

TRADE WITH CENTRAL ASIAN REPUBLICS: POLICY OPTIONS FOR PAKISTAN



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CERTIFICATE

This is to certify that this thesis entitled: “**Trade with Central Asian Republics: Policy Options for Pakistan**” submitted by **Muhammad Haroon Hussain** is accepted in its present form by the PIDE School of Social Sciences, Pakistan Institute of Development Economics (PIDE), Islamabad as satisfying the requirements for partial fulfillment of the degree in Master of Philosophy in Public Policy.

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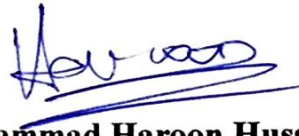
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Date: 7 December 2022

Signature of Student



Muhammad Haroon Hussain

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ABSTRACT

The study endeavors to explore policies and procedures related to banking and trade which are hindering Pakistan's trade with Central Asian (CA) and to possibly find solution for these problems.

The study discusses possible theoretical framework to understand the interplay of factors and their respective analysis. It devised a suitable methodology based on interdisciplinary approach and conducted secondary analysis of relevant literature, qualitative data collection and content analysis of policy documents to find the policy gaps and their possible solutions.

CA countries are landlocked, Pakistan can have access to their market through China or Afghanistan. Afghanistan still remains politically unstable and any long term investment in the country remains susceptible to failure. Pakistan may access the CA through China and CPEC, which is also the shortest route as discussed by the study.

The study found out that besides trade complementarity there is proven huge trade potential between the economies of CA and Pakistan. It also found out that with most CA countries this potential is being missed by Pakistan. The reason for this loss came out in the data analysis as gaps in trade and banking policy of Pakistan. The study presented a total of 12 policy recommendations for both trade and banking policy to overcome the gap between realized and potential trade with CA.

Keywords: Central Asia, Pakistan, Trade policy, Banking Policy, CPEC, Regional Trade.

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LIST OF ABBREVIATIONS

AD	Anno domini
ASEM	Asia-Europe Forum
BC	Before Christ
BRI	The Belt & Road Initiative
CA	Central Asia/n
CAREC	The Central Asia Regional Economic Cooperation
CIS	The Commonwealth of Independent States
COVID-19	Coronavirus
CPEC	China-Pakistan Economic Corridor
CSTO	The Collective Security Organization Treaty
EAEU	Eurasian Economic Union
FDI	Foreign Direct Investment
FPCCI	Federation of Pakistan Chambers of Commerce and Industry
FTA	Free Trade Agreement
GCAP	Greater Central Asia Partnership
GDP	Gross Domestic Product
GNI	Gross National Income
KM	Kilo Meter
LC	Letter of Credit
MoC	Federal Ministry of Commerce
MoFA	Federal Ministry of Foreign Affairs
MoUs	Memorandum of Understanding

NACC	The North Atlantic Cooperation Council
NBP	National Bank of Pakistan
NTTFC	National Trade and Transport Facilitation Committee
OIC	The Organization of Islamic Cooperation
OSCE	The Organization for Security and Cooperation in Europe
PNTTFS	Pakistan's National Trade & Transport Facilitation Strategy
PTA	Preferential Trade Agreement
QTTA	Quadrilateral Traffic in Transit Agreement
SBP	State Bank of Pakistan
SCO	The Shanghai Cooperation Organization
STPF	Strategic Trade Policy Framework
TAPI	Turkmenistan Afghanistan Pakistan and India gas pipeline project
TDAP	Trade Development Authority of Pakistan
UN	United Nations
USD	United States Dollar
USSR	United States of Soviet Russia
WTO	World Trade Organization

CHAPTER NO. 1

INTRDUCTION

1. 1 Why CA is Important for Pakistan

The region of CA is important for Pakistan due to many reasons. These include the historical relations, economic ties, trade complementarity and above all sharing of close proximity to each other. The present study endeavors to produce recommendations for banking policy of Pakistan to further its trade relations with CA. The question before the study is to know the bottlenecks in banking policy of Pakistan, which are hindering the trade prospects of Pakistan. The study also endeavors to find solutions to these policy problems through its analysis and present recommendations.

The research objective therefore, is to arrive at these policy solutions, so that both the region of CA and Pakistan profit from mutual trade. For the present study to be able to do the same it is very imperative to get to know the history of the region. Once the study has established the historical importance of CA for Pakistan, it needs to delve into trade related importance of CA for Pakistan. Now trade is of two kinds, internal and external. This study will focus on external trade with CA, therefore it is important to delineate the importance of foreign trade policy. While having a look at these dimensions the study also cannot ignore the importance of different trade routes available to Pakistan for trade with CA and their respective suitability. Therefore, finally the study has presented a discussion on different trade routes to realize the research objective as stated above.

1.1.1 Historical Importance

CA countries are known to the world as part of Soviet Bloc countries in CA region. These republics declared independence from Soviet Russia in 1992. These include Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, and Kyrgyzstan (WorldBank, 2018). However, some estimations also include among these countries, the South Caucasian state of Azerbaijan and also Afghanistan (Pritchins, 2017). However, for the present study, both Afghanistan and Azerbaijan are not included as part of CA.

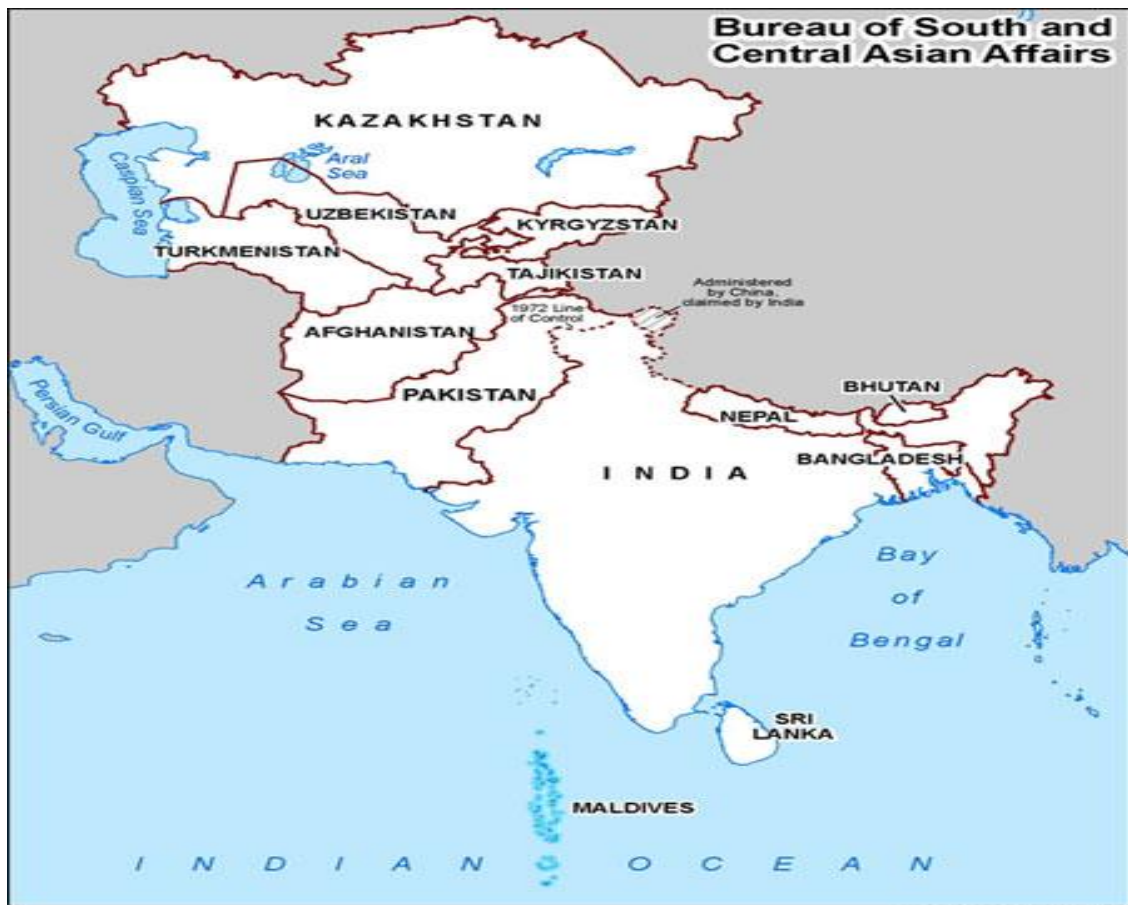
Before embarking upon an in-depth study on the topic of this thesis, it is imperative to understand the importance of CA for Pakistan, first. Though Pakistan has deep historical connections with CA and there are multiple strategic reasons to show that CA is indeed very important for Pakistan. Foremost, let us delve into the maps of both CA and Southeast Asia. This indulgence is important as.

“Maps are a way of conceiving, articulating and structuring the human world, which is biased towards, promoted by, and exerts influence upon particular sets of social relations.” (Harley, 2009, p. 129)

By observing the map of CA and Southeast Asia, we will be able to visualize the placement of Pakistan for both regions and the ‘social relations’, Pakistan possibly has with both the regions. These relations have gone through many thinks and thins during the course of history, and it is felt that so much dust has settled on these relations that these are evidently nonvisible to Pakistanis generally. A closer look at the map may incite a few minds to really wonder and ask the question, why and most importantly, how.

On a recent visit to Pakistan, the Uzbek President Shavkat Mirziyoyev presented a book to the Prime Minister of Pakistan containing 3000 common words between Uzbek and Urdu languages (APP, 2022). This means a diffusion on centuries between both the languages, which would not have been possible without strong historical and social relations with the CA.

Map 1: South East and Central Asia



Source: (US Department of State, 2009)

A close look at the map, reminds one of what Kaplan (Kaplan, 2013) very rightly wrote in his book:

“Pakistan can be viewed as an artificial puzzle piece of a territory, straddling the frontier between the Iranian-Afghan plateau and the

lowlands of the sub-continent, encompassing the western half of the Punjab,....., crazily uniting the Karakoram in the north (some of the highest mountains in the world) with the Makran Desert almost a thousand miles away to the south by the Arabian Sea". (Kaplan, 2013, p. 242)

This puts Pakistan into a geographical perspective, which makes it at once a member of the CA as well as Southeast Asia. This argument is based on the fact that the ‘Karakoram in the north’, as narrated by Kaplan is actually the Silk Route travelling from Pakistan into the CA, either through Afghanistan or through China. Later in this thesis, different routes through Afghanistan and China will be critically compared for further understanding, however, it suffices to argue here that Pakistan is geographically linked with CA. Actually, it is the only country which connects CA with the rest of the South East Asia. Not only this, but Pakistan also has the potential to link CA with Middle East, Far East and Africa. To further his argument, Kaplan writes:

“Today’s political geography is historically unique, however: an Indus valley state and a powerful Gangetic state both fighting for control of an independent Central Asian near-abroad. Because the Indus and its tributaries, with Punjab at its heart, is the demographic core of the Indus-to-Oxus region, encompassing today’s Pakistan and Afghanistan”. (Kaplan, 2013, p. 244)

For Kaplan, the Indus valley state is Pakistan; Gangetic state is India and finally, he also speaks of an Indus to Oxus region. Holding further discussions, one issue which has been highlighted by Kaplan, is that, both India and Pakistan are in a state of conflict

over the control of CA, including Afghanistan. Now, this merits for an argument that CA is indeed important for Pakistan.

However, going further, one needs to build an understanding of what is “Indus to Oxus Region’ and how come Pakistan’s Indus valley is the demographic core of this region.

The answers to such questions may find us in History and its annals.

For history of the Indus or Pakistan, as Kaplan has put it, let us review what Ahsan has to argue about it (Ahsan, 1996). He argues that the land called Indus valley in the ancient times, which is now more or less the same land encompassing Pakistan, has never really been part of India as we know the Indian state today. His argument is further augmented by Kaplan as he also calls India the ‘Gangetic state’. Further, Ahsan argues that:

“As I journeyed into the past, it dawned upon me that Pakistan had existed for almost five and a half of the last six thousand years. Indus had seldom been part of India”. (Ahsan, 1996, p. XV)

If one agrees with Ahsan and if Pakistan or the region of Indus had existed for so long in history, what was its relationship with Oxus region, if not India? But before all questions, one must wonder; what Oxus region is.

News of this lost region in history and the subsequent civilization began to surface in the 1970s (Lawler, 2006). Some archaeologists came to excavate in the southern Soviet Union (CA) and Afghanistan. Their findings, published only in obscure Russian-language journals, described a culture named the Bactria-Margiana Archaeological Complex. Bactria is the ancient Greek name for northern Afghanistan, while Margiana is further north in present day Turkmenistan and Uzbekistan, CA countries. This

civilization thrived on the banks of river Amu, as did Indus and Gangetic 3rd to 2nd millennia BC. The Amu River was known as the Oxus River in Greek history. Thus, the name of the civilization became Oxus (Bertille Lyonnet D., & Nadezhda A, 2021). Now having taken a note of Oxus region, one must revert to the original question, and that is, what was the relationship between Indus and Oxus region.

Indus and Oxus came into close contact from 2500 to 2400 BC and kept a very close relationship till 1500 BC, according to archeologists (Francfort, 2016). Francfort writes that, “We must keep in mind that Eastern Bactria, by the road of the Dorah Pass via Badakhshan, Chitral and Swat, is easily connected to Northern Pakistan” (Francfort, 2016, p. 472). For the interest of the readers, Dorah pass is in the Badakhshan province of Afghanistan. According to Ahsan, the Bactrians from Oxus region had taken over Indus by 180 BC. Later Scythians from Oxus ruled Indus and this rule lasted till 226 AD, when the Persians claimed Indus for themselves (Ahsan, 1996, pp. 64-67). Thus, CA and Pakistan have close ties with each other than the rest of Southeast Asia.

Even the Emperor Zaheeruddin Babar, the founder of the Indian Mughal dynasty, was born in the Farghana region in eastern Uzbekistan, on the border with Kazakhstan and Tajikistan. Even before that, almost all the Turkic and Tatar rulers of Afghanistan and the Indian subcontinent hailed from CA (Spear, 1972).

In addition to these political roots, Indian Muslims also had deep religious ties with CA. Samarkand and Bukhara are still revered as holy places in Islamic scholarship by the people of India, Pakistan, and Afghanistan. Under the auspices of these political and religious ties, trade between CA and South Asia flourished. The Silk Roads linked the entire Eastern world from Kashmir in Indus valley and Xinjiang in China to the

heart of Eurasia and Eastern Europe (Francfort, 2016). The proverbial caravanserais, synonymous with Peshawar's Qissa Khwani Bazaar, were the stopping places for trade convoys carrying goods between CA and the South Asian regions as far as Bangladesh and Sri Lanka.

Map 2: Central Asia with Neighboring Countries



Source: (Nations Online, 2022)

This closer historical interaction between these two regions received its first setback when Tsarist Russia clashed with the British Empire of India, both of whom sought to curb each other's advances and established buffer zones between their territories (Ahsan, 1996). Later, when the Soviet Union brought all the CA republics under its rule, this entire region became completely isolated from the subcontinent, alienating the peoples of both regions from each other.

The collapse of the Soviet Union in 1991 once again allowed these republics to declare their sovereignty and establish independent relations with all countries in the region and the world. In their search for partners for political, diplomatic, and economic

cooperation, the five CA states found their natural allies in Afghanistan, Pakistan, and Iran.

Even, looking at Map 2 also puts this relationship in perspective. Other than India, Pakistan does not share its borders with any of the Southeast Asian countries, any map of the region holds witness to this argument. However, Pakistan has historically been well connected with Afghanistan, CA and Iran. Having said this, even Pakistan's future is now with China (China Pakistan Economic Corridor-CPEC) and not with Southeast Asia. As Frankopan has eloquently concluded his seminal work with the words:

From east to west, the Silk Roads are rising once more. It is easy to feel confused and disturbed by dislocation and violence in the Islamic world, by religious fundamentalism, by clashes between Russia and its neighbors or by China's struggle with extremism in its western provinces. What we are witnessing, however, are the birthing pains of a region that once dominated the intellectual, cultural and economic landscape and which is now re-emerging. We are seeing the signs of the world's center of gravity shifting – back to where it lay for millennia.

(Frankopan, 2019)

1.1.2 Trade Related Importance

One interesting fact about all the CA is that these are land locked countries, Caspian Sea being the only respite, which itself is a land locked sea. This very geographic character of CA makes these countries dependent upon other nations for access to open seas and international trade. Until recently, CA countries have been dependent on

Russia for such international trade, however, they have been searching for better options and easy access to open seas. For this the CA countries have developed closer ties with China, which provides them easier access to South China Sea and the Pacific. Still this route to international trade is expensive for the CA countries (Haron, 2009). However, the question remains, what is it that the CA countries are so eager to export to the world? The answer to this question is, abundance of oil, natural gas and natural resources, which are yet to be seen in such huge quantities anywhere in the world (CIA, 2009).

Pakistan is a country which, geo-strategically can provide the shortest route to CA countries for easier access to Arabian Sea and Indian Ocean. Pakistan's position as the most viable option for CA becomes evident while looking at the world map and noticing that Syria, Iraq and Iran, all three countries which can provide a parallel option to CA are all unstable economies, either politically or war torn. Therefore, Pakistan can provide a trade route to CA with easy access to whole of Asia, Middle East and Africa. Having established this, one must ask the question, what's in it for Pakistan? The answer is all but simple. To begin with, CA countries have a total population of 7.5 Million and the only source of agricultural produce is Fergana Valley, which in total comprises of 22,000 Square KMs, out of which only 12000 Square KMs are being used for agricultural produce (IFAD, 2020). Essentially, this is insufficient to feed the whole population of CA, when 1500 Square KMs out of these are producing cotton. Therefore, foremost Pakistan being an agricultural country can find a good market for export of its agricultural produce among CA countries.

