

Economic Prospects between South and Central Asia with Special Reference to India, Pakistan and Afghanistan

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Abstract

The Central Asian States which have realized their sovereignty in recent past have very profound cultural, religious and economic ties with South Asian Countries, particularly with Pakistan, India and Afghanistan. Although these Central Asian States are very affluent in natural as well as human resources yet, currently, they are not prosperous economically. The core reason of their unsatisfactory economic conditions is their physical location. All the Central Asian States are land-locked and they do not have any prospect and access to outer world to develop their economy by utilizing resources. South Asia on other hand enjoys the best geographical position having thousands of miles coastal area and so many well developed coasts. If both the regions join hands and enlarge their economic relations they can surmount their economic crisis with the help of each other.

Key Words: South Asia, Central Asia, natural resources, trade and commerce, peace and security.

Introduction

The Regions of South Asia and Central Asia have centuries old common historical legacy that is very well heeled and includes cultural, religious and economic ties and both India and Pakistan, the most momentous countries of South Asia are “highly conscious of their common heritage with Central Asia” (Reetz: Winter 1997,212). Caucasus, the mountain, had been a legendary abode of fairies in Urdu and Hindi literature of India and Pakistan. The ancient “nature of links between Central Asia and South Asia had probably been more cultural than political” (Reetz). However, “ along with cultural relations, the trade interchange also strengthened owing to old Silk Route with (united) Indian merchant outposts in Kashgar, Yarkand, Kholan Maran and Qara-Shahr in Central Asia” (www.google.com.pk?url?). In existing scenario also the newly born Central Asian states have strong effects on South Asia. “The significance of South Asia (along with other factors) is its close geographical propinquity with rich in-resources Central Asia because paucity of gas and oil resources has developed a sense of urgency in West and the US as well to seek new resources that Central Asian states offer in abundance” (Mekenkamp, Tongeren and de Veen, 2002).

Rich in minerals natural as well as human resources, the Central Asian states have a huge economic potential. Uzbekistan and Kazakhstan, the two significant South Asian states are “Eurasia’s ‘treasure house’ of natural resources in terms of hydroelectric power hydrocarbon, agronomical products and minerals” (Effendi, Winter 1995 :2). Divulging mistreatment of resources of these states during the Soviet era Effendi further writes, “During the Soviet period these two republics were mainly treated as source for raw materials for the capital and consumer goods industries of the USSR, located in Western Russia and Urals. However, despite the ruthless exploitation during the Soviet era, the resources of the Region seem inexhaustible” (p.2). The biggest ‘demographically’ state of Central Asia, Uzbekistan has “rich hydrocarbon resources, apart from gas as well as the recent oil discovery at Karakhtay, in the Angren, rivals the total hydrocarbon reserves of Kuwait” (Effendi). Furthermore, Uzbeks are also “rich in coal, copper and gold” (Effendi). The labour market of Uzbekistan “has an abundant quantity of good quality manpower which is both cheaper and more disciplined than what available in South-West Asia and the Sub-continent” (Effendi). In the same manner the oil reserves of Kazakhstan “accounted for 9% of the former USSR’s deposits, while overall the CIS reserves ranging between 6 to 10 % constitute the entire world’s hydrocarbon reservoirs. The Manqyshiak oil is unique as it contains coquina (limestone) which is an excellent building material” (Effendi: 8). So far as the deposits of manganese is concerned Kazakhstan has 13% of the world’s deposits and is third after USA and Ukraine” (Effendi). Moreover, Kazakhstan is the “world’s second largest producer and provided 94.6% of chromium of the former USSR’s total production” (Effendi). In iron production she ranks as the eighth largest producer and produces 16,662 million tons of Iron and she is the “second largest producer of phosphorous, fourth largest producer of lead and molybdenum, having large uranium deposits and “produced 56% of the total output of the former Soviet Union. She has large uranium deposits and produced 56% of the total output of the former Soviet Union” (Effendi). Mohammad Yahya Effendi gives more details of Kazakhstan’s resource and her production:

“In Asia, Kazakhstan is number one in producing chromium, manganese, copper, lead, zinc, tungsten, molybdenum and phosphorous. It is second in the production of iron, tantalum, and coal. Of the 99 elements of the periodic table, 70 have been dissevered in Kazakhstan’s “bowels”. Sixty are being processed. In terms of actual production, Kazakhstan produces 25 million tons of oil per annum; and this will double with expansion in the refining capacity at Aktau. The Tengiz oil field has potentials of 100 million tons per annum. The percent fuel energy export capacity is (per annum): Oil 7 million tons including condensates. Coal 4.5 million tons. The metal production capacity per annum is as under: Copper and lead more than 100,000 tons. Chromium

700,000 tons, Ferrous Rolled Metals: 430,000 tons” (Effendi).

Evidently the Central Asian states know very well about their mineral and natural resources and also how to utilize their ‘politico-economic’ potential.

