Center for Global & Strategic Studies (CGSS), Islamabad

Research Paper

Pakistan and Central Asian Republics (CARs): Regional Integration, Benefits and Future Prospects

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Abstract

Regional connectivity is the key catchword in today′ s political and economic discourse. Pakistan is located at geo-strategically important place. It lies at the interface of South Asia, Central Asia and Middle east and also neighbored with China. Therefore, it is stark need that regional connectivity should be discussed in a broader paradigm with the amalgamation of cooperation and integration patterns with Central Asia Republics (CARs). The enhanced economic and regional connectivity with them would result as a boon in order to sustain economies and widen the sphere of regional economic and diplomatic framework. In recent times, Pakistan relations with CARS have been improved. With unfolding geo political and geo-economic trends, Central Asian regimes are also trying to build new equation of cooperation with Islamabad. A predominate foreign policy objective is to fulfill common economic interests while pursing great relations with other countries and regions. In this aspect, economic connectivity, diversifying energy routes and specifying trade patterns would result in win-win cooperative model for CARs and Pakistan. Pakistan is a gateway to Central Asia and provides plethora of opportunities to it. So, building close diplomatic ties, will not only lead towards economic development, build resilience to common problems but will also improve the security situation in northern front. Keeping in view the historical and cultural affinity, this paper is amid with suffice number of future options for mutual cooperation and development. The study provides an in-depth and well researched starting point to initiate an open-minded discussion in terms of gaining economic

security as an extended peripheral actor of Central Asia, identifying the obstacles and focusing on future prospect of regional connectivity.

Introduction:

Since the collapse of Soviet Union in 1991, the Central Asian states i.e., Turkmenistan, Kazakhstan, Tajikistan, Uzbekistan and Kyrgyzstan, have witnessed drastic structural and political changes. The policy reforms have paved the way for these countries to modernize their economies and borders for the world. The reforms have resulted as a boon for them, as the region is now presenting a model, based on more democratic and accountable countries. These regional nations are also considered as one of the fastest growing economies in the world. Furthermore, the transformation has made changes in their socio-economic and political structures. The Governments have moderated the needed structural adjustment by adopting the strategy of "gradualism" of transition to a market economy. Nevertheless, the shift from administrated determined prices to more market-approved flexible prices has brought significant changes in the way that business and households needed to respond to the economic situation.

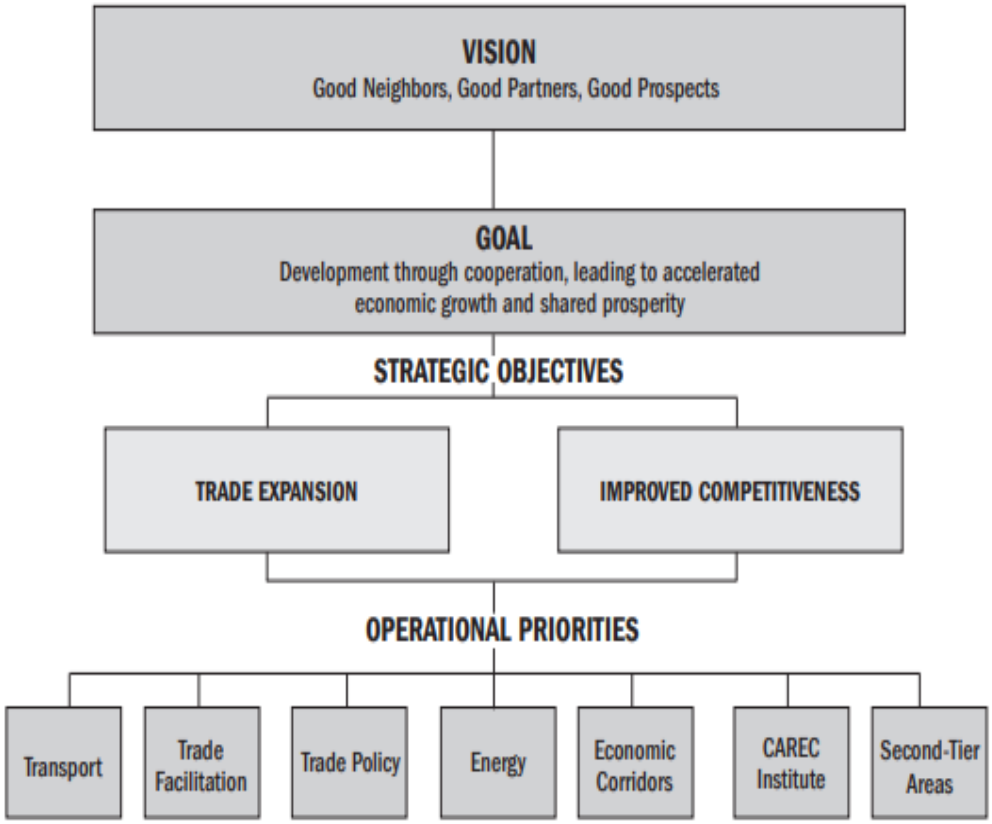
With CARs ambitious implementation of market orientated economic policies and reforms has provided great opportunity to Pakistan and the neighboring states to collaborate in various dimensions. Pakistan has immense economic potential and, in this context, it is pertinent to highlight the structural economic indicators of Central Asia that has made the region to diversify its economic patterns along with it. There are many policy imperatives for the region that can provide feasible diplomatic and economic connectivity options. The countries are geo-strategically connected with Pakistan, Afghanistan, Xinjiang, Iran and Turkey. Unfortunately, the imbalanced security condition in Afghanistan has limited the cooperation of CARS with Pakistan. However, as the world has entered into a new era of regional and economic cooperation, the way for the landlocked region to adopt the policy of openness and integrate more with neighboring states has been paved.

