Research Report

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Examining the Feasibility of an East-West Economic Corridor for South and Central Asia

Views from India and Pakistan

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Published by the RAND Corporation, Santa Monica, Calif.

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About This Report

In this report, we discuss the feasibility of a land-based East-West Economic Corridor (EWEC) connecting Afghanistan, India, Iran, Pakistan, and the Central Asian republics (Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, and Uzbekistan). Past efforts to develop economic corridors in this region have failed because of geopolitical alignments, internal conflicts, border disputes, and barriers to external capital. Drawing on interviews with policymakers and analysts in India and Pakistan, we explore whether the factors that caused earlier attempts to develop regional economic corridors to fail are still relevant and whether some new factors have emerged to make an EWEC feasible. We also explore how the governance and scope of work of an EWEC should be organized to benefit from such changes. This report should be of interest to policymakers interested in the regional and geopolitical dynamics of large transnational infrastructure initiatives.

Funding

Funding for this research was provided by the generous contributions of the Junaid Family Foundation and the RAND Center for Asia Pacific Policy Advisory Board.

Acknowledgments

The authors acknowledge the generous contributions of the Junaid Family Foundation and the RAND Center for Asia Pacific Policy Advisory Board that financially supported this research. The authors also thank the reviewers, Keith Crane of the RAND Corporation and Shivshankar Menon, visiting professor and chair of the Ashoka Centre for China Studies at Ashoka University, for their contributions to revising this report.

Summary

In this exploratory report, we ask whether an East-West Economic Corridor (EWEC), linking Afghanistan, the Central Asian republics (CARs) (Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, and Uzbekistan), India, Iran, and Pakistan, is feasible. Earlier efforts to develop economic corridors in this region have invariably failed. The causes, we find, do not lie in doubts about the corridors' economic viability. Instead, the causes appear to lie in geopolitical alignments, internal conflicts, relations between EWEC members, great-power relations with EWEC members, and barriers to external capital.

Some of these factors have changed in direction and intensity with time. We explore whether the factors that caused earlier attempts to develop regional economic corridors to fail are still relevant and whether some new factors have emerged to make an EWEC feasible. We also explore how the governance and planned activities of an EWEC should be structured and sequenced to benefit from the changes.

We addressed the question as follows: First, we reviewed literature about past corridor initiatives and developed a case study of regional pipeline initiatives to identify the causes of past successes and failures. Second, we explored the salience of these and possibly new causes through in-person interviews with the policymaker and policy analyst communities. Third, we used those responses on the challenges and possible solutions to create recommendations for successfully developing and operating an EWEC.

The respondents consisted of senior policymakers and policy analysts from India and Pakistan. Our findings, therefore, only partly reflect regional views. Nevertheless, as the two largest economies in the region that have a history of adversarial relations with each other, understanding India and Pakistan's equities in an EWEC is a necessary step for designing a successful EWEC.

The respondents from both countries voiced strong support for an EWEC. Although acknowledging that past causes of failure remained relevant and powerful, they identified new countervailing forces. To leverage the countervailing forces, respondents argued for a carefully sequenced, long-term approach of starting with small confidence-building steps. Their suggestions included creating an equitable governance structure and a focus on the most urgent task: strengthening relations between EWEC members. We conclude this report with recommendations on steps to address this task.

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Chapter 1

Introduction

The East-West Economic Corridor (EWEC) presented in this report would link the countries of Southwest and Central Asia, i.e., Afghanistan, the Central Asian republics (CARs), India, Iran, and Pakistan (the EWEC member countries, or Southwest and Central Asia [SCA] countries) with cross-country transport infrastructure for people, goods, services, and energy. The concept is grand in its ambition and should benefit every country in the region ("The Pakistan Investment Policy 2023 Introduces Several Reforms to Attract Foreign Investors," 2023).

Unfortunately, the past reveals a dismal history of incomplete projects and wasted infrastructure that has inflicted a cost of billions of dollars on a poor region. Many proposals failed to go beyond studies that demonstrated the projects' economic feasibility on paper. What might actually drive change?

To answer this question, we first analyze why previous proposals failed. Our review of the literature shows that failure was usually caused by noneconomic and often interrelated factors. These factors were (in differing intensity for different projects) the state of bilateral relations between member countries, great-power equities in the region, finances, and member countries' internal civil order. Although smooth bilateral relations and internal civil order appeared to be necessary for success, they were insufficient without great-power support and access to capital. Furthermore, the successful development of a corridor was usually preceded by successful initiatives for regional integration that were not focused on infrastructure, such as the creation of a free trade area.

When all these forces are supportive of regional integration, successes can follow, as past outcomes in Europe and Southeast Asia demonstrate. Which factors are relevant for an EWEC? Much has changed within the EWEC member countries. First and most important is India's emergence as a global player with strong economic, defense, and diplomatic capabilities and an undiminished ambition for great-power status. Second, the CARs are integrating their economies and some, notably Kazakhstan, are looking beyond their traditional partner, Russia, for trade and investment. Third, Afghanistan's government under the Taliban has made significant progress in the country's domestic security, economic development, and trade ties since the U.S. withdrawal in 2021. Fourth, Pakistan has adopted a new development paradigm since 2023, in which market-driven foreign direct investment will play a large role.

The most important change in the external environment is China's rise and the United States' competitive response. The regional consequences can be significant. Since about 2017, as Dossani, Cooper, and Chang (2024, p. 36) note, "China and the United States are competing for influence in every country. To do this, they are deploying capabilities that [smaller] powers cannot match and re-shaping [these countries'] influence-building activities to suit their own objectives."

In case China's and the United States' policies do not match the interests of a region, lesser powers might resist such influence-building activities, but even the strongest power in the region will not possess the capabilities of either of the great powers, either individually or in coalition with the lesser powers of the region.

In summary, although internal developments might have increased the agency of some of the countries within the region, external developments, it seems, could be definitively negative for an EWEC. An EWEC's outcome depends largely on great-power equities in the region.

For instance, the United States and Europe will oppose any project that would traverse Afghanistan or link Iran by gas pipeline with energy markets in South Asia. China might also be concerned that an EWEC would be most beneficial to India, with which China has difficult political relations. However, China also benefits from an EWEC. This is because the EWEC will pass through large cities in Pakistan, such as Karachi, Lahore, and Islamabad, which are already connected to China through China's Belt and Road Initiative (BRI) projects (under the name of the China-Pakistan Economic Corridor [CPEC]) and the older Karakoram Highway, which is expanding to a six-lane highway under CPEC. The EWEC will thus enable China to sell goods to Afghanistan, Iran, and India.

Taken together, the external and internal environments raise the challenge of whether, working jointly, the EWEC countries will possess the capacities—both economic and noneconomic—needed to build an EWEC.

