Tariff Trade Costs

The best way⁷⁴ to reduce tariff trade costs is to enter into Preferential Trade Agreements or Free Trade Agreements (PTA/FTA) with Kazakhstan and Turkmenistan. Though, proposal of FTA with Kazakhstan (part of Eurasian Economic Union (EAEU))

Downloads/Pakistan%20Afghanistan%20Bilateral%20and%20Transit%20Trade%20Issues%20&%20Proposed%20Resolutions%20-%20April%202018.pdf.

⁶⁷ Ibid.

⁶⁸ Muhammad Farooque, TIC Kazakhstan. Email interview with author. March 24, 2021.

⁶⁹ Julia Kagan, "What You Should Know About Letters of Credit." Investopedia. August 28, 2020. Accessed February 10, 2021. <https://www.investopedia.com/terms/l/letterofcredit.asp>.

⁷⁰ The International Trade Administration (ITA), U.S. Department of Commerce. Accessed August 09, 2021. <https://legacy.export.gov/article?id=Kazakhstan-methods-of-payment>.

⁷¹ The International Trade Administration (ITA), U.S. Department of Commerce. "Turkmenistan - Banking Systems Turkmenistan - Banking Systems." Export.gov. Accessed August 09, 2021. <https://legacy.export.gov/article?id=Turkmenistan-Banking-Systems>.

⁷² Courtney Brasier, "Turkmenistan - United States Department of State." (US Department of State July 19, 2021). Accessed August 09, 2021. <https://www.state.gov/reports/2020-investment-climate-statements/turkmenistan/>.

⁷³ "Ashgabat Branch of NBP in Voluntary Liquidation." *News Central Asia*. (November 25, 2020). Accessed February 11, 2021. <http://www.newscentralasia.net/2020/11/25/ashgabat-branch-of-nbp-in-voluntary-liquidation-pakistan-remains-committed-to-tapi-corridor/>.

⁷⁴ Farooque, Muhammad, TIC Kazakhstan. Email interview with author. March 24, 2021.

is under consideration but many of Pakistan's competitors like India are at an advance stage⁷⁵ of negotiations with the EAEU. Iran, Singapore, China, and other countries have already signed⁷⁶ these agreements with Kazakhstan (EAEU) and are enjoying zero or negligible tariffs on their products. An obstacle to successful negotiating with EAEU was Pakistan's lack of diplomatic⁷⁷ relations with Armenia. With the end of recent Nagorno-Karabakh conflict,⁷⁸ Pakistan may reconsider its approach with Armenia in light of developing circumstances and peace initiatives.

Turkmenistan is not a member of EAEU due to its neutrality⁷⁹ stance and refuses to join any bloc. Any future TAPI negotiations⁸⁰ offer an opportunity to Pakistan to incentivize Turkmenistan to sign a PTA/ FTA with it.

WAY FORWARD

Waiting until infrastructure is built for accessing CARs or political and administrative issues (soft barriers) are resolved is not prudent; otherwise Pakistan would enable other competitors to carve out a market share. India, like Pakistan, wants to access CARs. Because of national security concerns, Pakistan acts as a roadblock to Indian ambitions. India has attempted to circumnavigate Pakistan with investing in Iranian Chahbahar port. India is not waiting idly till development of long term connectivity projects, but proactively has managed to have direct flights, with air freights to CARs. In this way, India is promoting her industry and image as a reliable provider of perishable commodities using any means necessary to have a presence in the market. Moreover, India also has an edge in that it has a favourable perception in CARs due to its historical ties with USSR, of which Turkmenistan and Kazakhstan used to be a part. Whereas, Pakistan suffers from a major branding issue and has a history of animosity towards USSR vis-à-vis Afghan jihad; complicating trade relationships. In a nutshell, to increase trade, Pakistan must be introduced, marketed, and actively

⁷⁵ ARIC, Asian Development Bank. "By Country/Economy - Free Trade Agreements." Accessed January 20, 2021. <https://aric.adb.org/fta-country>.

⁷⁶ Ibid

⁷⁷ Muhammad Fahim, "Pakistan and the Question of Recognizing Armenia: Pakistan-Armenia Relations, the Issue of Kashmir & Nagorno-Karabakh." *Journal of South Asian Studies* 8, no. 2 (2020): 39-45.

⁷⁸ Simon Ostrovsky Grantee. "How Azerbaijan Won the Karabakh War." Pulitzer Center. January 06, 2021. Accessed August 08, 2021. <https://pulitzercenter.org/stories/how-azerbaijan-won-karabakh-war>.

⁷⁹ Sullivan, Charles J. "Neutrality In Perpetuity: Foreign Policy Continuity In Turkmenistan." *Asian Affairs* 51, no. 4 (2020): 779-794.