The Belt & Road Initiative (BRI) and China Pakistan Economic Corridors (CPEC) have also pushed Pakistan for enhanced economic engagement with CARs. Through these projects the assistance will be increased in many directions. For example, offering training programs, enhancing the spheres of business and entrepreneurship, trade, textile industry and diversify energy routes. Pakistan is also a member of Central Asian Regional Economic Cooperation (CAREC), which with the collaboration of Asian Development Bank (ADB) has introduced and facilitates different

projects of strategic collaboration in the region. CAREC program (2011-2020) is based on certain core policy imperatives:[1]

a. **Transformation of Comprehensive Action Program:** It holds components of mainstream regional cooperation, strengthening ownerships and promote connectivity to increase business ties to access regional and global market, in which Pakistan is already assisting CARs.
b. **Strategic Objectives**: The strategic agenda is based on two major pillars. i- trade expansion, and ii) improved competitiveness.

Figure 1: CAREC Strategic Agenda



[1]http://library.fes.de/pdf-files/bueros/pakistan/15952

c. **Operational Priorities:** It includes trade expansion, diversifying energy routes, improving transportation and gauging potential of trade and energy hubs in the region.

d. **Tentative Timelines and Milestones:** It is based on the transport corridors that should be transformed into logistic corridor and then the economic corridors. The development of logistic and economic corridor will provide a backbone for

Figure 2: Indicative Timeline and Action Plan for Trade Expansion

Operational Priority		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Transport	Complete the transport corridors	Ensure that ongoing physical infrastructure projects are completed in a timely manner (2011–2015)									
		Implement planned priority infrastructure projects in the Transport and Trade Facilitation Strategy and Action Plan (TTFSAP) medium-term rolling pipeline (2011–2015)									
	Identify next generation of TTFSAP issues and associated projects		Conduct midterm review of TTFSAP (2013)				Implement planned priority infrastructure projects identified in the TTFSAP midterm review (2016–2020)				
Transport Facilitation and Trade Facilitation	Identify next generation of TTFSAP issues and associated projects		Conduct midterm review of TTFSAP (2013)				Implement planned priority transport facilitation and trade facilitation projects identified in the TTFSAP midterm review (2016–2020)				
	Enable/make easy cross-border and transit transport	Implement Kyrgyz Republic–Tajikistan cross-border transport agreement (CBTA) along CAREC Corridor 5 (2011–2015)									
		Promote accession to and eventual implementation of CBTA along the other CAREC corridors and/or encourage the implementation of other transport facilitation arrangements along the CAREC corridors (2011–2015)					Streamline transport facilitation documentation in line with existing international transport conventions				
	Ease border crossing formalities at CAREC corridor border-crossing points	Improve border infrastructure under the proposed ADB-assisted regional border-crossing points and single-window project (2011–2015)									
		Continue implementing ongoing and planned customs modernization projects, including enhancements of information technology systems (2011–2015)					Develop regional interoperability of national single windows, and promote other behind-the-border facilitation measures (2016–2020)				
		Implement joint customs control (2011–2015)									
		Promote national single windows and build the foundations for a regional single-window platform for CAREC (2011–2015)									
Trade Policy	Achieving more trade openness prior to World Trade Organization (WTO) accession	Implement the CAREC Trade Policy Strategic Action Plan									
	Achieving WTO accession										
	Capacity building on trade issues										
Energy	Ensure reliable, secure, and stable energy supply	Complete the Central Asia Regional Power Master Plan (CARPMP) (2011)									
		Develop action plans for other CAREC energy corridors (2011–2015)									
		Formulate and implement a model and analytical base for regionally integrated water–energy resource management under Pillar 3 of the CAREC energy strategy (2011–2013)									
			Implement recommendations of the CARPMP (2012–2020)								
				Implement action plans for other energy corridors (2013–2020)							

the CAREC in developing the networks that will lower the tariffs and provide ease in doing business.

e. **Improving Competitiveness:** It revolves around the act in improving transport and trade facilitation, analyzing the trade policy and also increase energy patterns.

f. **Second -tier Areas:** It is based on the construction of economic corridors and facilitate the cross-border movement of goods and services and the people along the corridor.

Areas of Cooperation and Investment under CAREC:

ADB has approved $800 million Multi-trench Financing Facility (MFF) to help enhance the regional integration and trade under CAREC projects in Pakistan. As per an estimation, the expanding program will increase the regional connectivity links, while help in lowering the road tariffs. In second and third trench, the net worth will increase up to $260- $360 million in present times.[2] Furthermore, under this project, the sea port connectivity will flourish. It will construct corridors that will connect Gwadar and Karachi ports with Central Asia and Europe. The previous investment details can be seen in the figure given below:[3]

[2] Source: https://www.adb.org/news/adb-800-million-financing-help-improve-connectivity-trade-pakistan

[3] Ibid

Figure 3: Projects Supported by the CAREC Program in Pakistan.