As CA countries are landlocked, Pakistan can have access to their market through China or Afghanistan. However, Afghanistan is reluctant to provide access to Pakistani products to reach out to the Central Asian market. Also, Afghanistan still remains politically unstable and any long term investment in the country remains susceptible to failure. Pakistan may access the CA through China as Uzbekistan has agreed to become part of the Quadrilateral Traffic in Transit Agreement (QTTA) already signed among Pakistan, China, Kyrgyzstan and Kazakhstan. Similar conceptualization has also been presented by Professor S. Frederick Starr as The Greater Central Asia Partnership (GCAP), (Starr, 2005). Moreover, Dr. Aftab Qazi has coined a new term for this idea; ‘the Geopolinomics of Central Asia’s Traditional Indus Basin Corridor’, (Kazi, 2006). Such ideas should be implemented by Pakistan. For doing so, it is important not only to provide access to CA but also to conduct trade with them. When we look at the trade complementarity among CA countries and Pakistan, it shows a very encouraging picture. From 1995 to 2017 the trade complementarity of economies of CA countries with Pakistan is very strong which indicates healthy, positive prospects for future trade potential (Khan, S.; Ali, S.; Urooge, S., 2019).

Looking at a product wise analysis also reinforces the strong trade complementarity between the economies of Pakistan and CA countries. The table below shows a product wise analysis of percentage share of imports and exports between Pakistan and CA countries.

Table 1: Composition of Imports & Exports; Pakistan and CA Countries, 1995-2017

Sr. No.	Main Imports	Share (%)	Main Exports	Share (%)
1.	Coffee, Tea	1.57	Sugars and Sugar Confectionery	2.47
2.	Salt Sulphur	2.25	Other Vegetable Textile Fibers	2.48
3.	Raw Hide, Skins and Leather	3.83	Edible Fruit and Nuts	4.69
4.	Inorganic Chemicals	4.17	Pharmaceutical Products	5.56
5.	Iron and Steel	15.22	Oil Seeds and Oleaginous Fruits	12.38
6.	Cotton	70.09	Cereals	65.67

Source: (Khan, S.; Ali, S.; Urooge, S., 2019)

1.1.3 Importance of Foreign Trade Policy

The foreign trade policy of a country plays a very important role in its own development and at the same time effects its foreign relations with other countries. In this sense one can argue that a country's foreign policy and trade policy are very much intertwined as a binding dichotomy of sorts. One cannot fully function without the other. However, having said this, the focus of attention of the present study is trade policy, which leaves little or no room for a discussion on the foreign policy, as it would require sumptuous space of its own. Therefore, leaving aside the foreign policy, let us see the kinds of foreign trade policy options available to a country in today's world.

Mainly, there are two types of foreign trade policy options available to the world; a 'liberalization' trade policy model and a 'protectionist' trade policy model (Helpman, Elhanan.; Krugman, Paul R., 1989). The liberalization trade policy assumes little or no

intervention of the state in foreign trade and envisages local trade development through market forces alone.

On the other hand, the protectionist trade policy assumes a major role of state in managing the relations of trade to get maximum benefit for local industry and produces. This is done to protect the interests of local industry, which is not performing well and needs a bit of impetus to get competitive enough in comparison to international producers.

Global trade policy considers the minimal state intervention in international trade that has built on the ability to supply and demand in the free market and under protection. State policy protects the national economy from global competition through 'tax' and 'tax-free' trade policies. These two types of trade policies define state involvement in international trade.

The major concern for international trade freedoms is:

- Expansion of domestic employment
- Diversification for stability
- Safety against dumping
- Less expensive foreign workers

However, the purpose of the trade policy is to balance between the two trends: trade liberty and security. Each strategy has its advantages and disadvantages depending on the conditions of use, time, and place.

Therefore, unless there is a simple international trade authority to protect liberalization policies, protectionism effectively eliminates the power of the free market. It is believed that different countries' ability to grow and compete in the global economy

varies. Therefore, free market methods may not be beneficial in developing countries.

The unrelenting competition of superpowers will lead to increased inflation and an unsustainable economic structure to the defense policies of less developed countries.

The main concerns of the protectionist international trade are:

- Customs strategies that mainly control imports and protect national exports from international competition.
- Non-tariff approaches that control both imports and exports, making imported products less competitive.

The three key options available to a country to enforce its trade policy are:

- A system of unilateral agreements in which state regulatory mechanisms are used arbitrarily and are not negotiated with the trading partner.
- Bilateral agreements under which economic management measures are decided between trading partners.
- Multilateral agreements are among member countries that organize and control foreign trade with each other.

Protectionist policies lead to the growth of certain sectors of the country and are also a necessary factor for agrarian industrialization and the reduction of unemployment.

Nevertheless, eliminating the external rivalry decreases dependence of domestic producers on scientific and technical progress and increase in production. There are

certain types of protectionism:

- Targeted protectionism; targeting specific countries or products.
- Consumer protection; defending certain industries.

- Mutual protectionism: countries party to international integration agreements extend this type to countries that do not support trade unions.

Pakistan must opt for best possible trade policy solution with regards to CA for better harnessing the trade potential among countries. Pakistan has several bi and multi-lateral trade agreements with CA countries, which will be analyzed later in this study, so that appropriate policy recommendations can be proposed.

1.1.4 Transportation Routes with CA

Having already shared the historical connection of CA with Pakistan through ancient Silk Routes. Now is the time to look at the options available to Pakistan and CA countries for connectivity through different routes in the present.

So far Pakistan has been trading with CA countries through Afghanistan. This trade has been prone to all the challenges being faced by Afghanistan internally. Political instability and internal warfare of the country has been a big challenge. However, now in the shape of CPEC, Pakistan has the potential to bypass Afghanistan for trade with CA countries.

In order for us to answer this question, first let us understand, how Pakistan and CA were separated for past years. To explain this we need to have a closer look at the geography of the area.

Map 3: Central Asia with Afghanistan and Pakistan

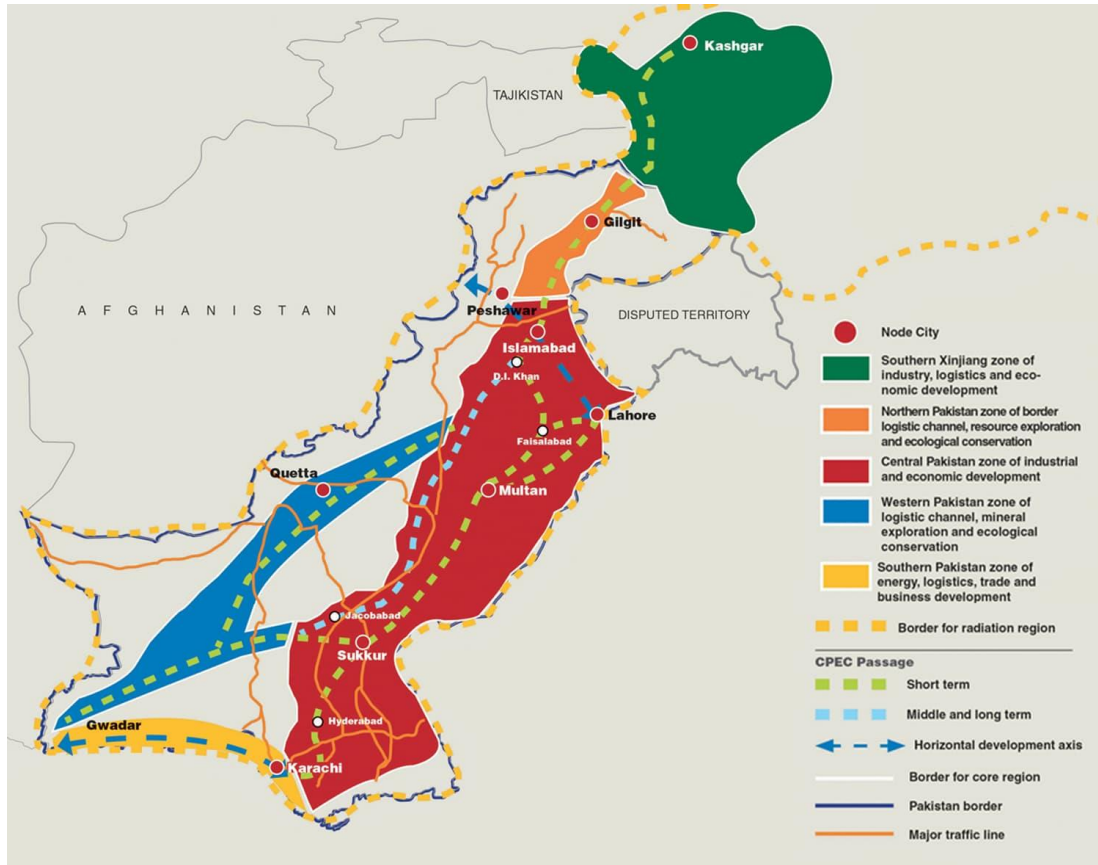


Source: (Nations Online, 2022)

Pakistan is separated from CA on north western border by Afghanistan and on north eastern border by China. Before CPEC, the shortest route available to Pakistan for access to CA was through Afghanistan. Afghanistan, being marred by internal strife was not a secure route. Therefore, connectivity between Pakistan and CA was only possible by means of air travel and cargo.

However, with the advent of CPEC, this geographical limitation has been removed. To understand this, one must have a look at CPEC routes agreed between Pakistan and China.

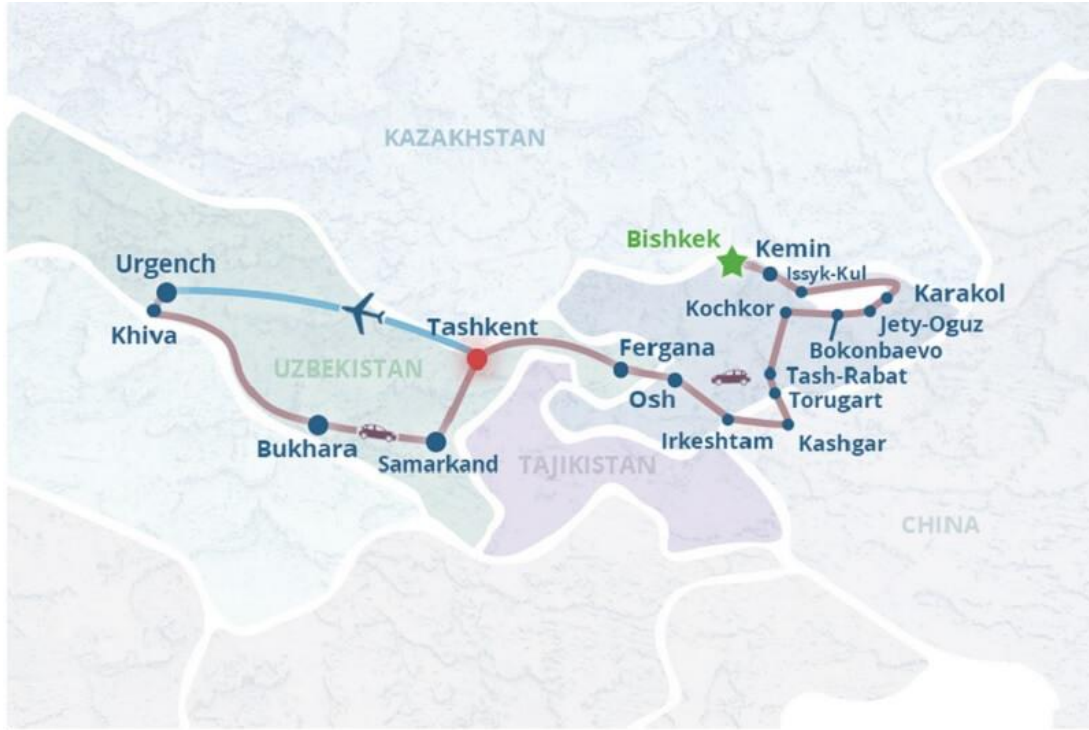
Map 4: CPEC Routes in Pakistan



Source: (CPEC Authority, Pakistan, 2022)

Due to CPEC, both Gwadar and Karachi ports are connected with the Chinese city of Kashgar. Having said this, now let's see another map, showing how Kashgar is connected to Central Asia.

Map 5: Road Connection of CPEC with CA



Source: (DND, Kyrgyzstan, 2018)

The distance from Khunjrab Pass (Pakistan) to Kashgar (China) is around 400 KMs. The distance from Kashgar to Torugart Pass is only 163 KMs. Therefore, the total distance from Khunjrab Pass to CA is 563 KMs, which is much less than 820 KMs of distance from Peshawar to Kabul to Tarmez. The Khunjrab – Kashgar – Torugart route is also part of ancient Silk Roads. That is how, CA is presently connected with Pakistan and also explanation of all arrows connecting the region with each of the countries.

Thus CPEC provides much faster and easier route to Pakistan for accessing CA markets and vice versa. According to estimates, 75% of trade of CA with China is already passing through Kashgar (Mir Sher Baz Khetran & Muhammad Humayun Khalid, 2019). Therefore, CPEC as a trade route not only connects China with Gwadar but also Pakistan with CA.

1.2 Problem Statement

Though Pakistan has established National Trade and Transport Facilitation Committee (NTTFC) to facilitate country's foreign trade, however, the Pakistan's National Trade & Transport Facilitation Strategy (PNTTFS) as well as Strategic Trade Policy Framework (STPF) is still under process. It is imperative to analyze not only this strategy but also trade related banking and market information problems being faced by Pakistani potential exporters (PIFFA, 2021) and come up with viable policy recommendations if Pakistan is to fully profit from its trade with CA.

This analysis becomes even more important when the country is having multiple trade agreements with CA countries, which are as following:

1. Pakistan-Kazakhstan Preferential Trade Agreement
2. Pakistan-Uzbekistan Agreement on Economic and Trade Cooperation
3. Pakistan Turkmenistan Trade and Economic Cooperation Agreement
4. The Quadrilateral Traffic in Transit Agreement (QTTA) is a transit trade deal between China, Pakistan, Kyrgyzstan and Kazakhstan
5. Afghanistan Pakistan Tajikistan Transit Trade Agreement
6. The Central Asia Regional Economic Cooperation (CAREC)

With this background information a comprehensive policy analysis is required to understand, decipher best possible policy solutions for Pakistan in order to maximize its trade interests with regards to CA.

1.3 Research Questions

The research undertakes to answer the following research questions:

1. Which policies and procedures related to banking are hindering or facilitating Pakistan's trade with CA?
2. What policy recommendations can be made for hindering policies and procedures?

1.4 Objective of the Study

With these research questions the research will endeavor to achieve following objective:

1. To recommend a set of policy suggestions regarding banking for Pakistan to maximize its trade and economic interests among CA.

1.5 Significance of the Study

The research will be significant as it will provide much needed policy recommendations for Pakistan's trade policy towards CA, thus will be helpful in connecting the country with Central Asia Region as a potential trade partner and ultimately will contribute in realizing a profitable future for Pakistan in Asia.

1.6 Organization of the Study

This research study comprises of 6 chapters. Chapter 1 provides information on the general background, research objectives, and significance that are drafted for this study. Chapter 2 covers the literature review highlighting the historical developments in trade and trade policy, trade policy options, banking policy and trade relationship and finally

the theoretical framework of the study. In chapter 3 thorough country profiles of the each of five CA countries have been provided. Chapter 4 presents a conceptual and theoretical framework of the study along with empirical framework and methodological approaches that are applied to collect and analyze data and information. Chapter 5 presents the major findings and results. The conclusion and policy recommendations derived from this study are provided in the final chapter 6 of the study.

CHAPTER NO. 2

LITERATURE REVIEW

2.1. On Public Policy and Pakistan

All research is guided by questions, to which the researcher seeks answers. However, all questions assume a contextual reality, which gives birth to the question itself (Pollner, 2010). This study is solely guided by assuming policy related contextual reality of Pakistan. All data, statistics, policy reviews have been guided by this contextual reality.

However, the next question which originates from this stance is that, what is this contextual reality? In order for the study to satisfy this question, it is imperative to discuss the philosophical grounding of the subject of public policy as a field of knowledge. If public policy is a field of knowledge which studies public policies, then what is the relationship between general public at large and policy itself? Ofcourse, the relationship is one based on absolute connectivity because governments make policies to control public behavior (Viscusi, 2015). Therefore, it can be safely argued that the context of the study emanates from ‘morality’ and ‘culture’ of Pakistan. Also, the argument necessitates a strong correlation between public morality and public policy, in philosophical terms (Henricson, 2016). According to Henricson, because morality is culture specific and culture is both order and disorder, therefore public policy is also culture specific and is both order and disorder. To summarize, the study has focused on such type of contextual reality of Pakistan as guiding theme for all analysis.

2.2. Review on CA's Importance for Pakistan

Numerous studies have highlighted the spatial, social, and economic importance of CA countries in their analysis. In this section a review of other research related to the analysis of CA trade behavior with our trading partners in general and Pakistan is presented.

The political significance of the country began in the 20th century when political philosophers began to play a leading role in the world's economy. The great philosopher Halford Mackinder reveals that the environment plays a vital role in politics. The importance of the economic sphere can be demonstrated in the 19th century in a contest between the British and Russian empires in CA. For example, an article (Rauf, 2017) highlighted the importance of CA in his study. It has focused on the top three countries like Russia, the United States and China, as well as the competition between them in CA. He affirmed that an exotic conflict is taking place in the CA, in which the CA countries give its client countries different positions. He reiterated that, although 25 years after the country gained independence, CA countries were still looking for partners to improve their security. The superpowers know the economic and political significance of the CA countries and therefore try to reach different agreements and interact with them. Another article (Sohail, 2014) explores the economic future of Afghanistan, India and Pakistan in South CA. They focus on these countries because these countries are similar in culture, religion, and economy to Central and South Asia. They concluded that the CA region is rich in large reserves of energy (oil and gas) as well as large sources of gold and other precious metals. Therefore, developing countries such as Pakistan, India, and China, as well as developed countries such as the United

States, have a keen interest in these resources for their economic development. Great powers like the United States and the EU are targeting the CA's vast resources. Most countries want to have access to and influence over the resources of this region. The major economies are competing for access to the CA's major resources. In addition, they conclude that due to the lack of access and the location of the CA countries, the energy industry is trying to provoke conflict in Afghanistan. If security concerns were confirmed, the region could be a major concern for major powers such as India and the United States.