This motivates our research question: What is the strategic plan that will make an EWEC a reality? The answers are expected to address EWEC's membership, objectives, risks, governance, partners, infrastructure categories, and action plans and their sequencing.

We address the question in this report using a mixed methods approach consisting of a literature review, consultative interviews, and analyses of primary data.

The tasks undertaken and their organization are as follows: Chapter 2 presents a historical review of economic corridors both generally and in the region ("Past Experiences with Economic Corridors"). Next, we present a case study of pipeline initiatives in the region ("A Case Study of Pipeline Initiatives in South and Central Asia"). Our objective is to discover the internal (within-region) and external causes of past successes and failures. In Chapters 3 and 4, we explore the external and internal environments an EWEC would face. We then develop an approach and logic model to designing a strategic plan in Chapter 5, which also includes the research protocol.

We used our literature review and the logic model to design a questionnaire on the current situation and solutions, which we administered to the policymaker and policy analyst communities. Their responses are in Chapter 6. Finally, in Chapter 7, we develop recommendations for a strategic plan that are based on our analysis of the responses.

The appendixes contain the research protocol and interviewee profiles (Appendix A) and the questionnaire provided to the interviewees (Appendix B).

The respondents were senior policymakers and policy analysts from India and Pakistan.[1] The findings, therefore, only partly reflect regional views. Nevertheless, as the two largest economies in the region with a history of adversarial relations with each other, understanding India's and Pakistan's equities in an EWEC—and what is needed for these countries' participation—are necessary for designing an EWEC to be a success.

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[1] See Chapter 5 for details on how we selected the participants.

Chapter 2

The History of Regional Economic Corridors

This chapter deals with past experiences of proposals for regional economic corridors generally and in the EWEC region more specifically. We present a case study of the environment that pipeline initiatives face in the SCA region.

Past Experiences with Economic Corridors

Regional transport corridors are increasingly accepted as the modern way to spur widespread and sustainable economic development across the regions they connect. This is achieved when a transport corridor stimulates the creation of an economic corridor, where the term *economic corridor* refers to the economic activities that can be generated through the provision of transport systems (Brand and Drewes, 2021; Srivastava, 2011).

Transport corridors need good design if economic transformation is to be accomplished. As noted in Dossani (2017, p. 61),

> [Successful transport corridors] produce economic benefits that are long-term, reduce inequalities and protect the environment. This is not guaranteed to happen by virtue of corridor construction. . . . This is of special concern when corridor initiatives connect geographies with disparate socio-economic environments.

Some transport corridors can worsen equity. For example, a transport corridor that consists of just one highway without deep feeder roads can induce migration of the most-employable workers away from the hinterland to the highway and increase income disparities in the region (Aparicio, 2018). Transport corridors designed only for freight can cause even greater income disparities, such as when a high-income country uses a freight railway to extract a natural resource (for example, coal) from the pithead of a lower-income neighboring country and send it to the nearest port for shipment to an overseas client. In such a case, the economic growth in the lower-income country from the export will likely be restricted (Pedersen, 2003). This type of corridor was a feature of colonial rule (Njoh, 2008).

Well-designed, cross-country transport corridors can be the starting point for linking the economic progress of two countries in synergistic ways. From a sequencing viewpoint, a transport corridor might start as a pipeline or power grid for financial reasons. But the corridor must ultimately be a mover of digital information, people, and goods if it is to generate widespread economic growth. This variety might create conflicts of interest between participating countries. Higher-income countries are likely to be more interested in a pipeline than in labor coming into the country, whereas a lower-income country would benefit from both. The risk of a rebirth of colonial-style transport corridors in the name of globalization needs to be guarded against.

Transport corridors usually exist *within* a country. However, since the end of the Second World War, most of the world's regions have also witnessed at least some degree of regional integration (or *regionalism*), whereby neighboring countries have sought to achieve collective security, harmonize border policies, reduce trade barriers, develop infrastructure links, and create an interdependent community (Onditi, 2021). At the heart of integration efforts lies transport corridors that link the countries of the larger region of which they are a part.

This is not, as some scholars have worried, a clash between regionalism and globalization (Baldwin-Edwards, 2004; Kacowicz, 1999).[2] Instead, countries within a region saw benefits in using collective action to smooth barriers to growth within their borders by enabling intraregional labor and capital mobility, thus improving the advantages of operating globally under liberal trade rules. The success of regional initiatives resulted in descriptions of the globe as "a world of regions" (Katzenstein, 2005) and that "the world is flat" (Friedman, 2005).[3]

The pace of these advancements accelerated during the heyday of globalization, which was the period after the end of the Cold War until the beginning of the age of intense China-U.S. geopolitical rivalry, which was around 2017 Part of this period, between 1991 and 2005, was a time of unipolarity, when the United States was the sole great power. During this time, in many cases that the United States supported, many Asian countries sought to increase their economic growth by participating in new regional and international initiatives with relatively open, criteria-based membership (Pomfret, 2011). A similar situation occurred in Latin America and other regions of the world (Pomfret, 2005).

Many successful corridors began with initiatives for regional integration through the formation of regional associations. These associations initially focused on reducing barriers to both trade and investment within the region. Corridors were taken up later. The premier example of a successful transport corridor that came out of a successful regional association is the Trans-European Transport Network, which started in 1996 and, as of this writing, consists of nine networked corridors. The network was promoted by the European Union (EU), which was established in 1993 (Debyser, Polluveer, and Kuzhym, 2024).

Asian examples of such associations include the Greater Mekong Subregion Economic Cooperation Program (GMSECP). Established in 1992, GMSECP focused on trade facilitation for its first 15 years. Its corridor program began with the convening of an Economic Corridors Forum in 2008 (Wiemer, 2009).

The Central Asia Regional Economic Cooperation Program (CAREC), established in 2001, also initially focused on trade facilitation. Later, it supported the development of transport infrastructure in its member countries. In 2020, nearly two decades after it was established, CAREC's member countries agreed to upgrade their domestic highway infrastructure to enable seamless cross-regional road transportation, and they agreed to set up a rail network that would be designed as a regional project.

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[2] *Regionalism* is sometimes understood in the limited sense as being equivalent to reducing trade barriers (see Pomfret, 2011). In that dimension, regionalism competes with the World Trade Organization (WTO) and other regional associations.

[3] The proliferation of regionalism was not limited to Asia. Latin America saw this as well, starting with Mercosur in 1991 (Petersen and Schultz, 2018). Global initiatives of note during the late 20th century include the Conference of the Parties under the United Nations Framework Convention for Climate Change (COP) (1994), WTO (1995), and GAVI (the renamed Global Alliance for Vaccines and Immunization, established in 2000).

A third instance of successful regional corridors is a set of projects under BRI. These projects include the Kunming-Vientiane Railway (between China and Laos) and road projects between China and Pakistan and between China and Central Asia.