Project Title	Sectors	Countries	Funding Agencies	Funding Types	Approval Year	Status
Specify a Title	-	Pakistan	-	-	-	-
CAREC Railway Connectivity Investment Program	Transport	Pakistan	ADB, GPAK	Technical Assistance	2016	Ongoing
National Motorway M-4 Gojra–Shorkot–Khanewal Section Project - Additional Financing	Transport	Pakistan	ADB, AITF, DFID, GPAK	Grant, Loan	2016	Ongoing
CAREC Regional Improving Border Services Project	Trade Facilitation	Pakistan	ADB, GPAK	Loan	2015	Ongoing
Enabling Economic Corridors through Sustainable Transport Sector Development	Transport	Pakistan	DFID	Technical Assistance	2015	Ongoing
National Motorway M-4 Gojra–Shorkot Section Project	Transport	Pakistan	ADB, DFID, GPAK	Grant, Loan	2015	Ongoing
Second Customs Reform and Trade Facilitation Project, Additional Financing	Trade Facilitation	Pakistan	WB	Grant	2015	Ongoing
CAREC Corridor Development Investment Program	Transport	Pakistan	ADB	Technical Assistance	2015	Ongoing
National Trade Corridor Highway Investment Program, Tranche 3	Transport	Pakistan	ADB, GPAK	Loan	2014	Ongoing
MFF: National Trade Corridor Highway Investment Program, Tranche 2	Transport	Pakistan	ADB, GPAK	Loan	2014	Ongoing
Regional Improving Border Services Project	Transport	Pakistan	ADB, GPAK	Technical Assistance	2013	Completed
Pakistan Sustainable Transport Project	Transport	Pakistan	GEF, UNDP	Technical Assistance	2011	Ongoing
Trade and Transport Facilitation II	Trade Facilitation	Pakistan	WB	Loan	2009	Completed

Moreover, the Tajikistan Ministry of Commerce and Pakistan have also signed different memorandum of understanding (MOU) on trade cooperation in previous years as well. The agreement on rail road would start a rich mineral exploration for Uzbekistan and Kazakhstan for deposit the export from Pakistan, CARs and Europe. Despite having this profound action plan, there are certain obstacles that should be curtailed with the efforts of governments, diplomats and policy makers at larger scale to incorporate more dimensions to the regional partnership.

Following are the obstacles in existing CARs and Pakistan's relations and connectivity:

a. **Regional Outlook**: The politics of South Asia, Central Asia and Middle East portray a picture in which there is huge involvement of regional and extra regional powers. The regions have been the battle ground for great powers politics. Indian involvement and influence to change the political discourse, U.S intervention and daunting extremist situation in Afghanistan has limited the economic and regional cooperation between central Asia and Pakistan. The connectivity in Afghanistan is amid chaos that have dreadful ripple effects on the adjacent states. Since 2005, the discussion is continuing between Turkmenistan, Pakistan and Afghanistan for developing Trans-Afghan gas pipeline for gas supply to Pakistan from Turkmenistan via Afghanistan. However, this project did not get much paid attention by the countries. There is a substantial role that Afghanistan can play as a transit of energy trade hub between South Asian and Central Asian countries. But for any project to be operationalized, there is a dire need to restore peace in Afghanistan along with building advanced infrastructure. The central government of Kabul and pluralistic future Afghan regime is also one of the key factors to sustain peace and enhance economic activity with other countries. However, the role of Pakistan and Uzbekistan in terms to engaged in the peace dialogue process is holding vital importance as a stakeholder.

b. **Trade and Commerce Sector:** Pakistan is assisting Central Asian countries in many domains but there is not much facilitation that has been given by the CARs. So, in this regard, sector focused policies must be revised in order to start potential project in trade sector.

c. **Absence of Road Connectivity and Lack of Infrastructure Development:** The energy cooperation between Pakistan and CARs are hindered by many factors. The region is closet and cost-effective source of energy supply for Pakistan. If this communication hub is established, it will allow great advantage for Pakistan as well as the regional nations to diversify their energy routes and meet the required energy demands to run industries, which leads to economic prosperity.

d. **Academic Domain:** The cooperation in educational sector is very low from the CARS to Pakistan. Based on historical and cultural heritage, there should be academic research focused initiatives taken by the governments to enter into new era of collaboration, mutual trust and project soft power. There must be scholarship programs introduced and facilitated by the governments so that the students can research and get international exposure.

Future Prospects:

For projecting an integrated model of cooperation between CARs and Pakistan, there should be two major long-term objectives and certain core areas of cooperation to be considered that need sustainability in order to peruse foreign policy goals with a coherent approach:

a. To establish strong economic and diplomatic links on both sides.

b. To make sector focused policies that are beneficial for the long-term development.

1. Academia/Educational Sector:

- To identify particular sectors in which there are mutual interests.
- To conduct in-house discussions, seminars and webinars of the experts from both sides.
- To facilitate scholarship opportunities and students should be integrated more in the educational domain.
- Strong efforts should be done in order to curtail the language barriers for the people.
- Role of research experts, think-tank and embassies in enhancing people to people contact should be sector specific.
- The governments to collaborate with renowned regional universities in order share the updates of the initiatives which are to be carried out.
- The governments to facilitate the delegations from both sides.