Similarly, another article (Javaid, 2016) analyzed Pakistan's relationship with CA countries. They said that Pakistan is endeavoring to further its relations with the CA countries in various areas, taking into account the rich resources of the region. Similarly, CA countries also offer Pakistan the opportunity to benefit from one another. As the CA is made up of five different countries, Pakistan has a number of agreements and trade agreements between each country. However, another topic (Linn, 2012) examined regional economic integration and CARs to determine whether they were true or false. He noted that the breakup of the Soviet Union had caused considerable economic hardship among the CA countries. However, in 2000 the region experienced economic development as well as internal and external integration. Even with abundant energy sources and oil and gold mines, other precious metals and educated human resources, the value of CA countries is difficult to exploit in neighboring countries like Pakistan due to the lack of good state-owned companies. Thus, strong institutional communication between the countries of Central Asia and neighbors is required in order to derive mutual benefit from these resources.

Another article (Jaffry, 2016) explored the growth of economic significance and CAR strategies. He came to the conclusion that Central Asia has a very important geographical location, sharing borders with powerful nations and having major sources of power. Energy results suggest that CA region contains approximately 15 to 31 million barrels of oil, while gas reserves have been estimated at 230 to 360 trillion cubic feet. Pakistan will benefit more from its successful strategic relationship with the CA countries. In her contribution, (Fatima, 2015) has the strategic and economic interest focus. CA is deeply rooted in cultural and religious similarities with the South Asian region (especially Pakistan). Although these regions have many resources, economically, they are not very powerful. Benefit from the importance of their place. Although they are rich, they cannot afford to go abroad to use their wealth and explore their economies. In another study (Asif, 2011) also examined the vision and challenges of Pakistan's relations with CA countries. After the dissolution of the Soviet Union, CA offered Pakistan the opportunity to develop strategic relations with the CA countries. It concluded that Pakistani policymakers need to take action that can turn challenges into opportunities. Pakistan should take steps to secure the CA's gas pipeline by developing economic relationships with them. Pakistan must ensure peace and security to promote economic relations with CA countries. Pakistan and the CA countries have similar membership in many agreements and letters of intent. They are members of the SCO and ECO, whose main purpose is to promote good transport in the region. In Pakistan, the ports of Karachi and Gwadar are the shortest and safest routes to CA countries.

2.3. Review on Foreign Trade

Most simply defined, trade is an exchange of goods, services in exchange for goods, services or capital: the action of buying and selling goods and services (OUP, 2022). Therefore, it can be implied that foreign trade is a trade which one country performs with another country or an international market. For this study, mostly Pakistan's trade with CA countries will be discussed.

As the present study is going to discuss trade between Pakistan and CA countries, therefore, it can be safely assumed that the study is going to discuss bi-lateral trade mostly. This makes it clear that the subject of discussion is going to be bi-lateral foreign trade.

Bi-lateral foreign trade can be of three types; import, export and entrepot (Suranovic, 2016). The import trade refers to goods and services purchased and brought into one country from another country or international market (Seyoum, 2013), (Suranovic, 2016). While, those goods and services, which are made by one country and sold to another country or international market, out of the manufacturing country is called export (Seyoum, 2013), (Suranovic, 2016). Most of are already very familiar with these kinds of foreign trade types, however, entrepot trade needs clarification. Entrepot trade means importing goods from a foreign country with the purpose/motive of exporting them; as such or after adding further value to another country at a higher price (Patrick, 1967), (Golub, 2012). Having thus defined these terms, the present study has looked at all these three types of Bi-lateral foreign trades of Pakistan with CA.

Having already discussed the trade importance of CA for Pakistan, especially when CPEC is very much a reality; it is also pertinent to mention that sometimes foreign

trade also becomes a tool for political strategy, national strategic interest and also a matter of a nation's preferences (Holsti, 1986), (Cooper, 1972). There can be other political motivations to guide foreign trade as well (Puślecki, 2016). However, as per our discussion in Chapter 1 of the study, CA has both historical and strategic importance for Pakistan. Therefore, the study will place this strategic importance of CA as one of its cross-cutting themes.

2.4. Review of Foreign Trade Policy and Options

The present study is a multi-disciplinary one, discussed in detail in Chapter 4. Here it is sufficient to argue that as the study is multi-disciplinary and thus does not take into account the purely economics related outlook of the subject. Thus, subjects as, trade theory, demand and supply, endowment theories, theories of economic growth (Sen, 2005), (Seyoum, 2013) and so forth are not a point of discussion for this study. Rather the study employees grounded theory and content analysis for its analysis.

However, the definitional concepts required from the knowledge of economics are nevertheless, necessary. With respect to such definitions, these have already been provided in Chapter 1, under the heading; 'Importance of Foreign Trade Policy'. These definitions include, 'liberalization trade policy', 'protectionist trade policy', their respective concerns, tools and limitations.

In order to maintain the crispness of the present study intact, following are some of the foreign trade policy options (Elhanan Helpman and Paul R. Krugman, 1989), which merit a mention:

1. Strategic trade policy argument (Barbara S., and James B., 1983)

2. Two-Way Export Policies (Tirole, 1988)

Both these policy options have been employed by the study to conduct its analysis, along with grounded theory analysis of data collected.

2.5. Banks, Banking Policy and Foreign Trade Relationship

Banking is defined as the activity of accepting and holding funds belonging to other people and entities and then lending that money to conduct economic activities such as making a profit or simply covering operating expenses.

A bank is a financial institution authorized to accept deposits and grant loans. Two of the most common types of banks are commercial/retail banks and investment banks. Depending on the type, a bank may also offer a variety of financial services, ranging from providing safe deposit boxes and currency exchange to retirement planning and wealth management.

Central banks are primarily responsible for monetary stability. They control inflation, dictate monetary policy, and monitor the demand and supply of money in the market. Commercial or private banks provide various services including, but not limited to, managing cash deposits and withdrawals, providing basic current and savings accounts, certificates of deposit, issuing debit and credit cards to qualified customers, granting short and long-term loans such as car loans, residential mortgages or home equity lines of credit. Investment banks focus their services on corporate clients. They offer services such as merger and acquisition and underwriting activities among other investment services. However, there are six types of banks in Pakistan (Haris, 2020).

1. Central Bank (State Bank of Pakistan)

2. Commercial Banks
3. Islamic Commercial Banks
4. Micro-Finance Banks
5. Co-operative Banks
6. Specialized Banks

Primarily, the State Bank of Pakistan (SBP) is the central bank which regulates the banking sector in Pakistan.

Banking sector assumes significant importance in the financial sector.

It constitutes around 74 percent of the financial sector's assets and measures up to 55 percent of GDP. As of March 31, 2018, 34 banks are operating in Pakistan, comprising of five foreign banks, five public sector banks, four specialized banks and twenty domestic private banks.

The branch network comprises of more than 16000 branches spread across the country.

(SBP, 2022)

SBP ensures financial and macroeconomic stability through legal, regulatory and regulatory frameworks. These frameworks are continuously updated to align with international best practices. The legal framework of the SBP, which gives it the power to regulate and supervise financial institutions, includes the SBP Act 1956, the Banking Companies Ordinance 1962, the Microfinance Institutions Ordinance 2001, and the Foreign Exchange Regulation Act 1947, among various other Acts (Arby, 2004).

The regulatory framework, on the other hand, is a set of related policies, guidelines, regulatory standards, and processes that cover the licensing system, regulatory requirements, corporate governance, adequacy regime capital and market discipline.

However, for the current study, the most sought-after financial service required from SBP is the Letter of Credit (LC). LC is a written document issued by the importer's bank (issuing bank) on behalf of the importer. Issuance assures the exporter that the issuing bank will make payment to the exporter for international trade between the two parties.

The importer is the applicant for the LC while the exporter is the beneficiary. In a letter of credit, the issuing bank agrees to pay the specified amount according to the agreed schedule and against specified documents. A guiding principle of an LC is that the issuing bank makes payment solely based on the documents presented and has no obligation to physically insure the shipment of the goods. If the documents presented comply with the terms of the LC, the bank has no reason to refuse payment (Kozolchyk, 1992). The present study has investigated this banking service for analysis purposes.

For the relationship between the banking policy and foreign trade, it has been found that there is a new way through which international finance or banking policy of a country is related to international foreign trade, formation of international bank linkages increases exports (Julian Caballero, Christopher Candelaria and Galina Hale, 2016), (Beck, 2021).

The linkages between banks and their relative development of banking systems and their sharing of information enhances the rate of issuance of LC for those cooperating

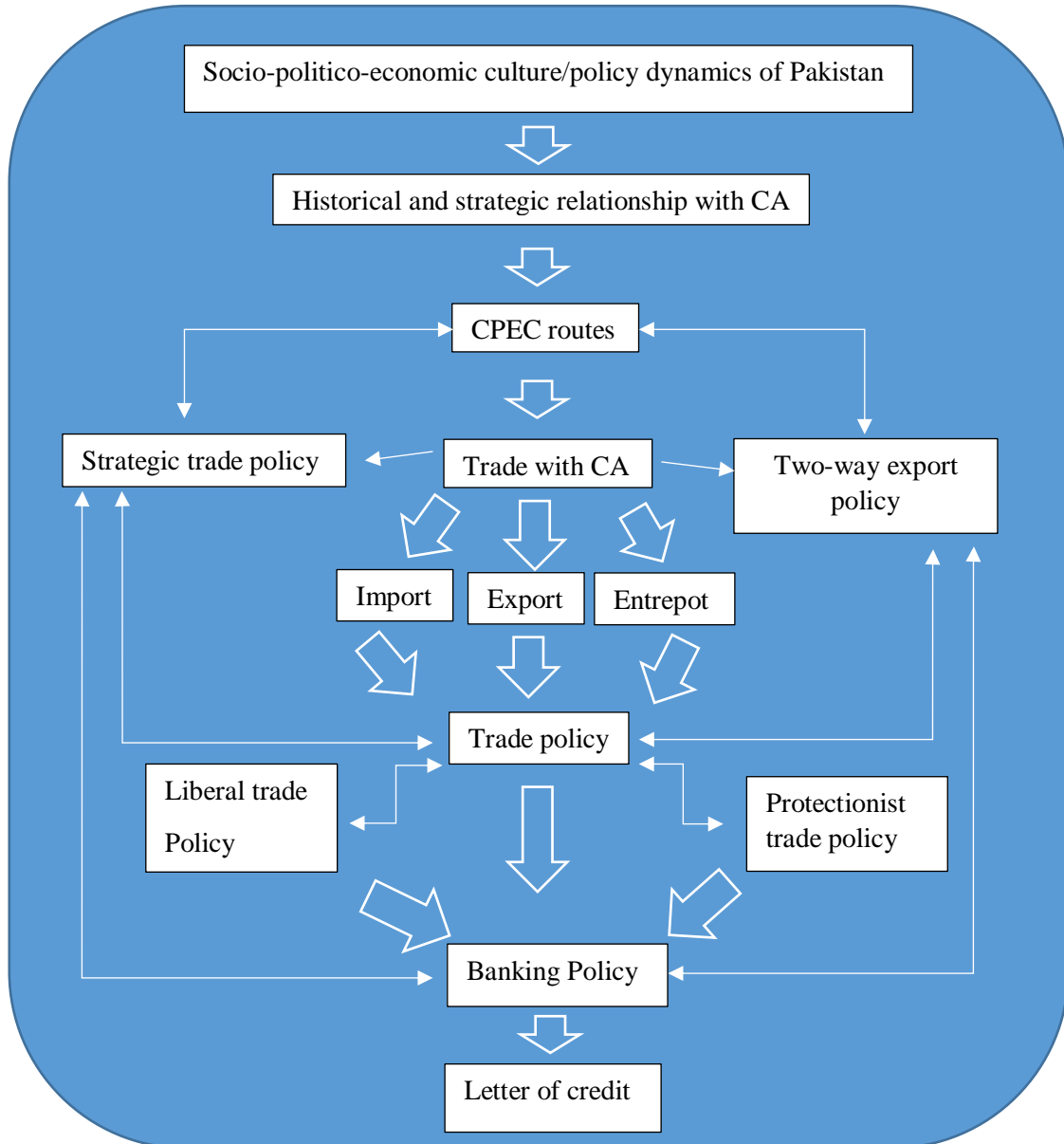
banks, thus greater facilitation of both importers and exporters within or without two countries.

The study will especially focus on this aspect of banking sector among CA and Pakistan for better banking policy options.

2.6. Theoretical and Conceptual Framework of Study

The study has very profound concepts to investigate and all have been delineated so far. A diagrammatic flow chart of the theoretical and conceptual framework is as following:

Figure 1: Flow diagram of theoretical and conceptual framework



Source: Author's own depiction

Figure 1 encapsulates all the major concepts and their respective theoretical connections in one diagram. Showing how the trade policy is connected to two trade policy options and then these options relate with CPEC routes. All of the concepts will eventually be analyzed in the context of Pakistan, as assumed by the study.

All the policy documents which have been reviewed for this study, have been analyzed in accordance with this conceptual framework. The content analysis of these documents has been guided by the themes and markers developed in the theoretical framework shown above.

CHAPTER NO. 3

COUNTRY PROFILES

3.1. Pakistan and Kazakhstan

3.1.1. History and Relations

Pakistan became one of the first countries in the world to recognize Kazakhstan as an independent country in 1991. Relations between the Republic of Kazakhstan and the Islamic Republic of Pakistan have developed in a positive and constructive way since the establishment of the relations.

The first visit of the Prime Minister of Pakistan was in 1995, ensued by his second visit in 2011 and the third visit in 2015. The President of Pakistan visited Kazakhstan again in 2011.

The President of Kazakhstan visited Pakistan twice, in 1992 and 2003. Several parliaments, ministers and senior officials have also visited each other. Both countries steadfastly supported each other at international conferences, such as in 2016 Pakistan supported Kazakhstan's permanent appointment to the 2017-2018 UN Security Council.

Previously in 2011, Kazakhstan provided the same type of support to Pakistan. Pakistan has also raised its voice in support of Kazakhstan's bid to join the Asia-Europe Forum (ASEM) and the World Trade Organization (WTO).

The decision taken by the Government of Pakistan in April 2020 to provide the requested medicines to Kazakhstan as humanitarian aid to combat the spread of the Coronavirus (COVID-19) was another expression of the friendly relations between the countries.

The size of the Pakistani community in Kazakhstan is small, living in different cities in Kazakhstan. Most of them live in Almaty. However, they are present in several other cities. The community is mainly made up of small entrepreneurs with a few professionals working in the oil and gas sector (Pak Embassy, Kazakhstan, 2022).

3.1.2. Overview of Kazakhstan

The Republic of Kazakhstan is located in CA and covers an area of 2.7 million square kilometers. It is the ninth largest in terms of geographical area and is the largest closed country. The country is twice the size of all the other CA countries combined. It is bordered north and west by the Russian Federation, south by Kyrgyzstan, Turkmenistan, and Uzbekistan, west by the Caspian Sea and east by the Uyghur Autonomous Region of Xinjiang China. Kazakhstan is located about 1,894 miles (1,894 km) off the coast of the Caspian Sea, which is also a closed sea. The country is located in Asia, but a small portion is also part of Eastern Europe.

Islam is the main religion in Kazakhstan, but the country also allows Orthodox Christians and people of other religions to practice their religion without restrictions.

The Kazakhs are the largest nation, followed by the Russians. Other nations are Germans, Tatars, Ukrainians, and Uzbeks. The people of Kazakhstan speak Kazakh; however, Russian is also spoken in other parts of the country. The people of Kazakhstan

show traces of the influence of nearly two centuries of contact with the Russian people. Unlike the people of Central Asia south of their homeland, the people of Kazakhstan look to Russia more than Muslim countries for inspiration in the post-Soviet era. (Diener, 2013).

Kazakhstan is a member of a number of organizations, including the United Nations (UN), the Organization of Islamic Cooperation (OIC), the Shanghai Cooperation Organization (SCO), the North Atlantic Cooperation Council (NACC), the Commonwealth of Independent States (CIS), the Collective Security Organization Treaty (CSTO), and the Organization for Security and Cooperation in Europe (OSCE). Kazakhstan joined the World Trade Organization (WTO) on November 30, 2015.

Kazakhstan's foreign policy is based on the idea that it is a beautiful country with roots in Europe and Asia. The Kazakhstan region, the nomadic heritage, and the Silk Road trade history have led to a multi-faceted foreign policy and economic cooperation.

The Belt & Road Initiative (BRI) of the People's Republic of China is a program aimed at promoting economic cooperation in and around China. The CA countries and Kazakhstan in particular have immense strategic importance in terms of the BRI.

3.1.3. Economy of Kazakhstan

Kazakhstan's gross domestic product increased from \$179.3 billion in 2018 to \$180.2 billion in 2019. On the other hand the GDP per capita decreased from \$9,813 to \$9,731 over the same period. Inflation fell from 9.2% in 2018 to 6.7% in 2019. The value of the Kazakh Tenge in 2019 was 383 Tenge per US dollar.

Table 2: Kazakhstan Key Economic Indicators

Economic Indicators	2018	2019
GDP (US\$, Billions)	179.3	180.2
GDP Growth (%)	4.1	4.5
GDP per Capita (US\$)	9813	9731
Unemployment (%)	4.9	4.8
Inflation (%)	9.2	6.7
Exchange Rate (Kazakhstani Tenge per US\$)	345	383
Trade Balance (US\$, Billions)	28.4	19.4
Current Account Balance (US\$, Millions)	-223.4	-6498
FDI, net inflows (US\$, Millions)	213.9	3588

Source: (WB, 2022)

Kazakhstan's trade surplus with the world declined by around 32.0%, from \$28.4 billion in 2018 to \$19.4 billion in 2019. Foreign direct investment in Kazakhstan increased by 1,577.0%, from \$213.9 million in 2018 to 1,577.0% \$3,588.0 million in 2019.

Kazakhstan has consistently held the highest GDP in CA, surpassing the GDP of other CA countries by over US\$70.0 billion in 2018. However, worth mentioning is the fact that the GDP per capita of Kazakhstan went through a voluminous depreciation of approximately 30.0% from 2013 to 2019.