From their inception, the corridor projects mentioned earlier relied on the support of at least one great power and financial backing. GMSECP and CAREC were heavily supported by the Asian Development Bank (ADB). The BRI projects also exhibited these features; China is the great power supporting the projects and offering financing through its state-owned banks. However, as an illustration of the negative role that geopolitics and domestic politics can play, the extension of the Kunming-Vientiane Railway into Bangkok is more than a decade behind schedule. This delay has been attributed to competing pressures from China and the United States that influence domestic politics (Pongsudhirak, 2024).

The Social and Economic Benefits of Transport Corridors

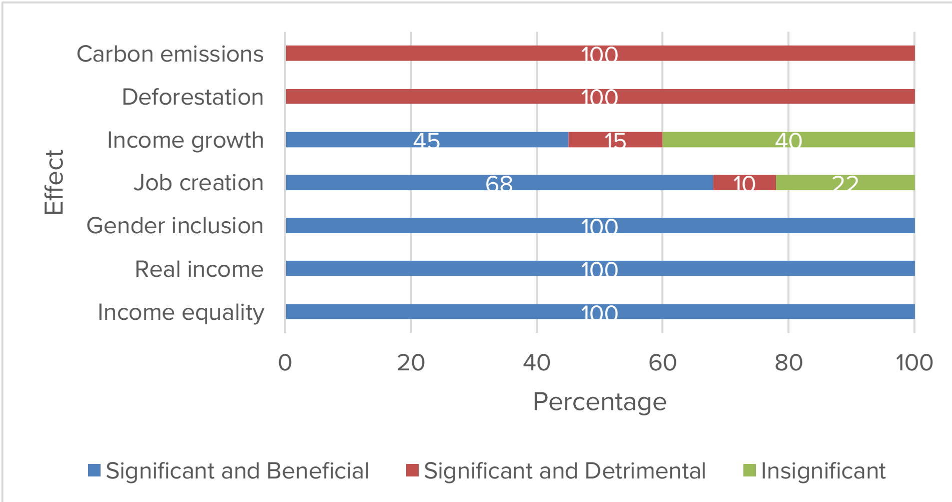
A transport corridor's value derives from more than the benefits of connecting two end points. It is also valuable for generating a development corridor that both encompasses the physical infrastructure of the corridor and emanates from it into the hinterland. Normally, economic activity tends to be concentrated in the corridor's immediate periphery. There will be less economic activity as distance from the corridor increases, depending on the ancillary road and public transport network.

Canning and Bennathan (2000) used United Nations data from its International Comparisons Project to estimate the *social return* on road infrastructure projects in various countries.[4] The data include two EWEC members, India and Pakistan. Canning and Bennathan found that the social internal rate of return on an investment in road infrastructure projects was 74 percent for India and 52 percent for Pakistan. If the cost of capital is below the social internal rate of return, then the public economic effects of investing in an EWEC could be significant.

Beyond the economic benefits, a transport corridor has many other effects. Figure 2.1 shows such effects, according to a meta-analysis of large-scale transport corridors by Roberts et al. (2018).

[4] The *social return* is the return to all of society from an investment. For example, the private operator of a tollway would estimate its private return by the toll-taxes minus operating expenses. The social return of the tollway would not include the toll collected as part of the return because that is an established societal transfer payment. Instead, social return would be measured by the value of users' reduced travel time and greater access to job and business opportunities. The costs would be measured by the cost of capital and the environmental effects relative to the absence of a tollway (which might be positive or negative).

Figure 2.1. The Effects of Large-Scale Transport Corridors



SOURCE: Features data from Roberts et al., 2018.

Figure 2.1 shows that the benefits of large transport corridors include a rise in real income, less income inequality, less gender discrimination, and more job opportunities. The harms are low income growth and neglect of the environment. Low income growth occurs because capital and jobs shift to areas in the corridor's periphery, causing income losses to those living away from the periphery.

A Case Study of Pipeline Initiatives in South and Central Asia

Efforts to reintegrate Central, West, and South Asia—which was an integrated area in the precolonial era, i.e., up to about 1500 A.D.—began after the Cold War ended, when the CARs were established.

The most ambitious—and still incomplete—initiative for South and Central Asian integration were proposed by Western energy suppliers (primarily Unocal, now part of Chevron) that were operating gas pipelines in Turkmenistan. These companies were looking for ways to reach global markets without relying on Russian pipelines (Abbhi, 2016). This was a move that the U.S. government strongly supported because it wanted to help Central Asia be less dependent on Russia.

Russia, whose ties with the United States were close at the time, initially opposed the project. However, Russia eventually agreed that a 10-percent share in the pipelines be given to Gazprom as a compromise. Gazprom later sold its stake to Turkmenistan's national gas company, Turkmengaz, in June 1998, when Russia-U.S. relations began to sour under Russian Prime Minister Viktor Chernomyrdin and his successor Sergei Kiriyenko.

The companies proposed a pipeline that would pass through Afghanistan and Pakistan, terminating in the Pakistani port city of Karachi for onward export. Afghanistan and Pakistan would collect transit fees and obtain allocations of gas.

A memorandum of understanding (MOU) to set up the project, which was named the Trans-Afghan Pipeline (TAP), was signed between Turkmenistan, Afghanistan, and Pakistan in 1995. The

U.S. government supported the project. The consortium that would finance the pipeline consisted of Turkmenistan's government (which would receive a 10-percent share of the project that it would later transfer to Turkmengaz), Unocal (which would receive a 36.5-percent share), the Saudi Arabian company Delta (a 15-percent share), Gazprom (a 10-percent share), and the South Korean company Hyundai, Japanese companies Cieko and Itochu Corporation, the Pakistani Crescent Group, and Indonesia Petroleum (which would split the remaining 28.5-percent share) (Fuller, 1997). Unocal and Delta would build the pipeline.

Afghanistan, which the Taliban controlled at the time, was willing to engage in negotiations with Unocal ("Tetchy Neighbours," 1998). Unocal had the support of the U.S. government to do so (Ottaway and Morgan, 1998; Toor, 2018). TAP leadership negotiated a deal with the Afghan and Pakistani governments in 1998 for the pipeline to deliver 16 percent of the gas to Afghanistan. The rest of the gas would be sent by pipeline to Pakistan, which it would use, in part, for its own consumption and for export. The pipeline would carry gas from the Galkynysh gas field in Turkmenistan to the Pakistani port of Karachi.

Later that year, the bombing of U.S. embassies in Nairobi, Kenya, and Dar-es-Salaam, Tanzania, by Islamic radicals was supported by the Taliban. The United States suspended its support of TAP, and Unocal withdrew its financial support (Boustany, 1998). Turkmengaz became the project's sole owner.

In 2002, with Afghanistan under U.S. control, TAP was revived as a three-government initiative with U.S. government support (Fisher, 2002). Lacking financing and project management skills, the government consortium turned to the ADB. The ADB agreed to provide financing and manage the project. Afghanistan's continuing instability, however, meant that meaningful progress was not possible and the project became dormant.