The economic relation of the world with Central Asia will have to be reviewed in scenario of their pre-independence realities when their economy was completely controlled by USSR. However, they will have to shake off previous system and fully develop their own political and economic system, a lengthy process. “Ever since”, writes Tareen, “their breakup from Moscow the republics have suffered under a staggering economic crisis. The republics have no experience or expertise in handling the market economy. Earlier when the Russians were enjoying glasnost and perestroika the dictatorial hand of Communism was tight as ever on the Central Asian republics”(Summer 1995:33), because Tareen further writes,” the Soviet rule has not only left its mark on the political boundaries of Central Asia but has fundamentally affected the political, cultural and economic make up of the region. Apparently the Russian rule over Central Asia has ended but it will yet take years to discern the effects of the Soviet period on this region” (Winter1997:95). Therefore, to let the economy operate independently and effectively they must allow independent market forces to act independently and set prices and allocate resources.

“One key aspect of improving resources allocation --- as well as taking advantage of the opportunities in global market --- is to open the economy up to the foreign trade and hence international price signals and competition. However, these benefits of trade liberalization will only materialized in the context of a unified exchange rate and the removal of restrictions on current transactions”(http://www.info.org/external/np/speeches/1998/052798.HTM). To grant a significant role to the private sector, considered to be the ‘main engine’ for creation of job is a “ suitable institutional frame work that will give domestic and foreign entrepreneurs the confidence to invest” (http://www.info.org/external/np/speeches/1998/052798.HTM).

Pakistan and Central Asia

Since the freedom of South Asian states, Pakistan has also been trying to promote her relations with these newly born and rich in resources states claiming an edge of historic Central Asian Region- Pakistan cultural, religious, political and

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economic linkages dating back centuries between the two regions. Pakistan had been a “gateway to Central Asia” since centuries. “Central Asia holds signal significance for the land and people of Pakistan, its culture and the society are Central Asian” (Khan, Summer 1996: 92). Pakistan has many fold interests in Central Asia plus strategic, religious, and economic. The primary and main consideration was her strategist’s interests:

“A geo-political factor was imminently noticed by Pakistani strategists at the dawn of the Muslim states to the northwest of Pakistan. Pakistan physically is placed in oblong position (1600X855kms) with small depth in front of a hostile neighbor in the East. Northwest beyond Afghanistan was a closed door. The Northern connections were only discernable in the historical perspective and had little commercial or strategic use for the early policy makers. Pakistan therefore continued to shut its eyes to the North, until the emergence of new realities. Both public and government were excitedly awakened to the situation and attempts at all levels commenced forthwith to revive the links” (Khan, Summer 1996:93).

Hitherto as the religious aspect is concerned, the Pakistani brethrens have a great attraction to have a close religious bond with Central Asian Muslims who had founded Islamic government in Indo-Pak region. However, their economic interests are the most significant:

“Pakistan’s economic priority is for developing bilateral trade in raw material and manufactured goods, opening up communications and contracting for regular supplies. Pakistan saw industry, Pakistani entrepreneurs felt They had a great deal to offer in setting up substantial benefits for its industrial growth in obtaining regular supplies of surplus power through gas and electricity grid scheme or through future oil supplies from Tajikistan, Turkmenistan, Kazakhstan and Uzbekistan. Besides manufacturing and light banking and insurance as well as stock Markets, joint venture capital and import-export, all sectors poorly developed in Central Asia” (Anwar, Winter 1997: 190-191).

However, Tareen laments over the “directionless government of Pakistan” for “pursuing equally directionless and haphazard policy” towards Central Asia which is “against all reasons”. He severely criticizes American immoderation in our policy making process and becoming a “proxy state “of America. He asks, “How can we realistically hope for a trade link with Central Asia when the easiest, the most feasible and economically viable rout that passes through Afghanistan is blocked?” (Summer 1995:35). Pakistan is right now entwined in severe energy crisis but according to Tareen she is for the “second time in history losing a golden opportunity next door and lagging a country thousand of miles away to bail us out.” This critical situation is being faced by us, again due to American indulgence. Tareen says, “We have allowed Americans into our electricity and power would be far more expensive per unit than which can be made through our

local hydel power projects or for that matter by importing power from Tajikistan which according to experts would not only have been feasible but cheaper than locally generated electricity” (p.35). The land-locked Central Asian region is also in horrific need to get an access to the outer world. For this reason, Pakistan may be proved to be one of the finest options due to its specific geographic location. Pakistan is located at the junction of South Asia and Middle East, with a substantial exit to the Arabian Sea.