⁸⁰ "Turkmenistan Assures Pakistan to Address Gas Price Concerns." *The News*. (September 19, 2020). Accessed August 08, 2021. <https://www.thenews.com.pk/print/716800-turkmenistan-assures-pakistan-to-address-gas-price-concerns>.

promoted as a viable trade partner and a desirable business destination through coordinated inter-ministerial bold initiatives. The following are low-hanging fruits that, if pursued, offer promising dividends of increased trade volumes with CARs:

a. Visa Restrictions for Pakistanis

Visa issue remains a major bottleneck for trade. At the dawn of post Soviet era, CARs had relaxed visa policies w.r.t. Pakistan. However, with the rise of Taliban in Afghanistan and the events of 9/11, Pakistan's global image suffered as a perceived hub of instability along with Afghanistan. Turmoil in Afghan Pakistan border areas after 9/11 further helped to portray Pakistan as a sanctuary for many proscribed extremist outfits like Hizbul Tahrir,⁸¹ which were thought to be inspiring instability in nascent Central Asian Republics. These countries took steps to counter such threats⁸² which included travel restrictions. Consequently, visa regime for Pakistanis was made restrictive, which interrupted travel of traders between these countries.

However, times are changing and Pakistan has launched initiative of e-visa facility for Kazakh nationals,⁸³ however, the same has not been reciprocated by Kazakhstan and Letter of Invitation (LOI) is required for a visa. Kazakh visa fees are also on the higher side.⁸⁴ In contrast, Kazakhstan has extended e-visa⁸⁵ facility to India. Taking advantage of this, Indian business presence has blossomed in Kazakhstan.

Comparatively, Turkmenistan Government is isolationist⁸⁶ and has strict visa entry requirements for anyone who wishes to visit the country. Businessmen and entrepreneurs have a tough time getting there and work. Turkmenistan does not have an e-visa

⁸¹ Zeyno Baran, "Hizbut-Tahrir." *Islam 'sp* (2004): 1-139.

⁸² *Interfax*. Accessed February 10, 2021. http://www.interfax-religion.com/?act=news&di_v=2412.

⁸³ "Countries Eligible for Pakistan Online Visa." Pakistan Online Visa System. April 29, 2019. Accessed February 11, 2021. <https://visa.nadra.gov.pk/electronic-travel-authorizati-on-eta/>.

⁸⁴ "Kazakhstan Visa Guide." Caravanistan. January 17, 2021. Accessed February 22, 2021. <https://caravanistan.com/visa/kazakhstan>.

⁸⁵ Govt of Kazakhstan Visa, Accessed February 11, 2021. https://egov.kz/cms/en/articles/rk_visa_obtaining.

⁸⁶ Paul Stronski, "Turkmenistan at twenty-five: The high price of authoritarianism." *Carnegie Endowment for International Peace* (2017).

facility; however, Pakistan has extended the same⁸⁷ to Turkmenistan.

Another bottleneck to trade traffic is the availability and the cost of transport permits, which are required from transporters.⁸⁸ In addition to obtaining a transport permit, foreign transport operators must pay different taxes and charges, such as road tax and excess axle load charges, to enter (and pass through) the territory of CARs. Foreign truck drivers/ operators must also obtain a visa in advance at the CAR's embassies for entry. Such long bureaucratic procedures typically result in costly delays (escalating costs), which deters traders.

Visa regimes in CARs are strict but can be navigated with adroit diplomacy. With the conclusion of the global war on terror (GWOT) and a shifting global environment, Pakistan's soft and benign image may be actively promoted, with the primary goal of Pakistan's embassies in Kazakhstan and Turkmenistan being the elimination of visa complications and the facilitation of bilateral trade.

b. Direct Air Link

Good connectivity facilitates economic development. Freight can be transported by road from Pakistan to Turkmenistan and Kazakhstan in four and fifteen⁸⁹ days, respectively. This makes transporting perishable commodities to CARs unfeasible.

Pakistan used to have direct flights⁹⁰ to CARs in the 1990s, but low volumes and visa restrictions led to cessation of all direct air links with CARs in 2014. In order to address low volumes, PIA had previously asked CARs to give it Fifth Freedom Rights,⁹¹ i.e. collecting passengers from their countries en-route to European destinations which will allow the airline to keep the route financially viable simultaneously keeping the direct air link alive,

⁸⁷ "Countries Eligible for Pakistan Online Visa." Pakistan Online Visa System. April 29, 2019. Accessed February 11, 2021. <https://visa.nadra.gov.pk/electronic-travel-authorization-eta/>.