In 2008, TAP was revived in a revised form with a new entrant, India. The pipeline then became the Turkmenistan-Afghanistan-Pakistan-India pipeline (TAPI). The U.S. government supported TAPI.

According to Chandran (2013) and Bhutta (2024), the United States' motive in promoting TAPI was to help India find a long-term energy supplier to replace the competing project at the time, the Iran-Pakistan-India pipeline (IPI). This motive owed to the state of U.S. relations with Iran: TAPI's gas would pass through the territory of two U.S. partners at the time, Afghanistan and Pakistan, and exclude Iran. India left the IPI project in 2009.

On the face of it, exchanging IPI for TAPI meant, for India, taking on substantially more risk. The volatile situation in Afghanistan and poor Afghanistan-Pakistan relations were risks in addition to the risk that the poor state of India-Pakistan relations posed (Chandran, 2013). According to Ravi (2018), India's decision to join TAPI was a concession to the United States in return for the more important civilian nuclear agreement between the United States and India in October 2008.

The ADB returned to the project in 2008, now as the project's development partner, and agreed to consider financing the project. When Turkmenistan announced that its part of the pipeline was completed in 2018, the project seemed to be closer to becoming a reality. The cost then was estimated at $10 billion.

However, instability in Afghanistan, lasting until the August 30, 2021, withdrawal of the U.S. military, halted construction in the Afghanistan section of TAPI. A few months later, on November

10, 2021, the ADB stopped its assistance to the project. The United States imposed sanctions on Afghanistan in February 2022.

Since the Taliban's return to power in Afghanistan in 2021, Turkmenistan, China, and Russia have stressed that stability has returned to Afghanistan and that the three countries were ready to support TAPI ("The Taliban's Neighbourhood: Regional Diplomacy with Afghanistan," 2024; "Turkmenistan Is Ready to Spend 5 Billion Dollars for TAPI Project," 2021; Tastan, 2023). Turkmenistan, which has built out its section of the pipeline, has indicated its willingness to finance the first leg of the pipeline from the Turkmenistan border to the Afghan city of Herat with its own resources (Afanasiev, 2024). However, all three countries were held back by U.S. sanctions on Afghanistan (Patranobis, 2022). TAPI, therefore, remains stalled.

This is a concern for India because it needs reliable sources of gas for its economic growth. In September 2023, at the Delhi Group of 20 meeting, India announced, jointly with leaders from the United States and other countries, that India had found such a source: a multimodal India-Middle East-Europe Economic Corridor (IMEC) connecting India with these regions. IMEC's design, however, seems unsustainable,[5] and the invasion of Gaza by Israel has put IMEC on hold because the countries in IMEC include Saudi Arabia, the United Arab Emirates (UAE), and Jordan, which have announced a suspension of all projects with Israel after the invasion (Calabrese, 2023).

Figure 2.2 shows the timeline of the events that significantly influenced the progress of TAP and TAPI. Each entry in the figure has two rows, the first showing a dated event and the second showing the cause of the event. The causes are divided into five categories: intraregional relations, geopolitics, access to international finance, great-power relations with one or more countries in the region, and insurgency and terrorism.

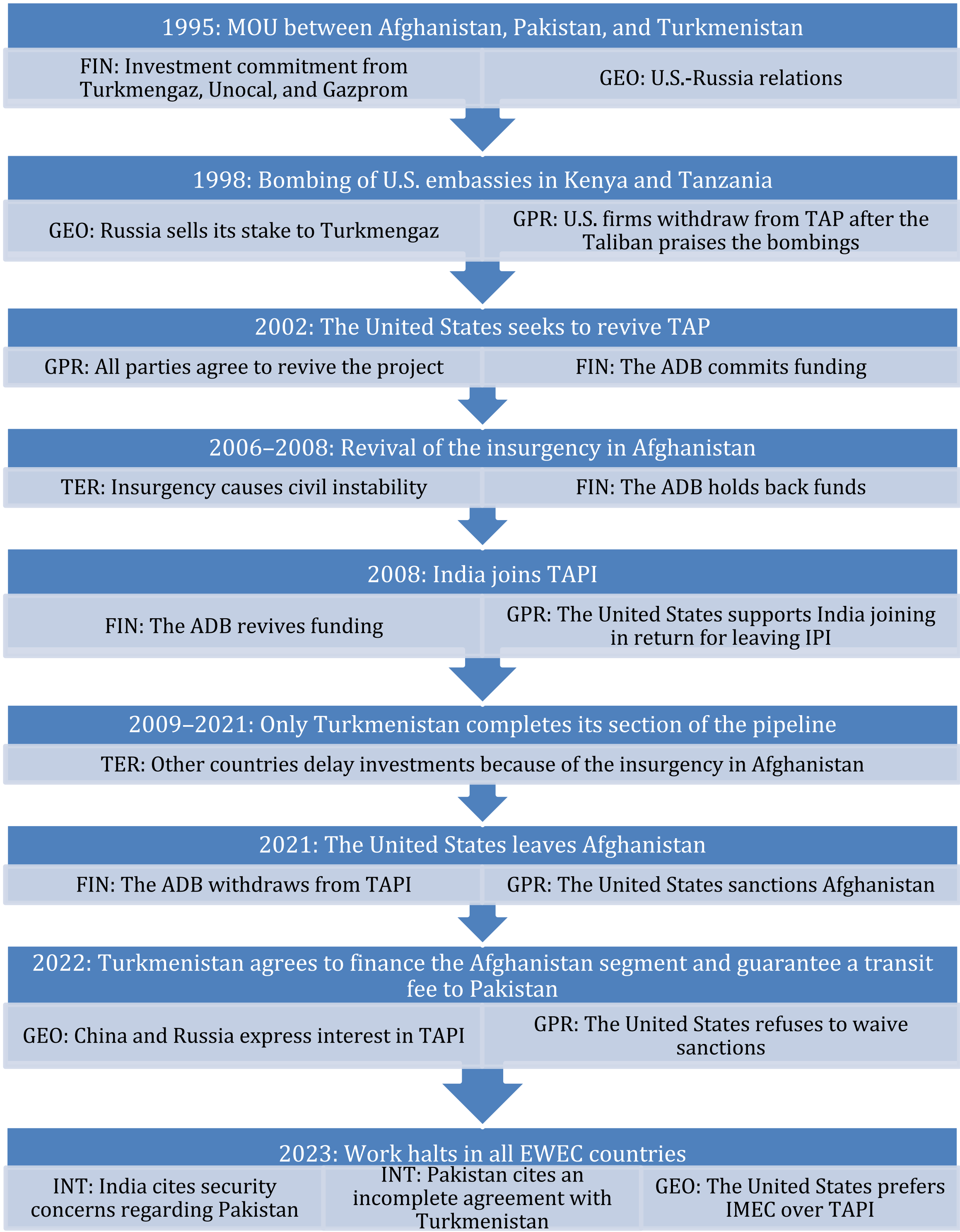
These forces played decisive roles at different times. Mostly, the forces involve the United States in different roles as a geopolitical rival of China and Russia, as a great power dealing with countries in the region, and as being able to influence financial institutions.