The Kazakh Tenge depreciated against the US dollar from 147 Kazakh Tenge per US dollar in 2010 to 383 Kazakh Tenge per US dollar in 2019.

Inflation in Kazakhstan fell from around 20.0% in 2010 to around 7.0% in 2019. The unemployment rate also declined over the same period, falling to around 5.0% from around 6.0 % in 2010 to 2019.

Another positive is that Kazakhstan experienced meaningful surge for ease of doing business score from a score of 71 in 2015, which gained 9 points and was 80 in 2019. This saw the country jump from 51st to 25th place in ease of doing business between 2015 and 2019.

3.1.4. Trade Related Agreements

The two countries have signed numerous agreements relating to Commerce and Trade among other things since 1992, which are as following (MoFA, Pakistan, 2022):

1. An Agreement on Trade and Economic Cooperation between the two countries was signed in February, 1992.
2. Pakistan and Kazakhstan signed the Income Tax Convention and Final Protocol on 23rd August, 1995 which came into force on 29th January, 1997. The said agreement is also known as a double taxation agreement.
3. Agreement and the Establishment of bilateral relations in the field of Urban Economic Management between the Capital Development Authority of Islamabad and Akimat of Astana of the Republic of Kazakhstan.
4. The two countries also signed a bilateral investment agreement on 8th December 2003 which came into force on 7th December 2009. This agreement coexists with ECO Investment Agreement and the Organization of Islamic Cooperation (OIC) Investment Agreement (1981).

5. The Protocol of Bilateral Negotiations between the Republic of Kazakhstan and the Islamic Republic of Pakistan for the Accession of the Republic of Kazakhstan to the WTO was signed on 5th July 2005.
6. Agreement on Cooperation between the Chamber of Commerce and Industry of Kazakhstan and the Federation of Pakistan Chambers of Commerce and Industry was signed on 7th September 2011.
7. Memorandum of Understanding for setting up the Joint Business Council between the Chamber of International Commerce of Kazakhstan and the Federation of Pakistan Chambers of Commerce and Bilateral Agreements – Pakistan and Kazakhstan were signed in August 2015.
8. Furthermore, Memorandum of Understanding between National Export and Investment Agency “KAZNEX INVEST” JSC and the Trade Development Authority of Pakistan (TDAP) on cooperation in bilateral trade was also signed in the same period.

3.1.5. Banking Related Agreements

The two countries have signed only one banking related agreement in December 2003: Agreement between the State Bank of Pakistan and the National Bank of the Republic of Kazakhstan on Conditions for Opening Subsidiary Banks and Cooperation in the Area of Banking Supervision.

3.1.6. Bilateral Trade Situation

During 2015-19, Pakistan's exports to Kazakhstan increased by 550.0% while its imports from Kazakhstan fell by 77.0%, increasing Pakistan's trade surplus with Kazakhstan by 805.0% for the period. In 2019, Pakistan's exports to Kazakhstan amounted to about US \$ 83.5 million, while its imports from Kazakhstan amounted to US \$ 0.8 million. In 2019, Pakistan had a trade balance of about US \$ 82.6 million with Kazakhstan (WB, 2022).

During 2015-19, the main export products were mainly "grains", "food crops", "oilseeds" and "pharmaceuticals". Pakistani exports of "cereals" and "edible fruits" to Kazakhstan increased by 781.0 percent and 434,600.0 percent, respectively, during the period. In 2019, Pakistani exports of "grains" to Kazakhstan accounted for about 74.0% of Pakistan's total exports to Kazakhstan.

The main imports in 2015-2019 consisted mainly of "inorganic chemicals" and "edible vegetables". Pakistan's imports of "inorganic chemicals" from Kazakhstan fell by 64.0% during the period 2015-2019. In 2019, Pakistan's combined import of "inorganic chemicals" and "edible vegetables" from Kazakhstan accounted for approximately 92.0 percent of Pakistan's total imports from Kazakhstan.

3.2. Pakistan and Kyrgyzstan

3.2.1. History and Relations

Pakistan and Kyrgyzstan have maintained cultural, religious, and economic relations for centuries before their founding date. Zaheer-Uddin Babur, founder of the Mughal dynasty of Hindustan, hails from the Fergana region of Kyrgyzstan, Uzbekistan, and Tajikistan. The Babur Mosque is still housed in the Kyrgyz city of Osh, a popular tourist destination.

After the collapse of the USSR, Kyrgyzstan gained independence in 1991. Pakistan became one of the first countries to recognize Kyrgyzstan in December 1991, followed by the establishment of international relations on May 10, 1992. In August 1995, Pakistan's diplomatic mission was established in Bishkek (Embassy of the Kyrgyz Republic, 2022).

Besides these, there were several high levels of bilateral visits between the countries. The official visits of the Presidents of the Kyrgyz Republic in 1994 and 2005. Working visit of the Prime Minister of the Kyrgyz Republic in 1997. Official visits by Presidents of Pakistan in 1996 and 2005; and official visits of Prime Ministers of Pakistan in 1995, 2011 and 2015.

3.2.2. Overview of Kyrgyzstan

Kyrgyzstan is a country in CA. Borders Kazakhstan (1,212 km) north, Uzbekistan (1,314 km) west and southwest, Tajikistan (984 km) southwest China (1,063 km) East. Geographically, Kyrgyzstan is placed at number 4 amid CA countries having a total area encompassing 199,591 square km. The mainland country is dry, however, a cool spot is the Tien Shan Mountains. The country also has a sub-tropical south-west (Fergana Valley, which is fertile land). The northern regions of the country are at a high altitude and are much colder than the rest of the country.

The population of the country is 6,140,200. The largest group includes 70.9% Kyrgyz, 14.3% Uzbeks, 7.7% Russians, 1.1% Dungans and another 5.9 percent (including Uighur, Tajik, Turkish, Kazakh, Tatar, Ukrainians, Koreans, and Germans).

The main religion is Islam with 70% of the population Muslim, but 20% of the population is also Orthodox.

Kyrgyz is the official language of 72% and Russian of 15% population. Though the population of the country also uses other languages but their percentage is very less, however, Kyrgyz and Russian languages enjoy the status of official languages of the country.

While looking at relations with other CA countries, one finds that there are historical tribal frictions with Uzbekistan. These tensions did force the Kyrgyz to make security related relations with Russia, to safeguard itself from external aggression. Due to these alliances with Russia, the Russians started settling in Kyrgyzstan by the years 1800's. The alliance began to function well, as the Russians played a key role in the defeat of the Kokand Khanate in Bishkek in 1862 and in Tashkent in 1865. By this time, the

'great game' was at full swing between Russia and England in the region for control of the CA. Therefore, Russia signed a treaty famously called the 'Tarbagatai Treaty' with China by the end of the century. The said treaty agreed that Russia would have legitimate claim over the east of today's Kyrgyzstan. The region was called Issyk-Kul province. Thus Russia and China agreed to accept Russia's suzerainty over this region. After this treaty, there was an exodus of migration of Russians towards settling in Kyrgyzstan. At the same time it was observed that the Kyrgyz population also started taking increased participation in Russia's economic and political life. At the beginning of the 20th century, Russian specialists began various development projects, such as the construction of large houses, the development of infrastructure, and the mines. During this time, the first Kyrgyz language books and the first Kyrgyz newspaper were published. Most people, however, continued to cling to their normal way of life.

In the meantime World War I broke out. The Russian authorities decided to recruit soldiers from Kyrgyzstan. This caused quite a stir in the area. On July 4, 1916, a coup broke out in the Kojent, which quickly spread to the Turkestan region. This was followed by massive Kyrgyz protests in Tashkent, where police opened fire on mobs and ethnic violence erupted between Russian immigrants and Kyrgyz people. At the same time, racial tensions were running high in the Tomak region, when local people attacked the regional police post for looting weapons.

This movement of the Kyrgyz people sustained till the Bolshevik Revolution in 1917, to stem the tide of independence from Russia. For a brief period even the famous Alash Order a resistance group against Russians which was democratic in its approach; successfully established a provisional autonomous government in 1917. This group

was founded by the Kazakh and Kyrgyz independence movement The Kyrgyz Liberation Movement came under increased Communist pressure which resulted in renaming of the Kyrgyzstan and it was called the Kara Autonomous Region - Kyrgyz in 1919. The communists wanted to isolate the region from the rest of the world. In 1926, when the dust of Bolshevik revolution had settled, the name of the said region was again changed to Kyrgyz Autonomous Republic. Ultimately in 1936, the area ascended to its full status as a republic in the United Socialist Soviet Republic. The capital, an old city having a tradition of hundreds of years, Bishkek, was given another name by the Russians. It was called Frunze. This was done to honor the famous military general Mikhail Vasilyevich Frunze. This was done to Russianize the region and to glamourize the Russian federation and its heroes. In those days, Stalin had a vision of greater integration of all Russian territories. This policy was multifaceted and included placing uniform taxation, compulsory adult labor, strict regulation of market prices, and also surgical, tactical control of indigenous populations. The policy also included strict land reforms, which resulted in seizure of land from local populations in the name of the state. These actions led to regional disputes. Opponents were executed or were sentenced to prisons, where they would be used as labor. The positive side of this story was that the Kyrgyzstan's traditional infrastructure was improved during the Soviet era and provided citizens with jobs and job security. Meanwhile, for Russians the positive fact was enormous uranium deposits in the country and they extracted it to their full capacity. The government of the republic was generally controlled and administered by the Russians until 1950s. This trend was reversed by 1960s, by then there was a sizeable population of locals who were ready to take over the local governance. These people

were trained by Russians and had their political support. So such Kyrgyz politicians were promoted to higher governance positions. Thus transferring the power to local politicians but under the strict eyes of the Russians. This continued until later half of 1980's. In 1980s the vision of the soviet leader Mikhail S. Gorbachev became very lenient towards confederating republics and thus once again nationalist feelings started to flourish. Several groups of activists emerged during the Glasnost era. The country finally gained independence in 1991 (Anderson, 1999).

3.2.3. Economy of Kyrgyzstan

In a global perspective the economy of Kyrgyzstan is, with reference to its size is at the 141st number in the world. The country has never been an Agricultural land due to its topography and mountainous terrain and climates of extremes. In addition, Kyrgyzstan has been importing food since independence (WB, 2022).

As shared before, the country is bestowed with huge mineral deposits. The most commonly known are the gold reserves of the country. Kyrgyzstan's gold exports account for 42% of its earnings. After extraction, the production industry is the second best sector of the country. This sector produces export earnings and accounts for 29% of GDP. The services part of economy is steadily growing, however, its share is still nascent in GDP. This is because the sector is only serving the local consumption. However, at the same time this sector provides jobs to most of the population of the country.

Table 3: Kyrgyzstan Key Economic Indicators

Economic Indicators	2014	2015	2016
Nominal GDP USD Million	7,468.10	6,678.18	6,551.29
GDP per capita USD	1,279.77	1,121.08	1,077.04
Annual % inflation	7.53	6.50	0.42
Exchange Rate (Som per USD)	53.65	64.46	69.91
FDI (Net Inflows USD Million)	352.90	1,139.26	467.00
Population (Millions)	5.84	5.96	6.08

Source: (WB, 2022)

According to UNDP, Kyrgyzstan is ranked 120th in the HDI, this means that the country has human resource, which is less trained, when compared to the world. As a country, Kyrgyzstan scores only 26.8 points on the Gini-coefficient scale, which reflects the country's low-income inequality. As a small country, Kyrgyzstan experienced many economic hardships soon after independence. These difficulties are largely due to the country's transition from a powerful Russian influential system to a free-market economy (UNDP, 2022).

As an aftermath of collapse of the USSR in 1992, and subsequent independence, the economic growth of Kyrgyzstan suffered till 1995. In 1996, the country focused on revolutionizing agriculture and also initiated the Kumtor gold mine processing plant. These two measures rejuvenated the Kyrgyz economy. While the country was struggling to revive economy, the Asian financial crisis of 1998-1999 called in. This crisis hit the economy of the country badly and economic growth was again stalled. Once the Asian financial crisis has passed, the country encountered internal problems. These emerged as the technical and structural problems of the biggest state owned

company, that was, Kumtor gold mines. The country focused on these problems but company's growth was to take time to bear fruits. The two factors discussed, stalled the economy of the country for long. Therefore, during fiscal year 2001-2002, the GDP of Kyrgyzstan showed a growth rate of approximately zero. While this was going on with the economy, 2010 marked the severing of ties with Uzbekistan and Kazakhstan. This was coupled with internal political instability, which again hampered the economy. All these internal and external factors contributed for a real GDP decay of 0.5%. However, in 2011, the economy grew by almost 5 percent due to favorable external and internal conditions.

In 2013, the Kyrgyz government executed a set of cohesive macro-economic and financial reforms of policy level in close collaboration with the State Bank. These reforms proved fruitful and an integrated, overall growth was witnessed by the overall economy of the country. These reforms resulted in real GDP growth of 10.5%. At the same time, the ailing Kumtor gold mine company also revived and showed positive growth, which proved a positive factor as well. In 2014-16, despite adverse external factors, like the US dollar got highly escalated against Kyrgyz Som, spiraling of oil prices in international markets, and an increase in staple food costs, like wheat, which is imported by the country from Kazakhstan, in 2016, real growth remained at 3.8%.

3.2.4. Trade Related Agreements

The two countries have signed numerous agreements relating to Commerce and Trade among other things since 1992, which are as following (MoFA, Pakistan, 2022):

1. Agreement on trade and economic ties between Pakistan and Kyrgyzstan signed in 1994
2. Agreement between the Government of the Islamic Republic of Pakistan and the Kyrgyz Republic on the reciprocal promotion and protection of Investment signed in 1995
3. Protocol on establishing the system of International Road transit Permit among the Ministry of Communications of China and Pakistan, Ministries of Transport and Communications of Kazakhstan and Kyrgyzstan signed in 1998
4. Agreement between the Government of the Islamic Republic of Pakistan and the Kyrgyz Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed in 2005
5. Agreement between Pakistan and Kyrgyzstan on Cooperation and Mutual assistance in Customs Matter signed in 2005

3.2.5. Banking Related Agreements

The two countries have not signed any agreement pertaining to banking sector.

3.2.6. Bilateral Trade Situation

For the last five years, Pakistan and Kyrgyzstan have enjoyed good bi-lateral relations, however, the trade part of these relations has not been substantial. During this time, Kyrgyzstan has shown a continuing trade debit against Pakistan, the truncated balance of trade indicates meagre trade relations. Exports by Pakistan have followed strict procedures. The five-year period ending in 2016, the lowest record shortfall occurred

in 2013 at \$ 0.64 million. However, imports by Pakistan declined sharply after 2013. However, imports from Pakistan have increased since 2014. The trend has led to continued shortages, albeit small, with 2016 shortages at 2.9 million.

The negative display of Pakistan imports from Kyrgyzstan can be observed by looking at export figures; these increased by 5000% between 2011-2013, while exports decreased by 81% in 2014-2015. In terms of Kyrgyz exports, 2013 can be considered a remarkable year as Kyrgyzstan's exports to Pakistan have not exceeded the \$ 1 million threshold over the past decade. The increase in exports in 2013 was due to a swift upsurge in demand of dairy products, exotic bird eggs and bee-honey. With the exception of 2013, exports have become weaker over the years. In 2016, exports to Pakistan reached \$ 0.3 million, an increase of more than 400% compared to 2015. The export mix of products was mainly meat, trailed by uncooked skins and electrical gadgets. Top 10 imports by Pakistan account for 99.36% of total imports. Edible meat was the best imports in 2016, followed by uncooked hides and skins worth \$ 56,000.

Purchases from Pakistan have reached US \$ 2.7 million over the past five years. Although imports have fallen sharply since 2013-2014, there seems to be a resurgence of momentum since 2014. Exports grew by 28% in 2016. Other imported items are furniture, bedding, edible fruit, and nuts.

3.3. Pakistan and Tajikistan

3.3.1. History and Relations

The two countries do not share a border; however, the borders of both countries are only 16 KMs apart from each other only separated by means of Wakhan corridor in Afghanistan.

Diplomatic relations between the Republic of Tajikistan and the Islamic Republic of Pakistan were established on June 6, 1992. Cooperation between Tajikistan and Pakistan dates to 1991, just after Tajikistan's independence from the USSR. Bilateral cooperation between the Republic of Tajikistan and the Islamic Republic of Pakistan is gradually developing through joint efforts. In 27 years of relations, the President of the Republic of Tajikistan has paid seven official and state visits to the Islamic Republic of Pakistan (MoFA, Tajikistan, 2022).

On June 2, 2021, Founder of Peace, and National Unity - Leader of the Nation, President of the Republic of Tajikistan Emomali Rahmon paid an official visit to Pakistan, during which 12 cooperation documents were signed. The President of the Islamic Republic of Pakistan paid three official and working visits to Tajikistan. The Pakistani Prime Minister has also visited the country three times on official trips.

3.3.2. Overview of Tajikistan

The Republic of Tajikistan is a Central Asian country with an area of 143.1 thousand square kilometers. The capital of Tajikistan is Dushanbe. The country's border is about 3,000 kilometers long, 430 kilometers near the eastern China border and 1,030

kilometers along the southern Afghanistan border. Tajikistan also borders Uzbekistan in the northwest and Kyrgyzstan in the north.

The nature of Tajik and culture dates back thousands of years and is very similar to those in Afghanistan and Iran in terms of language, beliefs, and culture. Tajiks are family-friendly and are known for their warm hospitality and hospitality.

The Tajiks are originally from Persia and formed the largest traditional group in the country. The group includes Pamiri living in the autonomous province of Gorno-Badakhshan. Other ethnic groups also live in the country as the CA borders were redrawn. In Soviet times, Uzbeks, Jews, Kyrgyz, Turkmen, Kazakh, Uyghur, Bukharis, and Europeans also lived here. Other non-native peoples are Crimean Tatars, Ukrainians, Belarusians, Georgians, Ossetians, Koreans, and Armenians (Horak, 2014).

The Republic of Tajikistan has 9.5 million inhabitants. The vast majority of Tajiks are Muslims, mainly of the Hanafi Sunni School. A small percentage of Muslims are Shia Ismailis living mainly in the Pamirs. The Christian population is predominantly Russian, but most ethnic Russians have left since the breakup of the Soviet Union.