2. **Trade and Commerce:**

- Enhance trade which is beneficial for both Pakistan and CARs.
- The sphere of trade sector can be widened by import and exports of medicines and surgical instruments.
- Textile industry must be facilitated by the efforts of governments and non-government organizations.
- Assist the business councils i.e., economic connectivity should be enhanced in multiple other sectors i.e., buying expertise, industry of spare parts etc.
- Identify specific sectors so that sector focused polices can be made.
- Logistic sector: B2B virtual meeting can be conducted that will have participation of the experts of relevant sectors to share the ideas.
- To introduce Pakistani banks in CARs and open branches in different cities. So, that it could facilitate the smooth flow of finance and assist businesses.

3. Potential of Sea-port Diplomacy: Comprehensive Analysis

Pakistan provides shortest access route to landlocked region Central Asia to the Indian Ocean and other parts of the globe. If Sea port diplomacy is properly carried out, it can boost trade activities and multilateral relations more. For the land routes, there are some options for Central Asia to reach Pakistani seaports.

- **Trade Routes**

Pakistan is connected Asian Highway 7 (AH7). Which is a back bone for linking CARs, Russia and Eurasian Markets. This Asian highway supports less time supply chain and provided regional hub. The detail of Ports is as under:

1. Sea Ports
    a. Karachi Port Trust
    b. Port Muhammad Bin Qasim
    c. Gwadar Port
    d. Ketti Bender (Not operational for CPEC)

2. **Air Ports (Main International operations)**

   e. Karachi (International)

   f. Lahore (International)

   g. Islamabad (International)

- **Capacity of Ports:**

  a. **Karachi Port Trust**

     i. A deep natural harbor with an 11-kilometer-long approach channel

     ii. Provides safe navigation for vessels up to 75,000 tonnes (DWT)

     iii. Two main areas of port activity

        1. East Wharf with 17 vessel berths
        2. West Wharf with 13 vessel berths

     iv. The maximum depth 11.3 meters and handles container ships up to 11-metre draught

     v. Karachi International Container Terminal (KICT)

        1. Handles 300,000 TEUs / annum
        2. Total quay length is 600 meters with two container berths

     vi. Pakistan International Bulk Terminal (PIBT)

        1. Handles 350,000 TEUs / annum
        2. Handles container ships up to 11.5-metre draught
        3. Total quay length is 600 meters with two container berths having 2x Panamax cranes
        4. Equipped with 3 x liquid cargo-handling berths (oil piers)

5. 2 x ship repair jetties and a shipyard and engineering facility

b. Port Muhammad Bin-Qasim

1. It is a deep-water seaport in Karachi
2. Handles 35% of the nation's cargo such as 17 million tons per annum
3. Handles more than 90% of all external trade of Pakistan
4. 60 percent of exports and imports are originated from Export Processing Zone
5. Landhi and Korangi Industrial Area

Facility	Berths	DWT
Multipurpose Terminal	4	
Container Terminal	3 (Terminal 1) + 2 (Terminal 2)	
Liquid Chemical Terminal	1	
Oil Terminal	1	

4. Gwadar Port

a. Gwadar port is the deepest sea port in the world.

b. Port features prominently in the China Pakistan Economic Corridor (CPEC) plan, and a link between the Belt and Road initiative.

c. On 14 January 2020, Gwadar Port started for Afghan transit trade.

d. The Gwadar Port is planned to have 14 meters' depth and capacity to handle larger ships with a dead weight up to 70,000 tons. At Present, it can handle over one million tons of cargo.

e. The total capacity is to handle 400 million tons of cargo per year with 100 berths to be built by 2045.

f. Since 2013 to 2018, 99 x loaded cargo vessels from seven different countries anchored at Gwadar Port.

g. Modelled for Special Economic Zones (SEZs) through China Overseas Port holding Company.

h. The special economic zone will include manufacturing zones, logistics hubs, warehouses, and display centers.

i. SEZs has three phase and by 2025 manufacturing and processing industries will be developed.

j. Gwadar will improve connectivity to the restive Xinjiang Uyghur an autonomous region and supports its 13th five-year development plan.

k. The Gwadar Port also supports neighboring regions of Tibet and Qinghai.

l. It is an alternative and shorter route for energy imports from the Middle East, thereby, reducing shipping costs and transit times.

m. Present route to China is 12000 Km through but Gwadar shorten the route.

n. Asian Highway also supports transit trade of Kyrgyzstan, Kazakhstan, Afghanistan, Uzbekistan, Tajikistan and even Russia.

5. **Pakistan Seaports: Gateway to Asian Highway**

There are three routes linking to Asian highways. The detailed of three corridors are mentioned below:

i. Western

ii. Central

iii. Southern

ANNEXURE 1

From	To	Distance KM	Travelling Time Days
Inland Routes			
Karachi	Taftan	1083	3
Karachi	Chaman	806	3
Karachi	Torkham	1608	4
Karachi	Khunjerab	2138	5

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Gwadar	Khubjerab	2787	7
Gwadar	Torkham	1788	5
Gwadar	Chaman	1255	4
Gwadar	Taftan	755	2
Cross Border			
Chaman	Heritan	1057	2
Chaman	Sherkhan Bander	981	2
Torkham	Heritan	670	2
Torkham	Sherkhan Bander	590	2
Tremez	Tashkent	682	2
Tremez	Shymkent	807	2
Shymkent	Almaty	686	2
Shymkent	Semi Glovy	2092	4
Semi Glovey	Moscow	1192	3
Chaman	Sehrebat	808	2
Sehrebat	Ashqabad	1395	3
Sherkhan Bander	Dushamber	181	1
Sherkhan Bander	Uzgen	1350	2
Kunjerab	Kashghar	670	2