Instability in Afghanistan and its export of terrorism created the longest delays to the projects. The insurgency in Afghanistan caused regular work stoppages in Afghanistan between 2006 and 2021. As Figure 2.2 shows, TAPI was held up for several years by the internal insurgency and support for terrorism under the Taliban. The other actors, i.e., India, Pakistan, Turkmenistan, and institutional and corporate investors, had no option but to reluctantly accept the delays caused by the insurgency in Afghanistan.

The last inflection point in the figure introduces adversarial intraregional relations as a driving force. India has indicated concerns about the security of its gas supply arising from Pakistan's adversarial stance toward it. This is somewhat puzzling because Pakistan's has had an adversarial stance since at least 1965 and had not prevented India from joining IPI and TAPI earlier.

[5] Under IMEC, ships from India will unload their containers at Dubai, UAE. A freight train will link Dubai and Haifa, Israel, via Saudi Arabia and Jordan. From Haifa, the containers will travel by ship to Piraeus, Greece. Ships from Piraeus will take the same route in reverse. However, because the ocean pathway of the IMEC corridor is over the high seas, i.e., it is open to ships from all countries, the corridor's use cannot be restricted to India on the east and southern Europe on the west.

Figure 2.2. Inflection Points in the TAP and TAPI Pipeline Projects



NOTE: Each entry in the figure has two rows, the first showing a dated event and the second showing the cause of the event. The causes are divided into five categories. If there is no cause under some category, that category is not shown. FIN = access to international finance; GEO = geopolitics; GPR = great-power relations with one or more countries in the region; INT = intraregional relations; TER = insurgency and terrorism.

Pakistan has stated that its negotiations on the price of natural gas with Turkmenistan are incomplete. This was in reference to the Gas Sales Purchase Agreement (GSPA) signed in May 2012 by all parties (Ahmadani, 2020). Pakistan asked for a renegotiated price in 2020, but Turkmenistan has refused to revise prices because that would mean also opening the door to fresh negotiations with Afghanistan and India (Bhutta, 2024).

Although the GSPA is not publicly available, the market price of gas was around $2 per metric million British thermal units in May 2012, when the GSPA was signed. Since then, prices have been volatile and, as of August 2024, quote at about the same price as when the GSPA was signed. It is not clear what Pakistan wants the price to be and why it has been willing to hold up TAPI.

Russia has indicated that it would like to use TAPI to reduce its dependence on European markets and to sell gas to India (Corbeau and Mitrova, 2024). The Russian government, which has a close relationship with Turkmenistan's, would like Turkmenistan to proceed with the project (Rickleton, 2023).

We describe two other incomplete pipelines that also face geopolitical headwinds and remain incomplete: IPI and the International North-South Transport Corridor (INSTC).

IPI, as with TAPI, began without India as the Iran-Pakistan pipeline (IP). IP was initiated in 1995. At Iran's behest, India joined the project in 1999 and it was renamed IPI. In 2004, the United States formally opposed the pipeline. Iran, Pakistan, and India finalized a deal on the price of gas in 2007. Two years later, India dropped out of the project, apparently at the behest of the United States, as noted earlier. Iran and Pakistan agreed to continue with the project, and Pakistan announced that it was also committed to TAPI. However, Pakistan's government suspended its participation in IPI in 2014, citing external pressure and U.S. sanctions on Iran as the reasons (Bhutta, 2024). Journalist Zahir Bhutta suggests that, in return for leaving IPI, the United States had assured both short- and long-term supplies of gas to Pakistan (the latter via TAPI). In 2015, the U.S. government negotiated a deal with Qatar to guarantee a supply of liquid natural gas (LNG) for Pakistan, thus fulfilling its short-term commitment to Pakistan.

In 2019, IP was revived and both sides agreed to a standstill on legal appeals for the nonfulfillment of their construction commitments until March 2024. With that date having passed, Iran has said that it intends to sue Pakistan for $18 billion per the terms of the contract (Onyango, 2023). Pakistan, as of the date of this writing (June 2024), has applied for a sanctions waiver from the United States, which it is unlikely to receive.

The second effort at regional integration was INSTC, another energy-related project. INSTC was originally conceived as a three-country project in 2000 between India, Iran, and Russia. The project was designed to enable multimodal shipping of energy and manufactured goods. These would move between India's Kandla port and Iran's Chabahar port by sea, within Iran by rail between Chabahar and Tehran, then across the Caspian Sea between Tehran and Astrakhan in Russia, and then by rail to Moscow.

However, since the project's conception, with Iran and Russia under U.S. sanctions and India sensitive to the Russia-U.S. rivalry, two of the three stages—Iran's railway system and the India-Iran Chabahar Port project—are not operational.

The cases of TAP, TAPI, IPI, and INSTC illustrate the many challenges of integrating the SCA region.

The effects of such challenges can be seen in Table 2.1, which shows an analysis of the aforementioned and other transport corridor proposals for the region. In the interest of space, we do not provide details of the other projects that we have not already covered. The references mentioned in the table notes may be used to obtain those details.

The top row of the table lists past infrastructure proposals in the EWEC region and the year those proposals formally began. The first column lists the challenges that affected past infrastructure proposals.

The cells in the table show countries involved with the particular challenges that, at one time or another, have negatively influenced a proposed infrastructure project. The bottom row shows whether each project had barriers to accessing external funds.

Table 2.1. Challenges to Past Projects of Regional Integration of SCA Countries

Challenge	IPI Gas Pipeline (1989)	TAPI Gas Pipeline (1995)	INSTC Multi-Modal (2000)	Trans-Afghan Railway (2018)	CPEC-Afghanistan Motorway (2022)
Within-EWEC relations	• India-Pakistan	• India-Pakistan			• Afghanistan-Pakistan
Relations of EWEC countries with great powers	• Iran-U.S.	• Afghanistan-U.S. • Iran-U.S.	• Iran-U.S.	• Afghanistan-U.S.	
Relations between great powers		• Russia-U.S.	• Russia-U.S.		• China-U.S.
Terrorism or insurgency		• Afghanistan			• Afghanistan
Barriers to accessing external funds	Yes	Yes	No	Yes	No

SOURCES: Features information from Mishra, 2023; Noorzai, 2023; Papatolios, 2024; Sanati, 2013; Thomas, 2021.
NOTE: *Within-EWEC relations* refers to disputes among EWEC member states; *relations with great powers* refers to disputes between EWEC member and nonmember states; *geopolitics* refers to disputes between external great powers; *terrorism or insurgency* refers to violence against civil society by an external or domestic force; *barriers to accessing external funds* refers to whether finance from outside the region will be available as needed. The Trans-Afghan Railway project was conceived as a railway connecting Uzbekistan with Pakistan via Afghanistan.