Tajik is the official language and spoken by most people in Tajikistan. A member of the southwestern Iranian language group, the Tajik language is closely related to the mutually intelligible Persian and Dari dialects of Iran and Afghanistan, although it differs from these dialects in that it is written in Cyrillic alphabet. Uzbek is the second most spoken language and is written in the Cyrillic script, unlike Uzbekistan where Uzbek is written in a modified Latin alphabet.

In the late 2000s, the Dushanbe-Kulma Pass route, which directly connected China and Tajikistan, strengthened bilateral economic ties. China is now the main source of investment in Tajikistan with a total investment of over US\$2.0 billion. In 2017, China provided US\$230.0 million for new parliament and government buildings in Dushanbe, Tajikistan.

Tajikistan is considered the poorest country of the CA. In 2019, the country had a national poverty rate of over 26.0% and an extreme poverty rate of nearly 11.0%.

3.3.3. Economy of Tajikistan

Tajikistan's Gross Domestic Product recorded an increase from US\$7.0 billion in 2016 to US\$8.2 billion in 2020. GDP per capita also increased from US\$807.1 to US\$859 during of the same period. This means that the level of living in the country is improving. The increase in GDP per capita is mainly due to the fact that the GDP growth rate is significantly higher than the population growth rate.

Table 4: Tajikistan Key Economic Indicators

Economic Indicators	2016	2018	2020
GDP (US\$, Billions)	7.0	7.8	8.2
GDP Growth (%)	6.9	7.6	4.5
GDP per Capita (US\$)	807.1	853.2	859.1
Inflation (%)	0.5	2.5	2.3
Real Interest Rate (%)	24.3	24.1	NA
Population (Millions)	8.7	9.1	9.5

Exchange Rate (Tajikistani Somoni per US\$)	7.8	9.2	10.3
Trade Balance (US\$, Millions)	-2,132.1	-2,070.5	-1,827.1
Current Account Balance (US\$, Millions)	-290.8	-379.7	335.9
FDI, net inflows (US\$, Millions)	241.6	220.9	NA

Source: (ITC, 2022)

Inflation increased from 0.5% in 2016 to 2.3% in 2020. The real interest rate, which takes inflation into account, decreased from 24.3% to 19.2% for 2016- 19. The exchange rate of the Somoni against the US dollar fell from 7.8 somoni to 10.3 somoni for 1 USD for the period 2016-2020.

Tajikistan's trade deficit with the world decreased by about 14.3%, from US\$2,132.1 million in 2016 to US\$1,827.1 million in 2020. Foreign direct investment in Tajikistan experienced a decline of 11.9% from US\$241.6 million in 2016 to 2019. Overall investments in the country are lower in regional and international comparisons. The aluminum, cotton and energy sectors have attracted most foreign investment to the country, but there is also potential for investment in the tourism sector.

Tajikistan has improved about 20 ranks and 19 ranks, respectively, on the Doing Business Indicator (DB) and the Logistics Performance Index (LPI). The country, nonetheless, deteriorated from 102 rank in 2018 to 104 rank in 2019 on the Global Competitiveness Index (GCI).

3.3.4. Trade Related Agreements

Pakistan and Tajikistan have signed more than 60 different agreements, memorandum of understanding and other official documents since 1992. Those agreements relating to commerce and trade are mentioned below (MoFA, Pakistan, 2022):

1. Agreement on Trade and Economic Cooperation between Government of Pakistan and Government of Tajikistan was signed in Islamabad in July 1992.
2. Agreement between Government of Pakistan and Government of Tajikistan for credit of US\$ 20.0 Million was signed in Islamabad in March 1994.
3. Agreement between Government of Tajikistan and Government of Pakistan on Promotion and Protection of Investments was signed in Islamabad in May 2004.
4. Framework of Cooperation between Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and Chamber of Commerce and Industry of Tajikistan was signed in Dushanbe in July 2009.
5. Agreement for the Establishment of a Joint Business Council (JBC) between Chamber of Commerce and Industry of Tajikistan and FPCCI was signed in Islamabad in November 2015.
6. Memorandum of Understanding between Government of Tajikistan and Government of Pakistan, through Trade Development Authority of Pakistan (TDAP) was signed in Dushanbe in July 2017.
7. The two countries also signed a protocol at the 6th session of the Tajikistan-Pakistan Joint Commission on Trade, Economic, Scientific-Technical Cooperation in Dushanbe in July 2019.

8. Agreement on Cooperation between the Chamber of Commerce & Industry of Tajikistan and Chamber of Commerce & Industry of Quetta, Baluchistan.
9. Agreement on Cooperation between the Chamber of Commerce & Industry of the Republic of Tajikistan and the Sialkot Chamber of Commerce & Industry of Pakistan.
10. Memorandum of Understanding between the Lahore Chamber of Commerce & Industry and the Chamber of Commerce & Industry of the Republic of Tajikistan.
11. Memorandum of Understanding between Agency for State Financial Control & Struggle against Corruption of the Republic of Tajikistan and National Accountability Bureau of the Islamic Republic of Pakistan.
12. Agreement on International Road Transport.

3.3.5. Banking Related Agreements

The two countries have not signed any agreement pertaining to banking sector.

3.3.6. Bilateral Trade Situation

Bilateral trade between Pakistan and Tajikistan fell by US\$20.5 million in 2016-2020. Pakistan's exports to Tajikistan fell by 53.1% in 2016-2020, while its imports from Tajikistan fell by 95.6%. Pakistan's trade deficit with Tajikistan decreased by 108.3% over the period, turning the deficit into a surplus. By 2020, Pakistan's exports to Tajikistan cost US \$ 2.1 million while its import from Tajikistan cost US \$ 836,000. Pakistan records US \$ 1.2 million extra trade with Tajikistan by 2020 (Karrar, 2020).

Pakistan's top export commodities to Tajikistan for 2018-2020 were mainly "buttermilk", "Wilkins and similar citrus fruits" and "medicines". -Period 2020. Pakistani tangerines cost Tajiks 35.0% more in December 2020 than in December 2019 due to the depreciation of the Tajik Somoni; The Covid-19 pandemic also contributed to this, as strong demand drove up prices. Among the top 15 mandarin exporters in the world, Pakistan was among the top 5 countries with comparative advantage between 2007 and 2016. Tajikistan applies MFN duties on imports from Pakistan and China. In 2018-2020, the main products imported from Tajikistan mainly consisted of "plain cotton yarn", "red bean", and "rayon staple fiber", among others. Pakistan's total imports from Tajikistan fell by US\$18.1 million between 2016 and 2020. However, Pakistan's total imports from Tajikistan increased by 472.6% in 2019-2020.

3.4. Pakistan and Turkmenistan

3.4.1. History and Relations

Pakistan was one of the first countries to recognize Turkmenistan's independence in December 1991. A formal diplomatic partnership was established on May 10, 1992. In October 1994, Pakistani Prime Minister Benazir Bhutto visited Turkmenistan for the first time. In October 1997, Prime Minister Nawaz Sharif of Pakistan visited Ashgabat. To mark Turkmenistan's 10th anniversary of independence in 2001, Pakistan issued Turkmenistan flags. In May 2017, Pakistani Prime Minister Nawaz Sharif, and Turkmen President Gurbanguly Berdimuhamedov held a conference to celebrate 25 years of national unity (Khetran, 2020).

Turkmenistan has maintained friendly relations with Pakistan since its independence in 1991. The two countries cooperate in many fields. Turkmenistan can be beneficial to Pakistan as an industrial and commercial energy network. Concrete steps have already been taken after the realization of this energy potential and since then the economic prospects between the two nations looked very good and promising.

3.4.2. Overview of Turkmenistan

Turkmenistan is located in CA, and is surrounded by Kazakhstan in the northwest, Uzbekistan in the northeast, Afghanistan in the southeast, Iran in the south and southwest, and the Caspian Sea in the west. Its total area is 488,100 square kilometers. It has borders with Afghanistan; which is 804 KMs long, also Iranian border is 1,148 KMs long, the border with Kazakhstan is 413 KMs long, and with Uzbekistan the border is 1,793 KMs long. Turkmenistan is also located on the border of the Caspian Sea, with a coastline stretching 1,768 KMs. However, the Caspian Sea is a closed sea. The world's population is 5.66 million (2016).

Turkmen is the official language of the country, which is spoken by 72% of the people, while Russian is spoken by 12%, other languages include Uzbek 9%. 89% of the population of the country is Muslim, while Orthodox Christians are 9%. 85% of the population of the country hails from Turkmen ethnicity, while Uzbeks and Russians are in minority.

The total literacy ratio in the country for people 15 years or older is 99.65%. The gender segregation of this ratio is; male literacy is 99.75% and for female is 99.56%. The total literacy ratio for younger population ages between 15 to 24 years is 99.83%.

The history of Turkmenistan begins with the migration of Aryans of Iranian descent to the region, which occurred in 2000 BC. The tribes which migrated to this area were nomadic but finally settled in this region. These tribes included the Scythians, Massagetes, and Soghdians. This region often served as a road of many trans-continental migrations of people to the relatively hotter and fertile south-western regions of ancient Elam, Indus and Mesopotamia.

Turkmenistan was founded in the 6th century BC, conquered by the Persians and was made a satellite of the ancient Achaemenid Empire. This area was occupied in the 4th century BC by Alexander the Great. Alexander founded the city of Alexandria, now Mervab, near the river Murghab. The city was strategically located and its site was purposefully selected due to the Silk Road connecting China and Europe. This location of the city made it a flourishing trade center for all. Once Alexander was dead, the Seleucids tribe took over the city for its own keep. Toward the end of the Seleucid era, the Satrap ruler of Parthia, fueled with ambition announced separation from the Roman Empire and created his own empire which was called the Parthian Empire. The Parthians built another city in the country called the city of Nisa. The Parthian Empire fell in 224 AD and Turkmenistan became a satellite of the Sassanids Empire in the 3rd century AD. Afterwards, the Ephthalites tribe controlled the area in the 5th century AD. The Arabs invaded and conquered most of CA in 7th and 8th centuries AD. Turkmenistan, as a region was made satellite of the Islamic Caliphate and the city of Merv emerged as a hub of Islamic knowledge and learning. Various intellectuals from Marv were experts in the fields of Islamic literature and hadith. In addition, the Oghuz

tribes, the ancestors of the modern Turkmen people, migrated from Mongolia to what was then the CA in the 8th century AD.

The Saffarids tribes defeated the Arabs and gained much of CA to rule but could only rule for a short time until they were conquered by the Samas in 901 AD, and by the Ghaznavids in 990 AD. The Seljuk dynasty was founded in 1040, comprising what is now a days is Iran and Turkmenistan. The Seljuk Empire was defeated and overrun in 1157 AD by the Turkish, with their base in the city of Khiva. In 1221, the Mongols, led by Genghis Khan, invaded the CA. They conquered Khwarezm and destroyed the city of Merv. As a result of these attacks, the Turkmen living in the northern part of country migrated further south and were eventually differentiated and merged into new ethnic groups. In time when the eldest son of Genghis Khan passed away, the Mongol Empire started to crumble. Later, parts of Turkmen country were fused with the Chagatai Khanate. These lands were now ruled by the tribe of Genghis Khan's descendants.

Timur, a fierce fighter hailing from Turk-Mongol lineage occupied all of Turkmenistan in 1388 and established the Timurid Empire. This empire could not last long, Timur died in 1405 and his descendants could not hold the empire together. Between the 15th and 17th centuries, what is now a days Turkmenistan was divided into different parts, ruled by different rulers. The Persians and the Uzbeks of Khiva and Bukhara ruled different parts simultaneously.

Most of the present day Turkmenistan was ruled by the Uzbek tribes of Khiva and Bukhara origin. Toward the end of the 19th century, the Russians came to control the Turkmen lands, which included the regions of Uzbek Khiva and Bukhara. Thus the

Russians has a control of Turkmenistan. Effectively, the Russian rule consolidated in the country in 1881, one they had won the Geok Tepe War.

In the meantime, World War I broke out. The local people were not happy with Tsarist Russia and revolted against the regime. Although the Russian Bolshevik Revolution in 1917 had negligible effect on Turkmenistan, the Turkmens, Kazakhs, the Kyrgyz, and the Uzbeks united in the 1920's to overthrow the rule of nascent Soviet Union. This revolt was not successful and the locals had to abandon it. By 1924 province of Transcaspia had become the Turkmen Soviet Socialist Republic.

In the late 1980's, a few of Soviet republics wished to break away from Moscow. Present day Turkmenistan also joined forces with these republics. This was done out of sheer disappointment with the economic policies of Russia. However, this movement could not achieve much and was abandoned. Then the inevitable happened and in 1991 USSR was finally dis-membered. This provided the opportunity and Saparmurat Niyazov, a flamboyant head of the Turkmen Communist Party, called a national ballot on Turkmenistan's independence. Ultimately, as a result of the polls, Turkmenistan declared independence from the Soviet Union on October 27, 1991.

Once independent, the country chose Saparmurat Niyazov as its first president by a popular election. Right after independence, the new country had to do a lot on its own. These included but are not limited to; adoption of a constitution in 1992, the Turkmen-Russian Treatise of friendship also signed in 1992, the administration of national currency Turkmen Manat in 1993 and finally the UN Decision of the General Assembly for the Permanent Position of Neutrality in Turkmenistan, 1995 (Peyrouse, 2012).

3.4.3. Economy of Turkmenistan

Turkmenistan is a large, sparsely populated CA country, rich in extractive deposits. It enjoys one of the fastest growing global economy because during the past decade it has shown a steady growth of 12% in its GDP. Turkmenistan's economy for 2016 was on 82nd number globally and is on number 90th with respect to exports. Overall, it is at number 124th with respect to overall economy in the world by 2015.

Although Turkmenistan is heavily affected by desertification, it is bestowed with good agri-able land in Fergana valley and its agriculture is much developed. The two main agricultural products are namely Cotton and wheat. Cotton is mainly exported and also the cash crop, while wheat is the staple crop and is mainly consumed locally. Besides agriculture, the country has huge natural resources in the shape of deposits like natural gas and oil. These resources have immense potential and leave a positive effect on the overall economy of the country. Natural gas has been the most significant export commodity in Turkmenistan and China has been the largest consumer of its natural gas. Despite diversified efforts, country's exports have been so far dependent on only one buyer, which is China and a single produce, natural gas. This is well presented in the economic outlook of the country, that is, its economy squeezes and expands with corresponding cycles of the international oil and gas prices.

The global economic situation can be described as closed by the slow development of the private sector. However, the state is implementing steps to boost the market conditions and to reassure the private businesses for investment. The rules of the private sector are not very clear, they set limits on transparency and promote corruption.

Therefore, these measures have not yet shown progress in the form of significant private sector development.

Table 5: Turkmenistan Key Economic Indicators

Economic Indicator	2012	2014	2016
Total Population (millions)	5.27	5.47	5.66
Population growth (annual %)	1.80	1.80	1.70
GNI, Atlas method (current US \$ billions)	29.30	39.96	37.76
GNI per capita, Atlas method (current US\$)	5560	7310	6670
GDP (current US \$ billions)	35.16	43.52	36.18
GDP (constant 2010 US\$)	28.78	34.98	39.56
Real GDP growth (annual %)	11.10	10.30	6.20
Unemployment, total (% of total labor force)	9.10	9.00	8.60
Inflation Rate	6.50	4.42	6.17
Exchange Rate (USD)	2.85	2.85	3.50

Source: (WB, 2022)

By the time it gained freedom from Russia in 1991, Turkmenistan recorded a GDP of US \$ 3.20 billion. In the early years, conflicts on gas pricing with buyers and liabilities with its export partners, namely, Russia and Ukraine, reduced the country's output. However, renegotiations proved fruitful with buyer partners in 1996. This led to greater output, which also has a positive impact on GDP and it grew steadily, reaching US \$ 43.50 billion in 2014. GDP declined in 2015 as a result of price dip in international

markets. Afterwards, GDP figures show a marginal positive trend from US \$ 35.80 billion in 2015 to US \$ 36.20 billion in 2016.

Since 1991 to 2016, the GDP per capita of Turkmenistan reflect similar trends. GDP per capita increased sharply, reaching \$ 7,962 in 2014 and falling to \$ 6,432 the following year. GDP per capita was \$ 6,389 in 2016.

Trade produces 84% of country's GDP and the economy's working is influenced by its consumers, that is, the buyer country's own economy. External factors such as the Russian economic downturn, China's economic downturn and the escalation of the US dollar, taken into consideration along with weak oil and gas prices internationally, caused GDP growth to fall to 6.50 in 2015, compared to 10.30% in 2014%. The economic downturn continued in 2016, GDP growth declined to 6.20% due to declining trade conditions, low requirement for natural gas from trade partners, such as Russia and Iran and lowered investments.