6. **From Port to CARs Capital:**

ANNEXURE 2

From	To	Days Add 1 days for each custom
Gwadar	Tashkent	11
Gwadar	Almaty	12
Gwadar	Ashqabad	10
Gwadar	Bishkek	12
Gwadar	Dushanbe	11
Gwadar	Moscow	14
Karachi	Tashkent	10
Karachi	Almaty	11
Karachi	Ashqabad	9
Karachi	Bishkek	11
Karachi	Dushanbe	10
Karachi	Moscow	13

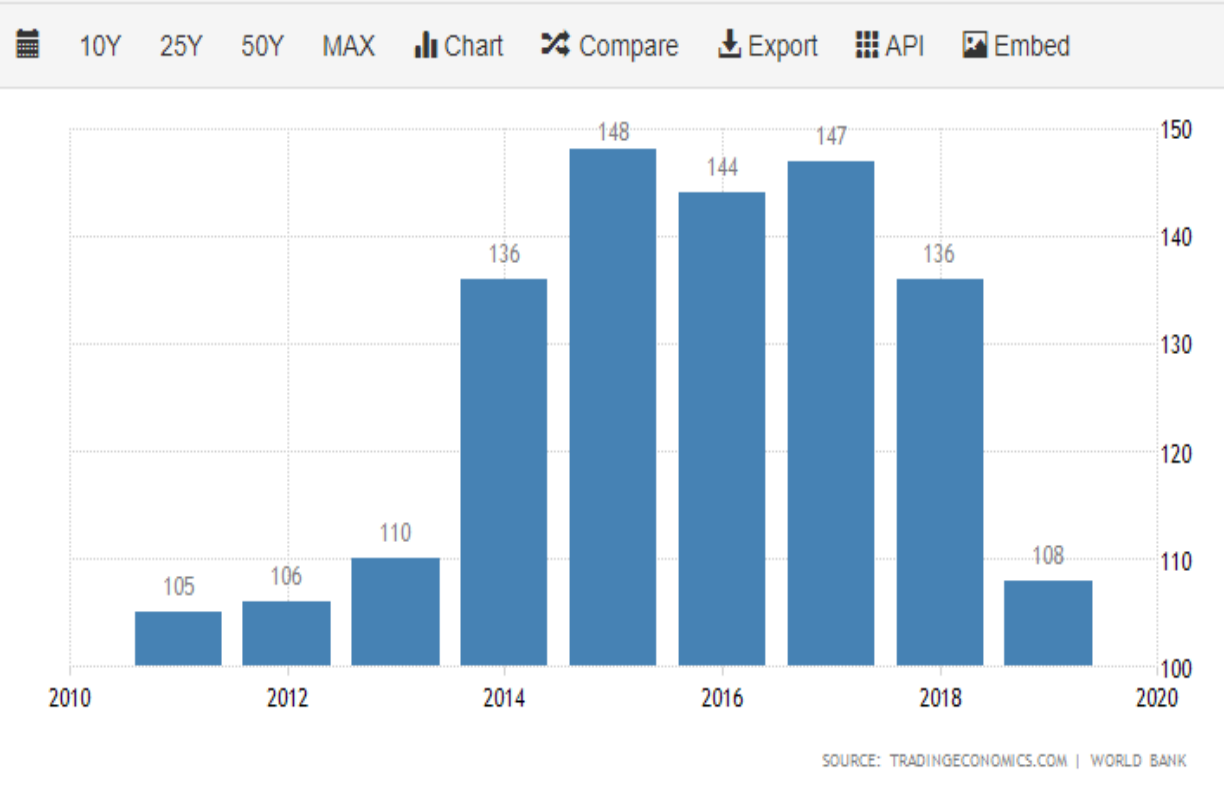
7. Research:

- To explore historical linkages between both Pakistan and CARs. In this aspect, facilitate the research projects and networks.
- To link the experts, policy makers, diplomats and intellectuals with an integrated platform.
- Initiate more awareness programs and training sessions.
- Exchange of educational data like books, researches and publications.
- Research on Zahir-ud-din Babar′ s legacy should be facilitated, in order to explore historical links. In this aspect, the role of universities, think tanks and embassies should be facilitated and highlighted.
- Organize different activities and sector focused tasks.
- Conduct online webinars and training programs for the teachers and students to bridge people to people gap.

8. The Ease of doing Business in Pakistan: Opportunities for CARs

The Ease of doing business index ranks countries against each other based on how the regulatory environment is conducive to business operations stronger protections of property rights. In this regard, according to the latest World Bank annual ratings, Pakistan has considerably ranked up 108 among 190 economies in the ease of doing business. The rank has been improved from 136 in 2018 to 108 in 2019.[4] This highlights significant and favorable Foreign Direct Investment (FDI) Policy to the world and particularly to Central Asian countries.