In order of frequency of occurrence, as shown in Table 2.1, the causes of failure are relations of EWEC member countries with great powers, relations between great powers, politicized finance access, and bilateral relations within the EWEC country group.

An EWEC could face the same forces that TAP, TAPI, IPI, and INSTC faced, but the intensities will likely differ from those that influenced TAPI. We discuss this in the next two chapters.

Chapter 3

The External Environment Facing an East-West Economic Corridor

As noted earlier, the challenges to completing an EWEC pipeline include strained bilateral relations among EWEC countries, great-power interests, lack of financing, domestic instability, and terrorism.

Some of these challenges are no longer barriers. The lack of financing is not a barrier to TAPI any longer because of Turkmenistan's and India's financial capabilities as of this writing. Out of a total project cost estimated between $7.6 billion and $10 billion, Turkmenistan has spent $1 billion to complete its section of the pipeline and has committed an additional $5 billion to support Afghanistan's and Pakistan's construction ("Pakistan-Turkmenistan to Discuss TAPI Gas Pipeline Groundbreaking in August," 2019; "Turkmenistan Is Ready to Spend 5 Billion Dollars for TAPI Project," 2021). The remaining costs of up to $4 billion will be spent in and borne by India. Presumably, if an EWEC replaces TAPI, these funds would be available for the EWEC's use.

Great-power interests in the region have increased in recent years. China's unprecedented investments in Pakistan since 2012 have not improved Pakistan's economy. But the investments have given China influence over Pakistan's international relations. Furthermore, China has built strong economic relations with all the EWEC countries except India. With India, China has a large trade surplus and a recent history of border disputes. However, India's relationship with the United States has dramatically improved in recent years.

The United States continues to have an interest in the region. It would increasingly like to support India's development, constrain the development of Afghanistan and Iran, and counter China's and Russia's influence. However, U.S. influence in the region relies largely on India and to a lesser extent Pakistan.

Russia has a deep interest in the region. It is the only great power to enjoy good relations with all EWEC countries. Its war in Ukraine has cost it the European market for gas and oil, which an EWEC could partially help make up for the lost revenue in the near term, given that Russia's gas is already available to the CARs by existing pipelines. Russia's influence over the region has declined in recent years, particularly with India.

In summary, because geopolitical interest in the EWEC region has shifted since 2017, the influence of great powers shows a mixed picture. The number of countries under China's influence has increased while the number under Russia's and U.S. influence has declined. However, the United States has increased its influence over the rising power in the region, India.

It is expected that great powers will try to influence willing countries to shape the development of an EWEC, similar to what occurred with TAPI. However, great powers' ability to do so has changed because of developments in the potential EWEC's internal environment. We discuss these developments in the next chapter.

Chapter 4

An EWEC's Internal Environment

Bilateral relations in an EWEC matter significantly only in the case of India and Pakistan because of their long history of conflict over the disputed region of Kashmir. The other pairs of EWEC countries have relationships that are, on the whole, stable. Although disputes exist, the norm of a long-term, stable relationship usually reasserts itself.

There have been several important changes within the EWEC countries. We first discuss the most important of these: India's emergence in recent years as a regional, Asian, and global power. We also briefly discuss three other potential catalysts for creating an EWEC: the CARs' emergence as internationally minded countries, Afghanistan's stability and quest for growth, and Pakistan's developmental imperative.

The most important new enabling force is that India has become a recognized Asian and global player. Defined in terms of material capabilities, strategic autonomy, influence, and ambition, India has moved ahead in the global rank of countries of influence or power (U.S. News and World Report, undated).[6] It ranked 12th in the 2023 U.S. News and World Report world rankings and fourth in Asia, behind China, Korea, and Japan. In the 2023 Lowy Institute power rankings, India was ranked third in Asia, behind China and Japan (Lowy Institute, 2024).

India is seeking to become a regional (SCA) power after being recognized as an Asian power and an emerging global player. This is counter to the typical trend of history, in which subregional hegemony precedes regional and global power.[7] India's rise results from its policy choices in its postcolonial period, which began in 1947 and coincided roughly with the start of the Cold War. During the Cold War, the U.S.–Soviet Union conflict created a security-based world in which smaller countries had the choice of aligning with one of two superpowers, or they could choose nonalignment. India was attracted to the latter option on moral grounds, but it paid a price in terms of low growth because it was unable to access international capital needed for development.

After the Cold War ended, the United States remained, for a while, the only great power—until China's entry into the major (if not great) power league in about 2005 (Lennon, 2002; Martinez-Diaz, 2007). The unipolar period was the heyday of globalization. This was the time for ambitious middle-income countries, such as Brazil and South Africa, to become regional powers, using their advantages of location and economic power to do so (Buzan and Wæver, 2003). So long as the regional power

[6] According to the 2023 U.S. News and World Report Country Power Rankings, India was ranked 12th in the world, which was up from 14th in 2020 and 16th in 2017 (see "The Most Powerful Countries in the World in 2020," undated, and Statista, 2017, respectively).

[7] For example, from the 1890s onward, the United States and Japan followed this more typical route of becoming regional hegemons before looking across the seas. Brazil of the 1970s is a more recent example of the typical trend. To achieve global power, a country must first be a regional power, as Mearsheimer (2001) has argued.

remained friendly with the United States, this strategy worked. In a world of regions, why, then, did South Asia not regionalize under India's leadership?

South Asian initiatives are conspicuously absent from the list of successful Asian regionalism initiatives listed earlier (as we discussed in the "Past Experiences with Economic Corridors" section in Chapter 2)—although not for lack of interest among most of the countries in the region (Dubey, 2010). Efforts to foster cooperation within South Asia began as far back as 1985 with the establishment of the South Asian Association for Regional Cooperation (SAARC). However, SAARC was dysfunctional from the start because of disagreements about its initial charter and long-standing border disputes between India and Pakistan.[8]

India came out of the Cold War as a poor country. Its gross domestic product (GDP) per capita in 1991, measured in purchasing power parity, was $303, versus $3,304 for South Africa and $2,659 for Brazil (World Bank, undated). India's priority was to grow economically by reforming its internal markets, not to regionalize.[9] It did not begin to regionalize for nearly another two decades. This was the most likely reason why regionalization in South Asia did not happen during the unipolar period, although it flourished elsewhere.

By 2008, when India joined TAPI, the Indian economy had decisively turned around. India's nuclear power status, high economic growth rates, and large expansion of its military, coupled with a long-standing ambition to be recognized as a great power, made it a regional power to contend with. China had become a major power by then, as well as a U.S. rival. India could, therefore, expect U.S. support for initiating and leading regionalism in South Asia, and doing so as a power that could balance China.