3.4.4. Trade Related Agreements

Pakistan and Turkmenistan have signed more than 47 different agreements, memorandum of understanding and other official documents since 1992. Those agreements relating to commerce and trade are mentioned below (MoFA, Pakistan, 2022):

1. MoU between Afghanistan, Islamic Republic. Of Pakistan and Turkmenistan to .establish Tripartite Commission for building road, rail and air links signed 1994

2. Convention between the Government of the Islamic Republic of Pakistan and the Government of Turkmenistan for the Avoidance of Double Taxation *with respect* to Taxes on Income signed in 1994
3. Agreement between the Government of the Islamic Republic of Pakistan and the Government of Turkmenistan on the Reciprocal Promotion and Protection of Investment signed in 1994
4. Agreement on Trade-Economic Cooperation between the Government of the Islamic Republic of Pakistan and, the Government of Turkmenistan signed in 1994
5. Gas Pipeline Framework Agreement between the Governments of the Islamic Republic of Pakistan, the Government of Afghanistan, the Government of the Republic of India and the Government of Turkmenistan signed in 2010
6. Memorandum of Cooperation between the Ministry of Trade and Foreign Economic Relations of Turkmenistan and the Ministry of Commerce of the Islamic Republic of Pakistan signed in 2011
7. MoU between Trade Development Authority of Pakistan and the Chamber of Commerce and Industry of Turkmenistan to strengthen contacts between enterprises and companies, organizations and entrepreneurs of Pakistan and Turkmenistan signed in 2015
8. Agreement between the Government of Islamic Republic of Pakistan and the Government of Turkmenistan on Joint Intergovernmental Pakistan-Turkmen Commission on economic cooperation - to improve the efficiency of

cooperation between the two countries in the fields of economy, trade, science, technology & culture signed in 2015

9. Memorandum of Understanding between the Ministry of Oil and Gas of Turkmenistan and the. Ministry of Petroleum and Natural Resources of the Islamic Republic of Pakistan on further Development of Cooperation in the Field of Fuel and Energy Sector signed in 2016
10. Inter Government Agreement for the Construction and Operation of the Turkmenistan - Afghanistan - Pakistan Electricity Transmission Line for the Purpose of exporting Electricity from Turkmenistan to Afghanistan and Pakistan signed in 2018
11. MoU on Establishment of Turkmenistan — Pakistan Joint Business Council (JBC) between The Chamber of Commerce and Industry of Turkmenistan (CCI of Turkmenistan) and The Federation of Pakistan Chambers of Commerce and Industry (FPCC1) signed in 2019

3.4.5. Banking Related Agreements

The two countries have not signed any agreement pertaining to banking sector.

3.4.6. Bilateral Trade Situation

However, trade among Pakistan and Turkmenistan persists shakily due to trade route through Afghanistan. In addition, Pakistan's trade to Turkmenistan is hampered because of other influences, for example, difficulty in obtaining visas, stringent import laws in Turkmenistan, high prices, and language barriers (Jumayev, 2021).

Trade between Turkmenistan and Pakistan fully benefits from the former. In 2007-2016, Turkmenistan recorded a significant increase in trade with Pakistan due to lower imports. Export behavior is volatile, in 2008, the value of exports more than doubled compared to 2007 and dropped sharply the following year to \$ 2.25 million. However, as such statistics are still higher when compared to import prices of other markets. In 2016, exports declined to \$ 4 million, and exports surged to \$ 24.96 million, resultantly showing good trade of \$ 20.96 million with Pakistan.

Purchases of goods from Pakistan were US \$ 4.00 million in 2016. Animal or vegetable oils and fats, explosives; pyrotechnic products; the same; pyrophoric alloys and other vegetable textile fibers were the most imported items from Pakistan in 2016. In 2016, Turkmenistan imports US \$ 1.97 million in animal or vegetable oil and oil, representing about 49.30% of total exports from Pakistan.

In 2016, Turkmenistan's main export to Pakistan were cotton, salt; sulfur; soil and stones, as well as plastics and synthetic materials. In 2016, cotton increased by \$ 11.34 million and salt; 0.65 million sulfurs; However, your plastics and articles have dropped by \$ 0.16 million. Turkmenistan's main exports to Pakistan include cardboard and unprocessed cotton, sulfur of all kinds and polypropylene in its main constituents.

3.5. Pakistan and Uzbekistan

3.5.1. History and Relations

Pakistan was one of the first countries to recognize Uzbekistan's independence and establish diplomatic relations in 1991. After Uzbekistan's independence in the early

1990s, it was destined to become a partner of Pakistan. Their similar demographic configuration (Pakistan and Uzbekistan), their common religion and their historical ties (between the Farghana Valley and the Indian subcontinent) give a powerful impetus to the construction of long-lasting and warm bilateral relations between the two countries (Khetran, 2020).

The geographical location of Pakistan and Uzbekistan is another factor that can help improve bilateral relations between the two countries. Both states lie on the borders of their respective regions and can serve as connection points between the (naturally) resource-rich CA region and the agricultural Central region of South Asia. The famous Farghana Valley in Uzbekistan has historically remained a trading hub that has contributed immensely to the economic progress and development of the entire Asian continent.

Relations between the two countries were initially strained by the situation in Afghanistan, a country bordering the two countries, due to their support for opposing Afghan factions. However, relations improved after the fall of the Taliban and the death of Uzbek President Islam Karimov and the subsequent deepening of Uzbek activities in the countries of the region under his successor Shavkat Mirziyoyev. The two countries have a warm and deep relationship as the interests of both countries have aligned in Afghanistan – with Uzbekistan officially hosting a Taliban delegation in 2019.

The two countries have exchanged various high-level presidential and prime ministerial visits. Pakistani Prime Ministers have visited Uzbekistan in 1992, 1995, 2015 and 2021. Uzbek Presidents have visited Pakistan in 2006 and 2022.

3.5.2. Overview of Uzbekistan

The Republic of Uzbekistan (Uzbekistan) is a CA country covering an area of approximately 447,400 square KMs. It covers 2294 KMs diagonally and 1500 KMs from perpendicularly, thus it is a huge country geographically. It cuts through four other CA countries and is one of only two other nations on the globe which is altogether encircled by other completely land locked countries. Uzbekistan shares borders with Turkmenistan in the south-west, with Kazakhstan in the north, with Tajikistan and Kyrgyzstan in the south and east respectively. Not only this, it also has a smaller border with southern Afghanistan.

Uzbekistan is a Muslim country and most of its population hail from the Sunni sect of Islam. Having said this, the second largest Muslim sect in the country is Shia Muslims. The country also has a sizeable population of Russian Orthodox Christians and a small minority of Jews. The country has made Uzbek as its national and official language. Uzbek is closely related to Turkish language. Uzbekistan also has a small Russian speaking population. The general atmosphere and social environment of the country is very accommodative with less state control on public life. There are numerous famous cultural places in Uzbekistan. Most of these are in the historical cities of Bukhara and Shakhriyabz.

After the disintegration of USSR in 1991, Uzbekistan claimed freedom from the Russian tutelage on August 31, 1991. Once independent, Islam Karimov became the president of the nation. The people of the country choose to make the nation a

constitutional republic. This meant that the President of the country will also become the head of state as well as of the government. According to the constitution of the country, it is a democracy, where all citizens can run for elections and register their political parties. The constitution guarantees universal suffrage for all, without any discrimination. Uzbekistan has a bi-cameral parliamentary chamber, which means it has two chambers of parliament.

Kazakhstan and Uzbekistan, despite long-standing regional security problems, have been able to maintain peace on their borders. Not only this but rising above regional disputes both countries have established the highest rate of foreign trade among themselves in comparison to the rest of the CA countries.

China's Belt and Road Initiative (BRI) has a significant impact on Uzbekistan, which stands out as a surprise due to the peculiar history of the mega project. The value of the project has big importance for Uzbekistan's economy. The project is going to have huge positive effect on tourism industry in Uzbekistan. As a result of this project, the integration of CA into international transport and communications systems within the BRI framework has taken place.

As discussed before, the country has many historical sites. Therefore, it possesses huge capability for promotion and making earnings from a thriving tourism industry. There are around approximately 7,000 locations of interest with reference to history, architecture and archeology.

3.5.3. Economy of Uzbekistan

Uzbekistan domestic production increased by about 15% from US \$ 50 billion in 2018 to US \$ 58 billion by 2019, while Uzbek GDP per capita increased by 13%, from US \$ 1,529 went to US \$ 1,725 when the dollar went up. Inflation fell from 27.5% in 2018 to 19.2% in 2019. The key rate in 2019 was 3.7%. Uzbek Som continued to depreciate against the US dollar and in 2019 the exchange rate of Uzbek Som was 8,837 US dollars.

Uzbekistan's global trade deficit has risen by almost 8%, from US \$ 6.4 billion in 2018 to US \$ 6.9 billion by 2019. Foreign direct investment in Uzbekistan saw an increase of 283%, from US \$ 0.6 billion in 2018 to US \$ 2.3 billion in 2019.

Table 6: Uzbekistan Key Economic Indicators

Economic Indicator	2018	2019
GDP2 (US\$, Billions)	50.4	57.9
GDP Growth (%)	5.4	5.6
GDP per Capita (US\$)	1,529	1,725
Unemployment (%)	9.3	NA
Inflation (%)	27.5	19.2
Interest Rate (%)	-5.9	3.7
Exchange Rate (Uzbekistani Som per US\$)	8,070	8,837
Trade Balance (US\$, Billions)	-6.4	-6.9
Current Account Balance (US\$, Billions)	-3.6	-3.2
FDI, net inflows2 (US\$, Billions)	0.6	2.3

Source: (WB, 2022)

The convenience of making business points from measuring the overall level of control performance and reflects each country's distance from the best performance control of each indicator seen around the world. 0 points define low performance, while 100 points define excellent performance. Uzbekistan has seen a dramatic increase in facilitating business points from 62 in 2015 to 70 in 2019. In 2019, Uzbekistan ranked 69th place in the global ease of doing business.

3.5.4. Trade Related Agreements

Pakistan and Uzbekistan have signed more than 70 different agreements, memorandum of understanding and other official documents since 1992. Those agreements relating to commerce and trade are mentioned below (MoFA, Pakistan, 2022):

1. Convention between the Governments of the Islamic Republic of Pakistan and the Republic of Uzbekistan for the Avoidance of Double Taxation and Fiscal Evasion with respect to Taxes on Income signed in 1992
2. Agreement between the Governments of the Islamic Republic of Pakistan and the Government of the Republic of Uzbekistan on Economic and Trade Cooperation signed in 1992
3. Agreement between the Governments of the Islamic Republic of Pakistan and the Republic of Uzbekistan on the Reciprocal Promotion and Protection of Investment signed in 1992
4. Memorandum of Understanding about Cooperation for Regulation of Transit Transportation between the Ministry for Foreign Economic Activity and the Governments of the Islamic Republic of Pakistan signed in 1997

5. Agreement on Mutual Assistance in Customs Administrations between Pakistan and Uzbekistan signed in 2001
6. Agreement on Cooperation in the Sphere of Support of Small and Private Entrepreneurship between the government of the Republic of Uzbekistan and the government of the Islamic Republic of Pakistan signed in 2006
7. Memorandum of Understanding between the Government of the Republic of Uzbekistan and the Government of the Islamic Republic of Pakistan on trade-economic and investment cooperation
8. Memorandum of Understanding between the Central Board of Revenue, Islamic Republic of Pakistan and the State Customs Committee of the Republic of Uzbekistan on methodological instruments for exchange of information on customs statistics of bilateral trade signed in 2006
9. Memorandum of Understanding on the establishment of a Joint Business Council (JBC) between Chamber of Commerce and Industry of Uzbekistan and the Federation of Pakistan Chambers of Commerce & Industry (PFCCI) signed in May 2006
10. Agreement on Cooperation between the Chamber of Commerce and Industry of Uzbekistan and the Lahore Chamber of Commerce and Industry signed in 2006
11. Agreement between the Government of the Islamic Republic of Pakistan and the Government of the Republic of Uzbekistan on cooperation in the field of transport and transit of goods signed in 2007

12. Memorandum of Understanding between Karachi Chamber of Commerce & Industry and Chamber of Commerce & Industry of Tashkent signed in 2007
13. Protocol of the Fourth Session of the Joint Pakistan Uzbekistan Inter-governmental Commission on Trade, Economic and Scientific Technical Cooperation signed in Tashkent in 2009
14. Agreement on Cooperation between the Rawalpindi Chamber of Commerce & Industry (RCCI) and the Tashkent Chamber of Commerce & Industry (TCCI) signed in 2009
15. Memorandum of Understanding between the Lahore Chamber of Commerce & Industry, Pakistan and Tashkent Chamber of Commerce & Industry, Uzbekistan signed in 2009
16. Protocol on the exchange of the Instruments of the Ratification of the Agreement between the Government of the Islamic Republic of Pakistan and the Government of the Republic of Uzbekistan on cooperation in the Field of transport and transit of goods signed in 2011
17. Memorandum on Trade and Economic Cooperation between the Federation of Pakistan Chamber of Commerce and Industry (FPCCI) and the Chamber of Commerce and Industry of Uzbekistan (CCIUZ) signed in 2011
18. Protocol on Amending the Convention between the Govt. of the Islamic Republic of Pakistan and Govt. of the Republic of Uzbekistan for the Avoidance of Double Taxation and Prevention of Fiscal evasion with respect to taxes on income signed in 1995; now signed in 2015.

19. Memorandum of Understanding between the Trade Development Authorities of the Islamic Republic of Pakistan and the Ministry of Foreign Economic signed in 2015
20. Memorandum of Understanding between Namangan City of Namangan Province of the Republic of Uzbekistan and Lahore City of Punjab Province of the Islamic Republic of Pakistan on Development of Economic, Investment, Touristic and Scientific and Technical Cooperation signed in 2019
21. Agreement on Transit Trade (AUPTT) between the government of the Republic of Uzbekistan and the government of the Islamic Republic of Pakistan signed in 2021
22. Protocol on the Exchange of Pre-arrival Information on Goods moved across the State Border between the government of the Republic of Uzbekistan and the government of the Islamic Republic of Pakistan signed in 2021

3.5.5. Banking Related Agreements

Both countries have signed following four agreements regarding banking (MoFA, Pakistan, 2022):

1. Memorandum of Understanding on cooperation between the Ministries and Organizations of the Islamic Republic of Pakistan and the Republic of Uzbekistan in the spheres of Railroads and Automobile Transport, Telecommunications, Energy and Banking signed in 1992
2. Agreement between the State Bank of Pakistan and the Central Bank of the Republic of Uzbekistan signed in 1992

3. Memorandum of Understanding between National Bank of Uzbekistan and National Bank of Pakistan, signed in 2006
4. Memorandum of Understanding between National Bank of Uzbekistan and Habib Bank Limited signed in 2006

3.5.6. Bilateral Trade Situation

From 2015 to 2019, Uzbekistan's imports from Pakistan increased by 1,041%, while its import from Uzbekistan increased by 382%, increasing Pakistan-Uzbekistan trade by 1,911%. Pakistan's exports to Uzbekistan were US \$ 22.6 million, while its import from Uzbekistan was US \$ 5.4 million in 2019. Pakistan recorded US \$ 17.2 million in trade with Uzbekistan in 2019 (Deepak, 2018).

In terms of exports to Pakistan, major products included "medicines", "edible fruits", "milling products" and "other textile products" among others. Pakistan's exports to Uzbekistan increased by about \$ 20.6 million from 2015 to the year 2019. Pakistan's exports of most favorite five products to Uzbekistan accounted for about 81% of the total exports from Pakistan to Uzbekistan in 2019. From 2015 to 2019, Pakistani exports of "medicines" and "edible fruits" to Uzbekistan increased by 2,021% and 30,732%, respectively.

Other exports include 'Guava', 'Trees', 'Wilkins', 'Wheat' and 'Potatoes'. In 2019, Pakistan's exports to Uzbekistan for these items accounted for about 80% of Pakistan's total exports to Uzbekistan. Between 2015 and 2019, the combined Pakistani export of these items to Uzbekistan increased by about US \$ 18 million.

Imported goods mainly include "Salt", "Zinc", "Edible Vegetables", "Cotton" and "Silk", among others. Pakistan's total revenue from Uzbekistan recorded an increase of about US \$ 4.3 million over the period 2015-2019. In 2019, Pakistan's combined "salt" and "zinc" import from Uzbekistan accounted for 85% of the total Pakistani imports from Uzbekistan. Between 2015 and 2019, Pakistani purchases of "salt" and "zinc" from Uzbekistan increased by about US \$ 2.8 million and US \$ 1.4 million, respectively.

Top products also include 'Sulfur', 'Raw Zinc', 'Kidney Beans', 'Cotton Cotton' and 'Raw Silk'. Pakistan's combined sales of its top five imported goods from Uzbekistan of this type increased by approximately US \$ 5.3 million during the 2015-2019 period. In 2019, Pakistan's combined sales of these types of products from Uzbekistan accounted for approximately 97% of Pakistan's total revenue from Uzbekistan.

CHAPTER NO. 4

METHODOLOGY AND DATA COLLECTION TECHNIQUES

4.1 Research Design

Any study of public policy is inherently multi-disciplinary. It is so because the process of such a study requires knowledge from Sociology/Anthropology/Social Work to get to know the process of policy making as well as the responses of the community in evaluating policy impact. Further, knowledge of Economics is required to understand the micro/macro impacts of a said policy and the responses from independent market forces. Moreover, an understanding of History is required to decipher the past worldview of the society, where the said policy is being implemented, which may have a negative/positive effect on policy making, implementation and its outcomes. The mention of these fields does not exhaust the full scope of the multidisciplinary nature of the field of public policy, other types of knowledge may also be required. However, this is being argued to establish the multi-disciplinary nature of public policy and its analysis, as rightly pointed out and supported by William Dunn, right at the outset of his book on public policy analysis:

“Policy analysis is a process of multidisciplinary inquiry aiming at the creation, critical assessment, and communication of policy-relevant information.”

(Dunn, 2016, p. 2)

In unison, other public policy analysts agree with this argument about public policy studies (John, 2012), (Saetren, 2005), (Lester, 1987), (Kevin B. Smith and Christopher W. Larimer, 2017), (Schofield, 2002).

Therefore, picking the thread from where the giants of the field have placed it; the present research is multidisciplinary, which necessitates a ‘mix method approach’ towards the subject and the research question it endeavors to stratify. One may ask the question; why it is important to have mix method approach for a multidisciplinary study. It is better to have a mix method approach for such studies because the knowledge gathering (the real purpose of all research) in a multidisciplinary universe can be better catered by such a research design (Thompson, 2020). Moreover, a mix method approach towards such studies captures both ‘interpretive epistemology’ as well as ‘absolute determinism’, therefore completing the knowledge equation in terms of both epistemology and ontology, while keeping the methodology a perfect fit (Bryman, 2012).

To further invigorate our thoughts on the subject, Bryman, very eloquently raises a very naïve and thought-provoking question:

“Research methods are much more free-floating than is sometimes supposed.”

(Bryman, 2012, p. 614)

That is, free floating as in mix methodology and need not be separated or rather divorced from each other.

4.1.1 The Quantitative Part

For the above mentioned ‘mix methodology’ approach for this study, the quantitative part of research mainly consists of secondary review of trade related quantitative data. All data pertaining to trade of Pakistan with CA countries has been collected through secondary sources. Moreover, quantitative data pertaining to economic profiles of all six countries has also been collected through secondary sources.