[4] Source: https://tradingeconomics.com/pakistan/ease-of-doing-business



Moreover, the attractive investment policies are facilitated by the government in different sectors. For example, the agriculture sector, infrastructure and social development and services including IT & Telecom services. Cooperation in these basic areas would result in generating lucrative amount of profit for the countries involved. The details are mentioned in the figure below:

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ATTRACTIVE INVESTMENT PACKAGE

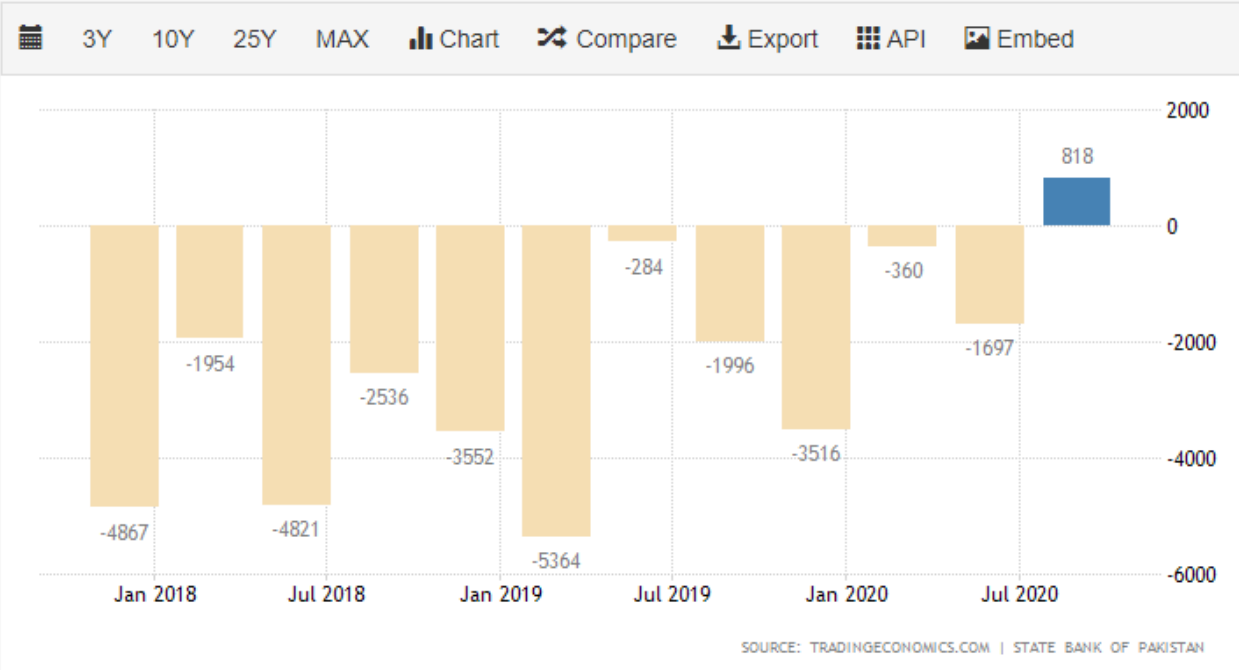
Policy Parameters	Manufacturing Sector	Non -Manufacturing Sectors		
		Agriculture	Infrastructure & Social	Services including IT & Telecom Services
Govt. Permission	Not required except 4 specified industries *	Not required except specific licenses from concerned agencies.		
Remittance of capital, profits, dividends, etc.	Allowed	Allowed	Allowed	Allowed
Upper Limit of foreign equity allowed	100%	100%	100%	100%
Customs duty on import of PME	5%	0%	5%	0-5%
Tax relief (IDA, % of PME cost)	25%	25%	25%	25%
Royalty & Technical Fee	No restriction for payment of royalty & technical fee.	Allowed as per guidelines - Initial lump-sum upto $100,000 - Max Rate 5% of net sales - Initial period 5 years		

In current political and economic dynamics, such friendly investment policies and accelerated positive business climate of Pakistan would bring plethora of opportunities for CARs in many dimensions. For instance, it will accelerate regional consumerism, increase FDI and would grow numerous trade tendencies beyond the regional boundaries.

9. Pakistan's Surplus Capital Accounts Flows:

A surge is recorded in Pakistan's capital and financial account. The surplus of 818 USD Million in the third quarter of 2020 is a mega achievement.[5] This shows substantial chances for Central Asian nations to enhance cooperation with Pakistan in this area.

[5] Source: https://tradingeconomics.com/pakistan/ease-of-doing-business



10. Cooperation in Exploration of Natural Resources, Minerals and Gem Stones:

CARs and Pakistan, are enriched in minerals. This sector is far lacked attention and exploration. There are huge amount of untapped and unexplored potential lies in this segment. So, through mutual engagement, investment, and facilitation in exploration programs and advanced mining patterns, this could generate huge number of lucrative profits for Pakistan and also for Central Asian states. The Northern areas of Pakistan, particularly many regions of Balochistan and Khyber Pakhtunkhwa (KPK) are enriched in most important and expensive gemstones in the world. In this context, government of Pakistan has also provided conducive investment policy mechanism which would be in interest of CARs to be associated

in development of this sector and enjoy benefits. The details are mentioned in the figures below:

Aquamarine

Topaz

Ruby

Emerald Peridot

Khyber Pakhtunkhwa Province

- Khyber Pakhtunkhwa occupies an area of 74,521 km²
- Region of mountainous terrains with natural endowments
- Province has almost all varieties of mineral resources
- Most of the potential areas of minerals have abundant resources for hydel power generation in the form of rivers and streams
- Abundant opportunities for investment in mineral exploration, mining and mineral-based manufacturing industries
- Talented and hardworking people with traditional hospitality, a source of man power on very reasonable wages