India's regional initiatives covered both the region to its east and to its west. Given the moribund nature of SAARC, it made sense to separate the initiatives on the west from those on the east.

To its west, India was interested in tapping the energy supplies of Iran and Central Asia. The initial plan was to build an undersea pipeline from Iran to India, thus bypassing Pakistan. When this was found to be too expensive, Iran approached Pakistan to join the deal. Meanwhile, in 1995, Iran and Pakistan had agreed to build a pipeline between the two countries. The three countries came to an agreement in 1999, in which India and Pakistan would deal separately with the main owner of the pipeline, the state-owned National Iranian Gas Company, which would guarantee both countries their rights under IPI.

India, as noted earlier, withdrew from IPI to join TAPI in 2009. Sanati (2013) argued that India leaving IPI had to do with U.S. interests in the region and not India's border dispute with Pakistan.

Whether India is ready to be a regional power or not should be a matter of interest to members of an EWEC. India, which promoted the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) in 1997 with Bangladesh, Bhutan, Myanmar, Nepal, Sri Lanka, and Thailand, has not been able to infuse BIMSTEC and its members with momentum (Hussain, 2018). Xavier (2018) described BIMSTEC as "one of the world's weakest organizations." He noted that it is heavily underfunded and lacks a clear mandate. As the most powerful country in BIMSTEC,

[8] The initial goal of SAARC was restricted to poverty alleviation because of disagreements between the members on other forms of cooperation.

[9] The Indian finance minister at the time, Manmohan Singh, said that his priority in 1991 (when he took the position) was to make sure that India did not enter the 21st century as the poorest country in the world.

India bears the most responsibility for the failure. One of BIMSTEC's most significant goals in 2004 had been to negotiate a free trade agreement. As of June 2024, that agreement was still under negotiation.

On the requirements of a regional power, Kappel (2011, p. 275) wrote:

> A regional power is an economic power [in a given region] that has influence and possesses the capacity for regional and global action. It has a relatively large population and covers a relatively large area. The regional power achieves high economic growth, above the regional average, over a longer period of time and thus provides a growing market for the region. It plays an important role in trade within the region. It develops industrially and technologically; the state expenditures for R&D [research and development] increase and come close to the level in the OECD [Organisation for Economic Co-operation and Development] world. The regional power has regionally and globally active businesses that are getting stronger and will lead to fierce competition for businesses from the OECD world within the regional–global value chains. The regional power increasingly provides public goods in the form of a stable currency, a reliable monetary policy and development aid. It takes on a growing role in the governance of the region, particularly with respect to regional cooperation agreements. And it uses its economic and network power to influence development on a global and regional scale.

This mandate requires India to assume some responsibility for the region's progress, which is likely to entail a substantial financial, diplomatic, and military commitment. This is a significant challenge in a region comprising entirely developing and poor countries, some of which are politically unstable and are in cross-border disputes, including with India.[10]

Then, there is the issue of mindset. Dubey (2010) wrote that, historically, even the formation of SAARC required a change in India's mindset about South Asia. Before SAARC was formed, India's attitude of the region was dismissive, as exemplified by its opposition to any regional grouping. It saw the other states of South Asia as having very different destinies than India. In addition, India had a history of choppy relations with most of the South Asian states, including Bangladesh, Nepal, Pakistan, and Sri Lanka.

SAARC was proposed formally by Bangladesh in 1977. When SAARC was finally established in 1985, India agreed to join only because it feared that the smaller countries would form SAARC without it. However, it rejected the other members' claim that SAARC should be the platform for cooperation on economic development. The most that Indira Gandhi, India's Prime Minister during the negotiation period, would agree to was that SAARC would support poverty alleviation. This was an odd suggestion because it ensured the immediate death of SAARC. Poverty alleviation in a country is normally the responsibility of that country's government to address. What could a group of poor countries, battling poverty within, do about another member country's poverty?

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[10] Public goods, by their nature, cannot exclude any country, including rivals, from partaking of them. So, while Pakistan is not a direct beneficiary of Indian largesse, it benefits when oceans are more secure and maritime fishing is more sustainable. And, as the IPI and TAPI cases show, India is not averse to sponsoring public goods that benefit Pakistan. This bodes well for an EWEC. The history of countries moving up the power scale shows that dominance usually begins in the region and then expands continentally and, later, globally. For example, Japan first dominated East Asia between 1894 and moved to dominate Asia only in 1941, following its attacks on Southeast Asian and Pacific island states (New Jersey Hong Kong Network, 1990).

The formation of SAARC and its deliberations have been described by the eminent Indian economist Muchkund Dubey as follows:

> [SAARC is] an exercise in competitive deception. The institutions are created, and decisions, recommendations, declarations and even legal instruments are signed with the implicit understanding and intention not to allow the institutions to function effectively and not to abide by the obligations incorporated in the agreed-upon documents. (Dubey, 2010, p. 60)

For many decades after its formation, until about 2010, India's attitude did not change and continued to be one of disinterest in the region.[11] Since then, however, a change has been noticeable (Basrur, 2011). Speaking in 2018, the Indian Minister for External Affairs, S. Jaishankar, stated,

> Every one of our neighbors today is pressuring us to invest in power, power transmission, supply diesel, build roads, getting railways in, [so] there is a connectivity demand [for India] in the neighborhood. . . . They expect us to do it. It is in our interest to do it. . . . We should not look for reciprocity. I think neighbors need to be handled generously in order to create a larger region which is in our interest. When I invest in a neighbor I am also investing in myself. (Jaishankar, 2018)

India does not provide large amounts of aid compared with China, but the numbers are rising. India's total foreign aid to all countries in 2010 was $500 million. The figure rose to $1.32 billion in 2019 (Schulz, 2021). During emergencies, it has given more. India provided $3.8 billion in aid during 2021 and 2022 to just one country, Sri Lanka, to overcome its financial crisis (Ahmed and Jayasinghe, 2022). India's aid is strongly tied to countries in South Asia and the Indian Ocean region, which together receive over 90 percent of India's total aid (Nainar, 2024).

India is also becoming a provider of other regional public goods in the Indian Ocean. India is the only South Asian country that patrols the high seas and collaborates with other countries' governments for the purpose of controlling maritime piracy (Abeysinghe, 2022; Parmar, 2015). Other regional initiatives include controlling cross-border pollution and managing the sharing of scarce ocean resources (such as fish and hydrocarbons) that lie in waters outside the countries' exclusive economic zones.

Of Kappel's requirements for being a regional power, India has made progress on most of them. There are three gaps of note: First, India's trade with the region to its west and north is a small proportion of its total trade. Second, it has not used its economic and network power for the benefit of the region. For example, there is a complete absence of regional supply chains (Bajpaee, 2024).