India and Central Asia

Indian claim of Non-alignment policy is the fundamental principle in her relations with other countries therefore, “Indian diplomacy has found it relatively easy to build good all round relations with the newly emerging nation-states of Central Asia” (Prakash, 2004 :178). Therefore, India has established very close relations with the region since Soviet era. “India had enjoyed close political links with the region for decades and still retains much of its prestige as an old friend of the Soviet era” (Anwar, Winter 1997: 189). Reetz confirms the view saying: “For India it was natural to deal with the Central Asian region in the first place as part of the former Soviet Union. It was still tied to the post-Soviet states by many links. India hoped to recoup whatever it could from the old relationship, looking for new opportunities” (Winter 1997: 223). India still desires for increase in Russian influence in Central Asia and if so happens “Russia’s agenda of economic and political reform would be welcomed by Indian businessmen”, because “the newly emerging political class in Russia is taking a strong interest in India’s economic management experience of what they call a ‘mixed economy’ which includes both private and public enterprise” (Reetz: 223). Even the South Asian leaders are also ‘favorably inclined to India’ and look ahead to to get ‘advice and practical help’ in economic and political fields. However India is in difficult position of not having direct entrée to Central Asia. Her “Central Asian policy also suffered from incoherence, neglect and ignorance” (Reetz: 225). Although, Indian hastily rising economy requires new markets for their products and energy resources for their colossal industry when as Central Asian states which are rich in their energy resources can fulfill her energy requirements and become a useful market for Indian products. Indian situation, on the other hand, writes Reetz is:

“A consequence of its relative success of its economic reforms program. A greater role for the Indian private sector in the economy keeps it busy in the expanding market of India proper with little need to go for the unknown. With the Indian market far from satiated, a partly retiring Indian state has few arguments and instruments to force the need for greater action in Central Asia on its local enterprises and institutions. While this may look India relatively weak in the face of the Central Asian challenge, its advantage lies in pursuing the long term strategy of

Pan-Asian links. Its increasing clout as an economic powerhouse, its cultural offensive through Satellite television and the likes and a potential strategic consensus with China, Russia and Iran more than compensate for its shortcomings in neutralizing any negative outfall from what it feared would be an Islamic bloc building against its interests” (Winter 1997: 225-226).

Afghanistan and Central Asia

Afghanistan and Central Asia share a long boundary and also have racial and religious affinity that provides a ‘strong basis for cross-border fraternization’ between people of Central Asia and adjoining Afghanistan. Warikoo writes “The traditional border and family ties” (2004: 141). There had been a very close reciprocal correlativity, especially between Tajikistan and Afghanistan and both encouraged exchange of ‘students, academics, littérateurs, and artists, media persons and cultural delegates (Warikoo: 141). However all these cultural relations and “specter of cross border movement which was earlier limited to social and trade contacts changed dramatically after Soviet armed intervention in Afghanistan which was perceived as a direct Communist attack on Islam” (p.141) that led to emergence of militancy of Islamic fundamentalists. The Islamic fundamentalism, together with poverty and political circumstances of Afghanistan led to the “training of terrorists from different countries and nations inside Afghanistan” (Taizi: Winter 1997:147). People adopted terrorism as a business along with “smuggling of arms and explosive material” (p. 141).

The circumstance in Afghanistan needs stern and honest approach for restoration of peace. The fire raging in Afghanistan is now warming the enthusiast specters also, and is spreading each and every moment in each and every direction Pakistan, Iran and Tajikistan are right on its way. They should, therefore, think more to extinguish the fire inside Afghanistan, rather than fanning it, and let the people heave a sign of relief. Then they should think of the transit facilities, and the pipelines to flow down the oil and gas of the Central Asia to the warm water, and convince the Afghans that these actions would be beneficial to all of them. Let us hope that Afghanistan does not become the starting point of another, and the final, World War, and pray for an end to this conflict to ensure an era of peace and rehabilitation of the heart of Asia.

The great commercial route, which would connect Central Asia with the Indian Ocean via Pakistan and Afghanistan, with a complex network of pipelines, railways and highways, seemed no longer a remote dream. Pakistan thought this project could partially solve its growing economic and financial crisis, and underline the country’s geostrategic importance, challenged by the end of the Cold War. Saudi Arabia and the US sponsored it, more due to regional geopolitical reason than economic ones, since Iran was Pakistan’s major competitor for handling the transit trade traffic from Central Asia. Their concern

about Iran's future geo economic role vis-à-vis the five Central Asian republics – and consequently, about its strategic importance over the whole region – was the ultimate reason, although not the only one, for supporting the Pakistani option.

Conclusion

The Central Asian states are full with excellent infrastructure, massive fossil fuel reserves along with minerals and metal deposits. It is the enormous manufacturer of gold reserves and oil and natural gas. It also abounds in energy resources and the developed economies like American, Chinese and Western as well as rising economies like Indian along with developing economies like Pakistan's and other South Asian countries are in dire need these resources to accelerate and develop their economies. The big powers America, Russia China, and the European Union eyes upon the natural and human resources of Central Asia. It is also ideal for Japan, Iran and the rising economy of India. Central Asia is a geo-political struggle over resources and it is "Great Gain" for the world. Each and every country wants to have an access and get hold on these resources and the world particularly big powers are competing for the resources of Central Asia. They do not want others to have an access to these resources. In future the world will be in severe need of energy challenges but the region is land locked and South Asia is the ideal way to have an access to these resources. That is why the great game is being played in Afghanistan and Pakistan to create disturbance in these countries. However, if the peace and security is ensured in these countries and a well developed infra structure is contrasted there, it will in the benefit of the world and particularly both the regions of Central Asia and South Asia. In this regard World Powers including America and especially India can play a significant role.

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