This economic and trade related quantitative data has helped the study in unpacking, understanding the dynamics of existing situations among the six countries. Moreover, the same data has also provided a view of how the future trade prospects will look like in future, provided Pakistan comes up with right mix and match of policy options for trade with CA countries.

4.1.2. The Qualitative Part

The qualitative data collection has been broadly divided into two parts for this study. The first part consists of a ‘content analyses of policy documents pertaining to the inquiry of the study. This content analysis has been conducted with the help of ‘themes’ developed in the light of literature review and secondary quantitative data. This content analysis has been fruitful in understanding the existing trade and banking policies of Pakistan regarding trade with CA.

The second part of qualitative data has been collected by the researcher. This is primary data and has been collected in the form of In-depth Qualitative Interviews. A thematic analysis has been conducted of these qualitative interviews to inform the study and its policy recommendations.

4.2. Locale of Research

The locale of the present study is Islamabad, the capital of Islamic Republic of Pakistan. The city is chosen as locale because of its relevance for the study. All international trade policy related decisions for the country are taken here. All relevant national ministries, government departments, think tanks on trade and CA are located here. The relevant stakeholders for this study are all available in this city, therefore the locale of the research.

4.3. Sampling Technique

The sampling technique used for the study is primarily ‘snowball sampling technique’. As shared above, the only primary data collected for this study is qualitative and that too in the form of in-depth interviews. The stakeholders for this kind of study were scattered across ministries, departments, business community, etc. Besides their scattered positioning, the stakeholders were also difficult to find out. For example, out of all the businessmen, how would one find those who trade with CA countries? Impediments like these, guided the study to adopt snowball sampling technique generally and ‘opportunistic sampling technique’ for a few instances (Bryman, 2012, p. 424). These were instances when the researcher used snowball to reach a relevant stakeholder and besides interviewing the respondent, came to realize that another important stakeholder is available in the vicinity. The researcher seized the opportunity to include the available stakeholder into the sample.

4.4. Sample Size

For qualitative in-depth interviews five categories of respondents are identified, which are as following:

1. Government Institutions
 - a. State Bank of Pakistan (SBP)
 - b. Federal Ministry of Foreign Affairs (MoFA)
 - c. Federal Ministry of Commerce (MoC)
 - d. Trade Development Authority of Pakistan (TDAP)
2. Chamber of Commerce
3. Businessmen
4. Trade Think-Tank
5. Transport and Logistics Company

Table 7: Types of Respondents and Sample Size

Type of Respondent	No. of Interviews
SBP	2
MoFA	1
MoC	2
TDAP	2
Chamber of Commerce, Islamabad	1
Businessmen	5
Trade Think-Tank	2
Transport and Logistics Company	1
Total	16

4.5. Data Collection and Tools

For secondary data collection all documents, policies, agreements, MoUs, articles, books and material was collected from secondary sources. However, the primary data was collected through an in-depth qualitative interview guide, attached as Annex 1.

4.6. Tools for Data Analysis

For qualitative data analysis, ‘grounded theory approach’ was adopted. All qualitative data was coded for themes, to yield ‘categories’, which informed the development of analysis.

CHAPTER NO. 5

RESULTS AND DISCUSSION

5.1 Kazakhstan

5.1.1 Trade Prospects

The trade complementarity and the figures for existing trade between Pakistan and Kazakhstan have been discussed in chapter 1 and chapter 3 of the study in detail. In this chapter, it is intended to give a picture of the future trade potential between the countries.

As discussed in chapter 3, in 2019 Pakistan had a trade volume of US\$ 84.3 million with Kazakhstan. However, Pakistan can further enhance it and there is sizeable potential for increase in this trade volume. Following is a table of export items, Pakistan is currently not exporting to Kazakhstan with respective cumulative export potential for the year 2020:

Table 8: Pakistan Export Potential for Kazakhstan

Sr. No.	Type of Items	Cumulative Export Potential
1.	Prepared foodstuff, beverages and tobacco	US\$ 213.8 Million
2.	Textile and textile articles	US\$ 195 Million
3.	Vegetable products	US\$ 93.5 Million
4.	Products of chemicals	US\$ 99 Million
5.	Plastic articles	US\$ 63 Million

Source: (ITC, 2022)

The total trade potential of above shown items amounts to US\$ 664.3 Million, which is 8 times more than what Pakistan traded with this country in 2019. The potential is huge, however, this is not being realized by Pakistan. There are multiple reasons for this failure, which have been the focus of present study. For clarity's sake these have been divided into two groups and described in detail below.

5.1.2. Trade Problems and Policy Prospects

The first problem which Pakistani exports face with reference to Kazakhstan are the tariffs being imposed on its products. The qualitative data shows that Kazakhstan is a member of Eurasian Economic Union (EAEU), which means that all imports from member states are nearly exempted from any tariffs. The member states are Russia, Belarus, Armenia and Kyrgyzstan. Thus Pakistani products lose the edge of a lower price. The competition is not only with these countries but also with Iran and China because Kazakhstan has signed a Free Trade Agreement (FTA) with both the countries. Out of the 8 trade related agreements with Kazakhstan, none is equivalent to a FTA. Meaning that Pakistani exports to the country have to bear additional cost of approximately 12% in the forms of tariffs as shared by stakeholders during interviews. The second problem being faced by Pakistani traders is transportation of goods. For example, there are three routes available for trade. The Afghan transit route, the Iran transit route and finally the CPEC route. According to qualitative data the Afghan transit route is not feasible because, the Afghan government has regulated that all transit trade for Kazakhstan from Pakistan has to be unloaded and reloaded on Afghan

trucks to be transported to Kazakhstan, which incurs additional cost as well as the trade is then shown in the books of Afghanistan and not Pakistan. The Iran transit route is very long and due to limited trade with Iran, no mechanism exists through which this route can be used by Pakistani traders. Last but not least, the CPEC route suits Pakistani traders by virtue of a Quadrilateral Traffic in Transit Agreement (QTTA) between China, Pakistan, Kazakhstan and Kyrgyzstan. The traders shared that this best suits them because the transportation costs are low and the arrangement also allows for reverse cargo, thus saving time and capital both.

The third problem being face by traders is the packaging requirement imposed by Kazakhstan on imports, they require the packages to be labelled in local language and not English. This makes the packaging of exports difficult for Pakistani traders.

Another problem is that along with other requirements, TDAP certificate of origin is also required by the Kazakh government, which is often difficult to obtain for traders. They have to cross a long line of red tapes to get this certificate from Islamabad, which requires a lot of efforts as well as it is time consuming.

Last but not least, Kazakhstan also requires registration of products, especially surgical equipment and processed food for import purposes. The registration process is expensive and it costs around Rs. 10 million to get one product registered. This one-time cost and the uncertainty afterwards regarding trade opportunities hinders the decisions of many traders to continue trade with Kazakhstan.

Having discussed the trade problems being faced by Pakistan with reference to Kazakhstan, now possible policy solutions are being presented in the light of qualitative data, secondary source analysis and content analysis of relevant policy documents.

Having reviewed the trade statistics of Kazakhstan and knowing that countries having a FTA are performing well in the local market it is strongly recommended by the data that Pakistan should focus its energies on signing a FTA with the government of Kazakhstan. So far the government of Pakistan has been trying to get a Preferential Trade Agreement (PTA) and that too for certain products like textiles and surgical equipment as shared by respondents from Foreign Office of Pakistan. However, the trading community is emphasizing on a FTA instead of a PTA, as done by China and Iran.

The Ministry of Commerce and TDAP should engage with transport and logistics companies of Pakistan to run a viable freight service between Kazakhstan and Pakistan. CPEC has provided Pakistan with the most suitable and economically viable route for trade with Kazakhstan. However, according to respondents the opportunity is still being missed as the local transportation companies are not investing in this route. The government Pakistan needs to work out a viable incentive package for transporters to focus on this land route. Also, there are no direct flights to Kazakhstan by any carrier from Pakistan, these should also be included in the plan, so that perishable commodities can make it to the Kazakh market.

The Ministry of Commerce and TDAP should facilitate traders by providing product registration, Kazakh translation and documentary services to traders through a one window operation in Pakistan for further facilitation of the trade process.

Lastly, TDAP should organize international trade exhibitions in Kazakhstan, as is done by other competitors, like India, Iran and China. This will facilitate in building a good branding reputation of Pakistani products for good market share competition.

5.1.3. Banking Problems and Policy Prospects

Though an agreement between the State Bank of Pakistan and the National Bank of the Republic of Kazakhstan on Conditions for Opening Subsidiary Banks and Cooperation in the Area of Banking Supervision has been signed since 2003; however, except National Bank of Pakistan (NBP), no other Pakistani bank has been successful in opening up subsidiary banks in Kazakhstan. The NBP has one branch in Almaty, Kazakhstan but according to respondents, even this branch is in the process of winding up their business. Even when it was operative, it did not help much the traders of Pakistan in obtaining and implementing LCs.

It is shared by the respondents that obtaining and implementing a LC in Kazakhstan is very cumbersome due to currency fluctuations and also because of strict government control over making payments in USD.

Under such circumstances, the traders of Pakistan are left alone in Kazakhstan to trade without any hedging arrangement from Pakistani banks. Thus, except big companies, other traders conduct their business on self-risk, therefore, the trade suffers.

According to respondents, there can be a three pronged strategy to overcome this situation. First, the SBP should create linkages with banks in Kazakhstan. So far SBP

has no such relations with any bank in Kazakhstan. These linkages provide a very good starting point to build a banking relationship and thus facilitation of the traders.

Secondly, the SBP should come up with a road map plan to invest in CA countries by allowing Pakistani private banks to operate in Kazakhstan. The placement of NBP in Kazakhstan was not a good experience as the bank is state owned and did not have the required motivation and entrepreneurial skills to penetrate in the local banking market. Instead of opening branches of state owned banks, SBP should facilitate private banks to take lead.

Lastly, as strategically done by India, when their exporters were facing the same problem in Kazakhstan was that the government facilitated in getting potential companies registered in Kazakhstan. According to respondents, over 100 Indian companies are now locally registered in the country. The government of Pakistan should learn from this model and incentivize registration of companies in Kazakhstan. This can help in easing out the problems of the banking sector as experienced by the traders. This can be easily done by SBP by making 'receivables discounting' possible for exporters and also to issue short term loans for exporters to Kazakhstan.

5.2. Kyrgyzstan

5.2.1. Trade Prospects

In 2016 Pakistan and Kyrgyzstan had a total trade volume of US \$ 3.58 Million approximately. However, Pakistan can further enhance it and there is sizeable potential for increase in this trade volume. Following is a table of export items, Pakistan is

currently not exporting to Kyrgyzstan with respective cumulative export potential for the year 2017:

Table 9: Pakistan Export Potential for Kyrgyzstan

Sr. No.	Type of Items	Cumulative Export Potential
1.	Medium oils	US\$ 76.86 Million
2.	Mobile telephones	US\$ 29.12 Million
3.	iron or non-alloy steel	US\$ 21.8 Million
4.	Men's or boys trousers	US\$ 18.1 Million
5.	Sugar confectionery	US\$ 14.52 Million
6	Chemicals	US\$ 14 Million

Source: (ITC, 2022)

The total trade potential of above shown items amounts to US\$ 174 Million, which is 48 times more than what Pakistan traded with this country in 2016. The potential is huge, however, this is not being realized by Pakistan. There are multiple reasons for this failure, which have been the focus of present study. For clarity's sake these have been divided into two groups and described in detail below.

5.2.2. Trade Problems and Policy Prospects

The trade between Pakistan and Kyrgyzstan is hampered by viable transportation of goods. The route for transportation is once again the main cause of problem in this trade. As discussed already in this chapter the CPEC route is the most viable as shared by most of the study respondents. In this regard a good starting point can be the Protocol on establishing the system of International Road transit Permit among the Ministry of

Communications of China and Pakistan, Ministries of Transport and Communications of Kazakhstan and Kyrgyzstan signed in 1995 by the two countries. However, the agreement has already matured into QTTA.

Other than this problem, there are no Pakistan specific problems in trade with Kyrgyzstan. The tariff regime, the certification regime, the language regime as in labelling products and customs regime are same for Pakistan as for the rest of the world, according to the respondents of the study. However, the traders still feel that due to information and language barriers the Pakistan government should take initiative and facilitate the export process.

Having discussed the trade related problems, Pakistan is required to take some policy actions to enhance its trade with Kyrgyzstan. These should start with encouraging Pakistani transportation companies to start goods transport under this agreement and the incentives required by the government of Pakistan. According to respondents this is by far the most viable option of a trade route available to Pakistan for the whole of CA countries.

Pakistan government through TDAP should work on establishment of a one window operation for the facilitation of trade with Kyrgyzstan. This operation should include guidance on transportation, customs, language requirements, market information, registration of products, etc. Either this operation can be hosted by TDAP or through chambers of commerce, however, these service are direly required if Pakistan is to fully profit from trade with Kyrgyzstan.

Pakistan and Kyrgyzstan should sign a FTA through mutual negotiations, as in the case of Kazakhstan.

5.2.3. Banking Problems and Policy Prospects

First of all, it is important to underline that Pakistan and Kyrgyzstan have not signed any agreement regarding banking, as mentioned in chapter 3. However, the trade between the two countries is suffering due to this. Kyrgyzstan's local law prohibits any import/export without opening of a LC in the respective country and through proper banking channels.

This very condition and correspondingly dearth of banking linkages between the countries, poses a big hurdle for traders on both sides of the border, according to respondents.

Thus, the government of Pakistan should take steps to facilitate traders through SBP. The measure which need to be taken have already been discussed in the chapter above.

5.3. Tajikistan

5.3.1. Trade Prospects

In 2019 Pakistan and Tajikistan had a total trade volume of US \$ 8 Million approximately. However, Pakistan can further enhance it and there is sizeable potential for increase in this trade volume. Following is a table of export items, Pakistan is currently not exporting to Tajikistan with respective cumulative export potential for the year 2020:

Table 10: Pakistan Export Potential for Tajikistan

Sr. No.	Type of Items	Cumulative Export Potential
1.	Chemical and allied industries	US\$ 77.6 Million
2.	Food stuff	US\$ 71.2 Million
3.	Vegetable products	US\$ 29.7 Million
4.	Products of metal	US\$ 26.9 Million
5.	Machinery and electrical equipment	US\$ 24.9 Million
6	Plastic articles	US\$ 19.5 Million

Source: (ITC, 2022)

The total trade potential of above shown items amounts to US\$ 250 Million, which is 31 times more than what Pakistan traded with this country in 2019. The potential is huge, however, this is not being realized by Pakistan. There are multiple reasons for this failure, which have been the focus of present study. For clarity's sake these have been divided into two groups and described in detail below.

5.3.2. Trade Problems and Policy Prospects

The trade between Pakistan and Tajikistan is hampered by viable transportation of goods. The route for transportation is once again the main cause of problem in this trade. As discussed already in this chapter the CPEC route is the most viable as shared by most of the study respondents. In this regard a good starting point can be the Agreement on International Road Transport already signed by the two countries. However, the agreement is very vivid and broad based and it should be made more specific to trade transportation as in the case of QTTA with Kazakhstan.

Other than this problem, there are no Pakistan specific problems in trade with Tajikistan. The tariff regime, the certification regime, the language regime as in labelling products and customs regime are same for Pakistan as for the rest of the world, according to the respondents of the study. However, the traders still feel that due to information and language barriers the Pakistan government should take initiative and facilitate the export process.

Having discussed the trade related problems, Pakistan is required to take some policy actions to enhance its trade with Tajikistan. These should start with getting Tajikistan included in the QTTA with China, Kyrgyzstan, Kazakhstan and Pakistan. According to respondents this is by far the most viable option of a trade route available to Pakistan for the whole of CA countries.

Pakistan government through TDAP should work on establishment of a one window operation for the facilitation of trade with Tajikistan. This operation should include guidance on transportation, customs, language requirements, market information, registration of products, etc. Either this operation can be hosted by TDAP or through chambers of commerce, however, these service are direly required if Pakistan is to fully profit from trade with Tajikistan.

Pakistan and Tajikistan should sign a FTA through mutual negotiations, as in the case of Kazakhstan.

5.3.3. Banking Problems and Policy Prospects

First of all, it is important to underline that Pakistan and Tajikistan have not signed any agreement regarding banking, as mentioned in chapter 3. However, the trade between the two countries is suffering due to this. Tajikistan's local law prohibits any import/export without opening of a LC in the respective country and through proper banking channels.

This very condition and correspondingly dearth of banking linkages between the countries, poses a big hurdle for traders on both sides of the border, according to respondents.

Thus, the government of Pakistan should take steps to facilitate traders through SBP. The measure which need to be taken have already been discussed in the chapter above.

5.4. Turkmenistan

5.4.1. Trade Prospects

In 2016 Pakistan and Turkmenistan had a total trade volume of US \$ 29 Million approximately. Perhaps, among the CA countries Turkmenistan is the only country with whom the trade balance is in the favor of Turkmenistan and not Pakistan. Therefore, Pakistan imports more from Turkmenistan than it exports to the country. This is basically because of the protectionist trade policy the country has. However, Pakistan can further enhance trade and there is sizeable potential for increase in this trade volume. Following is a table of export items, Pakistan is currently not exporting to Turkmenistan with respective cumulative export potential for the year 2017:

Table 11: Pakistan Export Potential for Turkmenistan

Sr. No.	Type of Items	Cumulative Export Potential
1.	Medicaments	US\$ 73.3 Million
2.	Iron or steel	US\$ 24.5 Million
3.	Wheat	US\$ 14.6 Million
4.	Tractors	US\$ 11.7 Million
5.	Frozen, boneless meat	US\$ 11 Million

Source: (ITC, 2022)

The total trade potential of above shown items amounts to US\$ 135 Million, which is 5 times more than what Pakistan traded with this country in 2016. The potential is huge, however, this is not being realized by Pakistan. There are multiple reasons for this failure, which have been the focus of present study. For clarity's sake these have been divided into two groups and described in detail below.