⁸⁸ "Central Asia: Increasing Gains from Trade Through Regional Cooperation in Trade Policy, Transport, and Customs Transit." Asian Development Bank. 2006. Accessed February 08, 2021. <https://www.adb.org/sites/default/files/publication/29927/central-asia-trade-policy.pdf>.

⁸⁹ Muhammad Farooque, TIC Kazakhstan. Email interview with author. March 24, 2021.

⁹⁰ Zulqernain Tahir, "Direct Air Link to Central Asia Snapped." *DAWN.COM*. (March 02, 2014). Accessed February 10, 2021. <https://www.dawn.com/news/1090528>.

⁹¹ "Freedoms of the Air." Freedoms of the Air. Accessed February 11, 2021. <https://www.icao.int/pages/freedomsair.aspx>.

but this request was denied. Protecting⁹² local airlines from competition in any shape or form (e.g Fifth freedom rights) is only natural. A win-win solution for small to medium size airlines of Pakistan, Kazakhstan and Turkmenistan can always be carved out using regional cooperation platforms especially CAREC.⁹³ Kazakhstan's⁹⁴ recent shift towards open sky policy is a development worth exploring via bilateral treaties.

Conversely, as already discussed, India enjoys good image and trade relations with CARs because of its history with former USSR. Presently, flights between India and Kazakhstan and Turkmenistan are continuing,⁹⁵ promoting tourism as well as transporting Indian perishables and medical goods into their countries. Air cargo is the most expensive form of transport, but without direct land connections to these economies, Indian companies are creating a toehold and advertising their presence; thus carving a market share. The importance of market presence currently is more important than large profit margins, until viable rail/ road links to the CARs have been created.

c. Establishment of Pakistan Display / Warehouse Facilities

As mentioned earlier, CARs have unconventional business environment w.r.t L/Cs. This unconventional business practice incurs huge risk which is not feasible to be undertaken by a lone businessman. This necessitates government mandated support.

To tap into Kazakhstan and Turkmenistan's unconventional markets, Pakistani Government (GoP) can establish⁹⁶ display centres and warehouses in these countries under the auspices of Trade and Development Authority of Pakistan (TDAP) to encourage local CARs businesses to buy Pakistani goods directly from these facilities. These display centres and warehouses shall function to alleviate risks to Pakistani exporters by setting up a government mandated trade outpost.

Due to unstable and volatile exchange rates for Turkmenistan's Manat and Kazakhstani Tenge, barter system of

⁹² "Open Sky Policy: A Financial Disaster for Pakistan." *Global Village Space*, (February 8, 2020). <https://www.globalvillagespace.com/open-sky-policy-a-financial-disaster-for-pakistan/>.

⁹³ "Aviation and the Role of CAREC A Scoping Study September 2018". CAREC Program. June 1, 2020. Accessed January 07, 2022. <https://www.carecprogram.org/uploads/2018-aviation-role-carec-study.pdf>.

⁹⁴ David Casey, "Kazakhstan Adopts Open Skies at 11 Airports." *Routes*. (Routes, November 6, 2019). <https://www.routesonline.com/news/29/breaking-news/287381/kazakhstan-adopts-open-skies-at-11-airports/>.

⁹⁵ Muhammad Farooque, TIC Kazakhstan. Email interview with author. March 24, 2021.

⁹⁶ Ibid.

trade at these trade facilities, along the lines of Pakistan-Iran barter trade mechanism,⁹⁷ is also an option worth exercising to ease process of doing business. These proposed facilities have the potential to become a hub of economic activities between Pakistan and CARs which may not only cater the needs of Kazakhstan and Turkmenistan but all CARs and Eurasian Economic Union (EAEU).

d. Requirement of Trade Rep

At present, TDAP representative (Trade and Investment Counsellor) is only stationed in Kazakhstan, and if Pakistan wants to tap into Turkmen markets, physical presence of a TDAP representative is necessary for assessing local business/ market environment and providing solutions to trade bottlenecks.

e. Registration of Pakistani Trading Companies in Central Asia

India and China encourage their companies to operate from Kazakhstan to increase their trade volume. Tengri Bank, Almaty has opened⁹⁸ more than 80 accounts of Indian companies during recent years. This trade facilitation increases market presence and incentivizes local businessman to trade in remote markets like Kazakhstan and Turkmenistan with their governments help, without which trade in such places is currently not possible. Government incentivization in-terms of tax breaks to trading houses/ companies operating in CARs will go a long way in diversifying export markets.

f. Break of Gauge

When railway lines of different widths from two regions meet, there is said to be a break in gauge. Pakistan, Iran, and CARs use Broad gauge, Standard gauge, and Russian gauge railway lines, respectively. Break of gauge is a significant cost component of rail freight shipping because it increases the cost and time of arrival of freight due to cargo needing to be shifted from one train to another, having the required rail gauge. During the Great Game, break of gauge due to its obstructive nature, defined borders of spheres of

⁹⁷ "Procedure for Operationalization of Barter Trade between Quetta Chambers of Commerce and Industry, Pakistan and Zahidan Chambers of Commerce and Industry, Iran." *Ministry of Commerce | Government of Pakistan*. Last modified April 7, 2022. Accessed December 18, 2022. <https://www.commerce.gov.pk/wp-content/uploads/2022/04/Notification-for-Operationalization-of-Barter-Trade-with-Iran.pdf>.