Mineral Resource-Categories

- Dimension stones i.e marble, granite and other decorative stones
- Industrial rocks and minerals i.e phosphate, soapstone, feldspar, gypsum, rock salt, limestone, silica sand, etc.
- Gemstones i.e emeralds, topaz, ruby, tourmaline, aquamarine, peridote and other semi precious stones.
- Fuel Minerals i.e Coal
- Metallic minerals i.e gold, silver and base metals copper, lead, zinc, antimony, etc.
- Minor Minerals i.e Ordinary stones, sand, gravels, pebbles and cobbles for use in construction and civil works

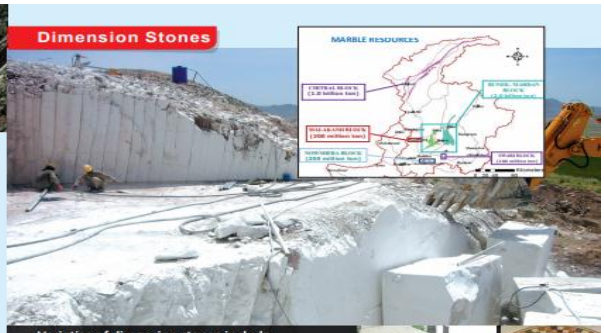
Investment Categories

Exploration & Development
As per provision of Khyber Pakhtunkhwa Mining Concession Rules 2005, the mineral titles including exploration licenses are transferable. Almost all varieties of minerals particularly dimension stones, gemstones and metallic mineral resources in the province have brilliant opportunities for investment in exploration of large scale (upto 1,000 km²) as well as small scale mining operations.

Mining & processing
The region has known mineral resources for investment in mining of minerals and it's processing to saleable commodities for consumption in the manufacturing industries.

Minerals based manufacturing industries
This is another important area of investment in value addition to minerals through installation of industries based on mining production. The province has abundant resources of lime stone for basing cement industry.

Dimension Stones



Varieties of dimension stones include:
Classical carbonate marble, granites and other massive rock types are abundantly available mainly in shades of white, gray, green, black, pink and variegated tints of dark and light colours and texture.

Investment prospects in dimension stones:
- Investment in systematic quarry development for extraction of geometric blocks and further value addition of export quality.
- An estimated cost of US $ 3 to 4 million on quarry development and processing units.

Industrial Rocks & Minerals

Enormous resources for basing industries
Cement-grade limestone and clay in Dargai (Malakand Agency), Nowshera, Kohat-Lachi and D.I.Khan. The resources are in billions of ton.

Fertilizer-grade phosphate (22 million ton) in Hazara.

Extensive resource (about 85 million tonne) glass and ceramic-grade nepheline syenite and associated granitoids in Buner.

Extensive resources of rock salt, gypsum and clay minerals in Karak, Lakki Marwat and Dera Ismail Khan.

Glass-grade silica sand in Hazara and southern Districts.

Other industrial minerals include soap stone, feldspar, dolomite, barite, graphite, etc.

Metallic Minerals Prospects

Favorable geological environment for metallic minerals

- Wide range of geological environment represented by tectonic plates margins
- The tectonic plates are separated by suture zones associated by deep seated faults
- Conceptually, the geological environment is favorable for rich mineral assemblages i.e metals and gemstone
- Empirically supported by occurrences of various metallic minerals and gemstones in northern parts of the province

Regime For Large-Scale Mining Titles

Category	Area Limit (Max) in Sq.Km	Application Fee (Rs)	Renewal fee (Rs)	Tenure (in years)
Reconnaissance License	1,000	15,000	----	1 (Non Renewable)
Exploration License First Renewal Second Renewal Amendment	200	150,000 200,000	200,000 250,000	1 - 3 1 1
Mineral Deposit Retention License Renewal Amendment	50	200,000 50,000	250,000	2 + 1
Mining Lease Renewal Amendment Transfer/ Assignment	50	300,000 50,000 300,000	350,000	30 + 10

Available Geological & Exploration Data

- Geological map coverage on 1:1,000,000 scale by the Geological Survey of Pakistan
- Large scale geological maps on 1:250,000 and 1:50,000 over some parts of the province are also available
- Completed first-pass geochemical exploration coverage for gold and base metals over 40,000 km² of northern part of the province
- Geologic and geo-chem data is available in GIS layers
- Research papers on geology of the province are available from academia

KP Minerals Development Department Incentives

- Relevant laws and regulations are comparable to international standards.
- Grant of mining titles for Large & Small scale mining operations
- Long term mining leases (up to 30 years and further renewable)
- Mineral testing facilities
- Exploration and Mining Geo-Scientists available
- Provision of Joint Venture opportunities

Federal Government Incentives

Following fiscal concessions is available to mining industry:

❖ **Exploration stage:**
- 0 % duty on import of machinery & equipment
- Exemption from sales tax and other Government levies

❖ **Construction stage:**
- 5% custom duty on import of machinery & equipment deferred for a period of construction
- Except for royalty, there will be no other Provincial or local levies of taxes imposed on minerals or mining operations.
- No sales tax will be levied on minerals that are exported
- Royalty on ad valorem basis:
  - Precious stones 10-15%
  - Precious Metal 3-5%
  - Base Metals 2-5%
  - Others 1-2%
- Taxes Rate as per Mineral Policy, 2013