5.4.2. Trade Problems and Policy Prospects

The trade problems and discussion with Turkmenistan start with Turkmenistan Afghanistan Pakistan and India gas pipeline project (TAPI) and ends with it. This is the general order of discussion. However, the study endeavors to go beyond this discussion. There are TAPI supporters and non-supporters. We can leave this discussion for the political arena, however, according to study respondents; TAPI is not a favored project. As long as Afghanistan remains unstable, which they think will remain so, TAPI is a day dream. Therefore, Pakistan has to think beyond TAPI and develop its relations with Turkmenistan.

Turkmenistan is energy rich and its energy can be tapped for Pakistan. However, Pakistan must endeavor first to develop trade relations with this country.

The first problem which Pakistani exports face with reference to Turkmenistan are the tariffs being imposed on its products. The qualitative data shows that Turkmenistan is a member of Eurasian Economic Union (EAEU), which means that all imports from member states are nearly exempted from any tariffs. The member states are Russia, Belarus, Armenia and Kyrgyzstan. Thus Pakistani products lose the edge of a lower price. The competition is not only with these countries but also with Iran and China because Kazakhstan has signed a Free Trade Agreement (FTA) with both the countries. Out of the 11 trade related agreements with Turkmenistan, none is equivalent to a FTA. Meaning that Pakistani exports to the country have to bear additional cost of approximately 12% in the forms of tariffs as shared by stakeholders during interviews. The second problem being faced by Pakistani traders is transportation of goods. For example, there are three routes available for trade. The Afghan transit route, the Iran transit route and finally the CPEC route. According to qualitative data the Afghan transit route is not feasible because, the Afghan government has regulated that all transit trade for Turkmenistan from Pakistan has to be unloaded and reloaded on Afghan trucks to be transported to Turkmenistan, which incurs additional cost as well as the trade is then shown in the books of Afghanistan and not Pakistan. The Iran transit route is very long and due to limited trade with Iran, no mechanism exists through which this route can be used by Pakistani traders. The traders shared that this best suits them because the transportation costs are low.

Another problem is that along with other requirements, TDAP certificate of origin is also required by the Turkmen government, which is often difficult to obtain for traders. They have to cross a long line of red tapes to get this certificate from Islamabad, which requires a lot of efforts as well as it is time consuming.

Having discussed the trade problems being faced by Pakistan with reference to Turkmenistan, now possible policy solutions are being presented in the light of qualitative data, secondary source analysis and content analysis of relevant policy documents.

Having reviewed the trade statistics of Turkmenistan and knowing that countries having a FTA are performing well in the local market it is strongly recommended by the data that Pakistan should focus its energies on signing a FTA with the government of Turkmenistan. So far the government of Pakistan has been trying to get a Preferential Trade Agreement (PTA) and that too for certain products like textiles and surgical equipment as shared by respondents from Foreign Office of Pakistan. However, the trading community is emphasizing on a FTA instead of a PTA, as done by China and Iran.

The Ministry of Commerce and TDAP should engage with transport and logistics companies of Pakistan to run a viable freight service between Turkmenistan and Pakistan. CPEC has provided Pakistan with the most suitable and economically viable route for trade with Turkmenistan. However, according to respondents the opportunity is still being missed as the local transportation companies are not investing in this route. The government Pakistan needs to work out a viable incentive package for transporters

to focus on this land route. Also, there are no direct flights to Turkmenistan by any carrier from Pakistan, these should also be included in the plan, so that perishable commodities can make it to the Kazakh market.

The Ministry of Commerce and TDAP should facilitate traders by providing product registration, Turkmen translation and documentary services to traders through a one window operation in Pakistan for further facilitation of the trade process.

Lastly, TDAP should organize international trade exhibitions in Turkmenistan, as is done by other competitors, like India, Iran and China. This will facilitate in building a good branding reputation of Pakistani products for good market share competition.

5.4.3. Banking Problems and Policy Prospects

No Pakistani bank has been successful in opening up subsidiary banks in Turkmenistan. It is shared by the respondents that obtaining and implementing a LC in Turkmenistan is very cumbersome due to currency fluctuations and also because of strict government control over making payments in USD.

Under such circumstances, the traders of Pakistan are left alone in Turkmenistan to trade without any hedging arrangement from Pakistani banks. Thus, except big companies, other traders conduct their business on self-risk, therefore, the trade suffers. According to respondents, there can be a three pronged strategy to overcome this situation. First, the SBP should create linkages with banks in Turkmenistan. So far SBP has no such relations with any bank in Turkmenistan. These linkages provide a very good starting point to build a banking relationship and thus facilitation of the traders.

Secondly, the SBP should come up with a road map plan to invest in CA countries by allowing Pakistani private banks to operate in Turkmenistan.

Lastly, as strategically done by India, when their exporters were facing the same problem in Turkmenistan was that the government facilitated in getting potential companies registered in Turkmenistan. According to respondents, over 50 Indian companies are now locally registered in the country. The government of Pakistan should learn from this model and incentivize registration of companies in Turkmenistan. This can help in easing out the problems of the banking sector as experienced by the traders. This can be easily done by SBP by making 'receivables discounting' possible for exporters and also to issue short term loans for exporters to Turkmenistan.

5.5. Uzbekistan

5.5.1. Trade Prospects

In 2019 Pakistan and Uzbekistan had a total trade volume of US \$ 28 Million approximately. However, Pakistan can further enhance it and there is sizeable potential for increase in this trade volume. Following is a table of export items, Pakistan is currently not exporting to Uzbekistan with respective cumulative export potential for the year 2020:

Table 12: Pakistan Export Potential for Uzbekistan

Sr. No.	Type of Items	Cumulative Export Potential
1.	Portland cement	US\$ 152 Million
2.	Prepared foodstuff	US\$ 62 Million
3.	Vegetable products	US\$ 87.5 Million
4.	Chemicals	US\$ 35.5 Million
5	Plastic articles	US\$ 86.8 Million

Source: (ITC, 2022)

The total trade potential of above shown items amounts to US\$ 424 Million, which is 15 times more than what Pakistan traded with this country in 2019. The potential is huge, however, this is not being realized by Pakistan. There are multiple reasons for this failure, which have been the focus of present study. For clarity's sake these have been divided into two groups and described in detail below.

5.5.2. Trade Problems and Policy Prospects

Uzbekistan is a market which is growing at a steady pace in CA. However, the Uzbek government is very protective about its local industry, that's why they have imposed heavy tariffs on the import of products, which are already being manufactured in the country. The country is employing a protectionist trade outlook. Still the trade potential for Pakistan is big enough to focus on this CA country.

Trade problems with Uzbekistan include the availability of viable trade routes. Most of the exports now a days going through Afghanistan, which has its limitations as the country puts various restrictions on cargo as discussed in this chapter before.

Secondly, the currency rate of Som fluctuates in Uzbekistan and it is not standardized. Due to government restrictions on trading in USD, the traders face various kinds of problems due to differentials in exchange rate, according to the respondents of the study.

Due to language barrier, the availability of information on market trends and demands is not available for traders in Pakistan, unless they personally have contacts in the country. The language also plays a role in hindering trade when it boils down to negotiating with the Uzbek traders.

Having discussed the major problems in trade with Uzbekistan, it is strongly recommended by the respondents of the study that the CPEC route should be made operational for trade with Uzbekistan, as discussed earlier in this chapter.

TDAP in collaboration with any of the Pakistani university should start Uzbek language classes for traders to get facilitated. TDAP should also start a one window operation for trade with Uzbekistan as explained earlier in this chapter.

5.5.3. Banking Problems and Policy Prospects

Banking channels between Uzbekistan and Pakistan are negligible. Though the countries have signed 3 MoUs on this subject, however, so far there has been no development in this regard. The central bank of Uzbekistan has agreements with SBP,

NBP and Habib Bank Limited of Pakistan. However, according to trader respondents of the study none of these banks are facilitating any kind of trade with Uzbekistan.

The reason for this is that MoUs and agreements between governments are often devoid of ground realities according to the respondents of the study. They argue that such agreements are only drafted and signed to give respect to high level officials when they visit each other, after the visits however, these agreements only become part of a file for nobody to bother.

All the above mentioned banks are state owned and have made no progress towards the realization of these agreements. Opening of LCs is a problem while trading with Uzbekistan as a result. Neither the SBP negotiates nor updates on the state rates of Som, this becomes a potential risk for the traders, as shared by the respondents.

The SBP should come up with a detailed plan to overcome these banking channel issues, if Pakistan is to successfully trade with Uzbekistan.

CHAPTER NO. 6

POLICY RECOMMENDATIONS & CONCLUSION

6.1 Policy Recommendations

A detailed discussion on trade and banking policy has already been shared in chapter 5 of the study. Taking the argument further the study is now presenting a set of policy recommendations to be considered by the relevant institutions and stakeholders.

1. A review of and data analysis of the trade and banking related MoUs, bi-lateral agreements reveal that the government of Pakistan is drafting and signing these without an overall plan to enhance trade of Pakistan with CA countries. It is strongly recommended that a strategy for this purpose must be prepared and Pakistan should draw up the MoUs and bi-lateral agreements accordingly, with some aims and means in mind.
2. Having discussed the importance of CPEC route for trade with CA countries, it is recommended that Pakistan should negotiate with China on allowing this route for trade with CA Countries. This can done by expansion of QTTA between Pakistan, China, Kyrgyzstan and Kazakhstan; to include all CA countries or by having similar agreements with the rest of the CA countries but keeping China as a signatory.
3. Review of trade policies of CA countries and data analysis shows that all CA countries have adopted a mix of both protectionist and liberalization trade policies. Therefore, Pakistan should also do the same and adopt a strategic trade policy towards CA countries. The one which partially protects the local industry

and welcomes imports of products strategic to the growth and needs of the country.

4. The SBP should be geared towards making an investment and networking plan for CA. The plan should include strategy of and means to knit closer linkages with banks of CA countries. Such a plan be implemented with at least one aim in mind that this will solve the LC opening and implementation problems being faced by traders of Pakistan for all the CA countries. If this is not possible with the present legal structure of SBP, it is recommended that Pakistan should establish a separate bank for this purpose. A banking set up that facilitates trade of all kind.
5. The analysis has also revealed that participation of Pakistan based private banks is very crucial in developing linkages with the markets of CA. Therefore, such private banks be incentivized by the SBP to open and operate branches in CA countries.
6. The study has also revealed a profound need for the FTAs with CA countries. Instead of signing any PTA with these countries, Pakistan should lobby and sign FTAs with CA countries, which will provide more edge to Pakistani traders in terms of costs of products and relative market share.
7. The study has also found that freight services between CA countries and Pakistan on the CPEC route are nearly non-available at best. The government needs to incentivize the provision of these services by means of local private investment. The plan to introduce these services is very essential for trade with CA countries.

8. It has also been found that trade with CA countries involves specialized technical skills such as language translation, market information, certifications and customs related services. These skills are by and large not available in Pakistan, therefore, it is recommended that TDAP should come up with a one window facilitation center for these services in Pakistan as well as in each of the five CA countries for its traders.
9. It has also been evident from the data analysis that competitors of Pakistan are holding regular industrial exhibitions in CA countries. It is recommended that TDAP should also come up with a plan of industrial exhibitions in all CA countries with the aim of providing good branding and advertisement in the CA markets for Pakistani products.
10. The study has also found out that the market outlook of all CA countries is relatively closed and there are barriers to money transfers from CA markets to outside destinations. Like the competitors of Pakistan are getting along with these conditions is by registering their companies or their subsidiaries in CA countries. Therefore, it is strongly recommended that the same policy is adopted by Pakistan and TDAP should facilitate the registration of potential Pakistani companies in CA countries.
11. The study has also found out that the government of Pakistan is working on a 'Look Africa' trade policy. It is recommended that similar kind of 'Look Central Asia' trade policy should also be drawn up to tap the huge potential Pakistan has in the region.

12. Last but not least, the study found out a deep historic connection of Pakistan with CA. Such historic relationship should be explored and invested in for the general public of both the CA and Pakistan. This shared historical heritage is absent from daily discourse of Pakistani society, which needs to be corrected. The Ancient Silk Routes should be branded and shared at a mass level. Towards this end, tourism between the two regions is necessary, it is recommended that Pakistan should start direct flights to and from CA countries. This will not only benefit the tourism industry but also trade of Pakistan with CA countries.

6.2 Conclusion

The study started off with exploring the historical connections between CA and Pakistan and found out that there are very deep and ancient links of both regions. These links start from the Bactro-Margiana civilization in CA and Indus Civilization in Pakistan 3rd to 2nd millennia BC as discussed in Chapter 1. Starting with these ancient linkages, the linkages continued until the Mughals came to Indus valley and Babar hailing from CA, the Mughal emperor laid the foundations of Mughal Empire. This closer historical interaction between these two regions received its first setback when Tsarist Russia clashed with the British Empire of India, both of whom sought to curb each other's advances and established buffer zones between their territories. Since then, the two regions have not had closer links.

Often Pakistan is categorized as a South Asian country, while the study explored that other than India, Pakistan does not share its borders with any of the Southeast Asian

countries, and any map of the region holds witness to this argument. However, Pakistan has historically been well connected with Afghanistan and CA.

One interesting fact about all the CA is that these are land locked countries, Caspian Sea being the only respite, which itself is a land locked sea. This very geographic character of CA makes these countries dependent upon other nations for access to open seas and international trade. Russia and China have provided two options to these countries but these are proving to be expensive. Pakistan, however, is the third option of connecting these countries to the world trade through CPEC. This route is very inexpensive for these countries.

As CA countries are landlocked, Pakistan can have access to their market through China or Afghanistan. However, Afghanistan is reluctant to provide access to Pakistani products to reach out to the Central Asian market. Also, Afghanistan still remains politically unstable and any long term investment in the country remains susceptible to failure. Pakistan may access the CA through China and CPEC, which is also the shortest route as discussed by the study. Looking at a product wise analysis of products of Pakistan and CA countries also reinforces the strong trade complementarity between the economies of Pakistan and CA countries.

So far Pakistan has been trading with CA countries through Afghanistan. This trade has been prone to all the challenges being faced by Afghanistan internally. Political instability and internal warfare of the country has been a big challenge. However, now in the shape of CPEC, Pakistan has the potential to bypass Afghanistan for trade with CA countries.

The distance from Khunjrab Pass (Pakistan) to Kashgar (China) is around 400 KMs. The distance from Kashgar to Torugart Pass is only 163 KMs. Therefore, the total distance from Khunjrab Pass to CA is 563 KMs, which is much less than 820 KMs of distance from Peshawar to Kabul to Tarmez. The Khunjrab – Kashgar – Torugart route is also part of ancient Silk Roads.

With this background in mind the study endeavored to explore policies and procedures related to banking which are hindering or facilitating Pakistan's trade with CA and to possibly find solution for these problems.

Having said this, the study discussed possible theoretical framework to understand the interplay of factors and their respective analysis. It devised a suitable methodology based on inter-disciplinary approach and conducted secondary analysis of relevant literature, qualitative data collection from relevant stakeholders and content analysis of policy documents to find the policy gaps and their possible solutions.

The study found out that besides trade complementarity there is proven huge trade potential between the economies of CA and Pakistan. It also found out that with most CA countries this potential is being missed by Pakistan. The reason for this loss came out in the data analysis as gaps in trade and banking policy of Pakistan.

The study presented a total of 12 policy recommendations for both trade and banking policy to overcome the gap between realized and potential trade with CA.

6.3 Limitations of the Study

The study was conducted during novel Corona Virus pandemic from 2019 to 2022. This was the peak time of corona related restrictions and social distancing measures. These restrictions had an impact on the study. The impact was felt in the shape of refusals to meet personally by the respondents for qualitative in-depth interviews and Focus Group Discussions. Eventually, the interviews were managed but focus group discussions could not take place.

Another Corona related limitation was felt when the embassies of all the five CA countries refused to allow their representatives to meet the researcher for interviewing, citing social distancing and quarantine as the main reason.

The study also has a limitation that the researcher, due to lack of time and budget could not visit any of the CA countries.

With these limitations in mind, the present study ventures to shed light on the trade policy options of Pakistan with CA countries, to its best.

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APPENDIX A

Qualitative Interview Guide

Respondent Identification

Name:

Age:

Sex:

Occupation and Designation:

Employer Institution:

Socio-politico-economic culture/policy dynamics of Pakistan

- What Socio-political factors harm/facilitate trade in Pakistan and how? (Probe for possible solution also).
- What economic factors harm/facilitate trade in Pakistan and how? (Probe for possible solution also).
- How (trade) policies are made in Pakistan and who has a say in the process? (Probe for a better policy making approach).
- Do interest groups in Pakistan control (trade) policies, to what extent? (Probe for examples).

Trade with CA Countries

- What policies and procedures are in place for trade with CA? (Probe separately for export, import and entrepot)
- Which policies and procedures are hindering trade with CA? (Probe for examples and real time situations. Ask further questions for probing, if need be).

- What logistics related issues are hindering trade with CA? (Probe for transportation, customs, language and other issues, if any).
- What trade route is best suited for trade with CA and why? (Probe for problems in CPEC route, Iran Route and Afghanistan Route. Also explore about by air route)
- Which Pakistani ministry, institution is helpful while trading with CA and how? (Probe for the role of state institutions and how better they can facilitate trade with CA).
- What is your institution doing (or not doing) to overcome trade problems with CA? (Probe for future plans and their implications).

Banking Policy

- What banking related problems are being faced, when trading with CA? (Probe for services the banks provide and how these are utilized).
- Is opening, obtaining or implementation of a LC for trade with CA problematic and how? (Probe for examples of real time situations and possible solutions)
- Do Pakistani (ask separately for State and Private) banks have branches/linkages in CA banks? (Probe for both formal and informal linkages and their present state).
- What services you expect the SBP and Pakistani banks to offer for better trade with CA? (Probe for specific examples of services).

Policy Level

- Should Pakistan adopt a liberal or a protectionist trade policy for CA and why? (Probe for reasons of choice and implications for Pakistan overall trade portfolio).
- What policy recommendations can you share for the government of Pakistan for better trade with CA? (Probe for reasons for each policy recommendation).