⁹⁸ Dipanjan Roy Chaudhury, "India Seeks to Enhance Investments in Kazakhstan through a Mega Investment Forum." *The Economic Time*. (November 08, 2018). Accessed January 22, 2021. <https://economictimes.indiatimes.com/news/economy/policy/india-seeks-to-enhance-investments-in-kazakhstan-through-a-mega-investment-forum/articleshow/66544007.cms>.

influence between Russia and Britain. To maintain perception of neutrality during the Great Game, Afghanistan opted out of any type of rail construction to dissuade any logistical advantage to any player.

Till now Afghanistan has not standardized a rail gauge. Any rail gauge selected by Afghanistan that is native to a neighbouring country will provide that neighbouring country with a cost and speed advantage when shipping freight. Russian gauge track in Afghanistan will streamline rail communication with all CARs. However, much like the old Great Game, it may provide logistical support to a more assertive Russia. Russia's recent invasion of Ukraine highlights the importance of railways in Russia's strategic calculus (as the Russian invasion force, mainly comprising of armoured vehicles, favoured railway lines to transport its vehicles to the invasion staging area). Standard gauge will give Iran, China, and Turkey an advantage in trade. Broad gauge would give Pakistan and, in the future, India an advantage in terms of seamless, low-cost transportation of their goods. As Afghanistan serves as a land bridge to CARs, it is in Pakistan's best interest that a Broad gauge rail line is chosen for any future trans-Afghan railway to outcompete regional economic competitors in freight costs to CARs.

g. Rationalizing TIR System

While TIR standardises freight transit across countries, fixed costs associated with TIR system are prohibitively expensive for most regional transporters.⁹⁹ This is because of stringent requirements of TIR system, namely:

- (1) Requirement of use of good quality truck.
- (2) Certification/ re-certification of transport/ truck every two years.
- (3) Requirement of use of bonded carriers etc.

Another problem that increases the cost of using TIR is that the national association that regulates access to TIR system requires insurance which guarantees against liabilities of transporters. This association then recovers this cost through its operators in forms of fees, which causes cost escalation for transported freight. A regional approach to expensive TIR is need of the hour, which caters to

⁹⁹ "Central Asia: Increasing Gains from Trade through Regional Cooperation in Trade Policy, Transport, and Customs Transit." Asian Development Bank. 2006. Accessed February 08, 2021.

fiscal constraints of small Pakistani/regional carriers (owners of 2-4 trucks) by rationalising and lowering overall TIR fees/costs, allowing them to compete with more established players in the CARs market.

Conclusion

Post COVID-19 world economic recession amplifies the need for Pakistan, Turkmenistan and Kazakhstan to diversify their trade and explore new partnerships for mutual prosperity. In present geo-economics scenario, particularly hydrocarbon oligopsony facing CARs, it is imperative for Kazakhstan, Turkmenistan and Pakistan to improve internal infrastructure, services and regulations through which Pakistani warm water ports can become viable for landlocked CARs. CAREC and TIR are important platforms which need to be utilized and tailored for enhancing connectivity. Pakistan, however, is not the only country that can provide CARs with access to warm water ports. With its ports near the mouth of the Indian Ocean, Iran is well positioned to capture CARs market by its low-cost rail and port connectivity. Economic sanctions against Iran give Pakistan time to address hard and soft infrastructure issues and gain access to the economies of CARs through adroit diplomacy and engaging in bilateral / multilateral economic and transit treaties. Further, it is not prudent to wait until these hard and soft infrastructure issues are resolved for accessing CARs; otherwise, Pakistan would allow other competitors to carve out a market share. Establishing a toehold in the nascent CARs market via air freight and TDAP sponsored barter trade facilities is currently more important than large profit margins, at least until effective rail/road and banking links to CARs are established. If these recommendations are prioritized and executed correctly, Pakistan is well poised not only to exploit markets of Kazakhstan and Turkmenistan but also by extension, gain access to markets of other CARs, EAEU, and Eastern Europe.

DISCLAIMER

COVID-19 had hampered normal trade volumes world over and recent trade data for year 2020/21 does not reflect the actual trade potential between these countries. Therefore, suitable data sets have been taken to draw accurate conclusions.

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