❖ **Concession on Imports:**
- Import of machinery, equipment, material, specialized vehicles (4x4) non-luxury, accessories, spares, chemicals and consumables (non-manufactured) as per SRO 469(1)/2004 dated 12th June, 2004

❖ **Customs duty:**
- Nil (during exploration phase)
- Exempt in excess of 5% (during mine construction phase) and payment also would be deferred
- Exempt in excess of 5% ad-valorem (during extraction phase)

❖ **Other Incentives**
- Protection from Expropriation
- Repatriation of Capital & Profits allowed
- Mining operators will be allowed to insure their assets and risks with international insurance companies

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Gemstones

Khyber Pakhtunkhwa has almost all varieties of gemstones:

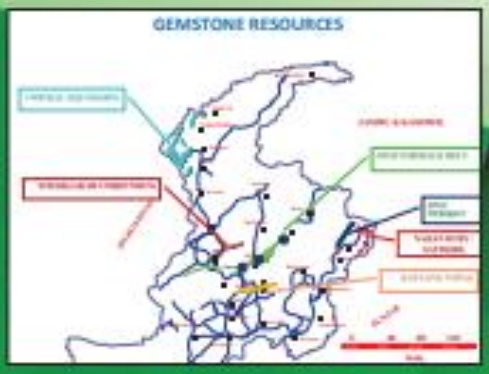
Pegmatite-hosted beryl-tourmaline-topaz-garnet in Chitral and other parts of the Province.

Corundum/Ruby occurrences in Dir along a geological unit of amphibolites.

The Swat emeralds belt over a linear extension of more than 50 km with known mines in operation in Mingora and Shangla.

Carbonate-Hosted Topaz (pink, yellow, white and other shades), in Mardan Katlang area.

Metasediments-hosted Corundum (Ruby and Sapphire) in Kaghan- Naran valley.



Investment potentials in gemstones:

- Gemstone exploration over larger areas (upto 1,000 km²) under reconnaissance license.
- Gemstone exploration cum mining under Small Scale Gemstone mining policy.
- Participation in open auction proceedings for grant of mining leases of gemstone.
- Value addition to gemstone (cutting/polishing) and trading.

Coal Resources

Coal seams of workable thickness occur mostly in the south and south western parts of the province along a geological sequence in a linear belt of tens of km length.

Several small operations have won encouraging coal seams at places along a geological belt extending from Hangu in the west to Chirat up to Abbottabad in the east. The belt has a linear extension for more than 100 km.

Medium to high quality coal has been produced from these areas. Proper exploration may indicate additional coal resources at lateral extension and at depth.

Investment prospects:

- Follow-up exploration of coal resources along the geological belt of coal occurrences to identify significant reserves of coal.
- Joint venture with the sitting mining lessees for systematic development of coal mines for enhanced production.
- Coal gasification of town scale.

11.Cooperation under China Pakistan Economic Corridor (CPEC):

CPEC is a fusion of multiple corridors and is the flagship project of greater Belt & Road initiative (BRI). For example, trade, transportation, infrastructure development, energy routes & cultural exchange. Chinese investors have been sensitized with all information and data in materialization of their projects at each stage of the project cycle. 33 potential sites alongside the corridor for Special Economic Zones (SEZs) in consultation with provinces, have been proposed which will boost economic activity, expedite industrialization and generate huge employment opportunities in Pakistan. The potential in energy sector may have attraction for investors from Central Asian Countries as they have the required core competencies in energy sector. So, they must support and collaborate in this game changer project, which would be beneficial for them and would also result in win-win situation for all the parties involved.

12.Shanghai Cooperation Organization (SCO) as a model for Multilateral Partnership:

The Shanghai Cooperation Organization (SCO) can be seen as an exceptional example of regional economic connectivity. It also plays significant role in strengthening economic ties for all the participants involved. Pakistan is also the member of SCO that provides ample amount of opportunity to facilitate cross border trade and strengthen the cultural and historical ties with CARs.

13.Build Confident Building Measures (CBM):

To have more intimate partnership between the CARs and Pakistan, it is essential to build confidence. In this aspect, it is recommended that a forum be established where the government officials and participants from private and public sectors could sit together to discuss existing menaces, crucial policy imperatives and work for amicable solutions. The integrated platform must compose a coherent policy structure to cooperate in all mentioned domains in the paper and also oversees the practical materialization of the projects. This kind of partnership between Central Asia and Pakistan will help restore trust, respect and confidence.

Conclusion:

CPEC is an exceptional option that can be utilized by CARs to optimize economic benefits. The landlocked Central Asian states are likely to derive maximum benefits from it, if integrated. By accessing the warm water, they can foster their economic connectivity with the world. Moreover, Pakistan is enriched in natural resources and minerals. On the other side, Central Asia is also a land with inherited a lot of mineral potentials. So, in this context, the multilateral cooperation i.e., equipment, skilled labor, machinery, mining process, and research & development would bring huge economic surplus and opportunities for them. The educational institutes are another way of cooperation. By providing scholarships, cultural exchange programs, conducting teachers & students exchange programs, facilitating educational seminars, conferences to restore the soul of the historical legacy between Central Asian nations and Pakistan would curtail differences, increase people to people gaps and project a unified soft image to the world. In a nutshell, there is huge untapped potential lies in the regional cooperation. By operationalizing all the above-mentioned policy options and recommendation, Pakistan and CARs could explore new ventures of economic cooperation, political integration, build trust, mutual respect and lead the relationship to an unprecedented level.

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