To a large extent, these two gaps are attributable to the state of India-Pakistan relations. Poor relations have caused India to reject Pakistan as an economic partner. In so doing, however, India has closed the opportunity to trade regionally with the land-locked countries in an EWEC (i.e., all except Iran).

The third gap is that India has not been able to balance its relationship with the United States with its own developmental needs. This was evident in its approach to IPI and TAPI.

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[11] India's past attitude was reminiscent of a statement that China's foreign minister, Yang Jiechi, made in 2010 at the International Institute for Strategic Studies' Shangri-La Dialogue. He said, in regard to Southeast Asian countries, that "China is a big country, and other countries are small countries, and that's just a fact" (Chang, 2017).

The second regional change of significance, after India's emergence as a regional and global power, is the transformation of the CARs. They looked inward and supplied energy or exported labor to Russia in the first two decades of their existence, and they relied on Russia for shipping their energy. This was perhaps unavoidable, as it was critical for stability. Snyder (2002, p. xiii) wrote that

> The fall of the Soviet empire encouraged Western scholars and observers alike to anticipate a period of political chaos, civil unrest and a series of ethno-religious explosions among the former Soviet republics of Central Asia. . . . The newly independent nations of Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, and Tajikistan have not followed the path which many had predicted.

Since about 2010, these countries have shifted to greater regionalism and internationalism. Tukumov (2023) notes that all the CAR countries now promote regional integration.[12] The CARs' intraregional trade rose from 6.4 percent of their total trade in 2014 to 9.9 percent in 2021 (Ahunbaev et al., 2022). Because oil and gas make up a substantial percentage of the region's exports—for example, they account for 80 percent of Kazakhstan's exports, and these are mostly sold outside the region—the share of intraregional trade is undoubtedly higher once oil and gas exports are excluded (Tukumov, 2023).

The third change is related to Afghanistan. Contrary to many expectations after the U.S. military's withdrawal in 2021, Afghanistan has neither collapsed nor spread terror externally in a systematic way. Instead, it has clamped down on the Islamic State of Iraq and Syria—Khorasan (ISIS-K) and nearly shut down poppy cultivation. According to D'Souza (2024a):

> [Afghanistan's] clampdown on poppy cultivation has been appreciated by the international community. It has managed to keep its rank and file together by maintaining control of its internal divisions. The Afghan economy hasn't collapsed. U.S. President Joe Biden has even confirmed, much to the consternation of many, the Taliban's cooperation against al-Qaeda.

Byrd (2023) noted that:

> The Taliban's macroeconomic management has been better than expected, as evidenced by the stable exchange rate, low inflation, effective revenue collection and rising exports. There is no comparison at all with their non-management of the economy during the Taliban's previous 1996–2001 rule. By all indications, the magnitude of corruption has been reduced, particularly in customs where there has been a crackdown on smuggling and bribery, as well as abolition of the separate trade levies previously imposed by the Taliban insurgency. . . .

[12] However, the CAR countries' regionalization initiatives, such as the Central Asian Economic Community and the Organization of Central Asian Cooperation, have not succeeded. According to Tukumov (2023), the reason was because the countries' leaders did not want to delegate authority to a supranational body. Tukumov notes that the annual Consultative Meeting of the Heads of Central Asian States, which began in 2018, has already scored a success: The Treaty on Friendship, Good-Neighborliness, and Co-operation for the Development of Central Asia in the 21st Century was signed in 2022.

> They have clamped down on the rampant capital flight that occurred under the Islamic Republic (as much as $5 billion per year or even more). As a result, the Taliban must have built up modest reserves, and they have held foreign currency auctions to stabilize the afghani.

Byrd (2023) noted that the Taliban has controlled civil violence better than any government since 2001. It has stepped up its campaign against ISIS-K. The Taliban's tolerance of the Tehreek-e-Taliban-e-Pakistan, or Pakistani Taliban, is still a concern, particularly for Pakistan. And the Taliban in Afghanistan is increasingly repressive toward minorities and women,

Afghanistan's trade ties with Central Asia are strengthening rapidly and have been a vital source of energy and food supplies. (Durso, 2024). Total trade (imports plus exports) rose to $9.7 billion in 2023 from $8.2 billion in 2022 (World Bank, undated). Eleven countries had accepted Taliban-appointed ambassadors as of September 2024, including China, Uzbekistan, and the UAE (Siddique, 2004).

The World Bank Afghanistan Economic Monitor for June 2024 (World Bank, 2024) notes the presence of deflation (although declining), strong import growth, and a very stable currency. To see why this is a big improvement, we note that the comparable report for October 2021 noted that inflation was at over 20 percent, and the presence of falling wages, declining trade, a depreciating currency, and a continuing insurgency.

Afghanistan, having apparently achieved what D'Souza (2024b) has termed as "incremental normalization," now needs to catalyze its growth, something that an EWEC could provide. Afghanistan has committed publicly to supporting TAPI, should it be revived. A stable Afghanistan would significantly reduce the problem of terrorism in the region, although not entirely (partly because of Pakistan's unresolved issues with India, which include allegations about India's support for the Balochistan insurgency and the competing sovereign rights over Kashmir).

The fourth and least predictable change is Pakistan's approach to economic development. Pakistan's reliance on internally generated resources for growth over the past three decades has failed to deliver adequate growth. This has caused a developmental capital deficit. Such a deficit is furthered by capital flight. Kar (2023) estimated that about 50 percent of all International Monetary Fund borrowing since 2001 leaves the country and has been "squirreled away abroad" by the country's elites.

Having faced economic stagnation as a result, Pakistan has realized that it can no longer depend on a closed market run by elites to generate economic growth. Pakistan believes that foreign investors could be attracted by the prospect of large markets, provided that supports, such as adequate investor-protection regulations, are in place. In July 2023, it adopted a new Pakistan Investment Policy with support from the United States Agency for International Development. The new policy removes equity restrictions on foreign ownership and introduces new dispute-settlement mechanisms ("The Pakistan Investment Policy 2023 Introduces Several Reforms to Attract Foreign Investors," 2023).

It is, of course, too early to state definitively that Pakistan has changed course. From an EWEC's point of view, there appear to be uncertainties regarding Pakistan's relationship with India, even if Pakistan focuses on economic development.

The India-Pakistan dispute was a major cause of SAARC's failure to later cooperate on economic development. This was an important issue in our interviews and we propose mechanisms to manage such disputes in Chapter 7.

The question to which we now turn is whether these four forces will provide adequate scaffolding for an EWEC to face the challenges that will confront it.

Chapter 5

Approach and Research Protocol

In this chapter, we first discuss the approach we took in researching and writing this report and in developing the logic model that we employed. We then discuss how we chose the respondents of a questionnaire that we sent to senior policymakers and policy analysts from India and Pakistan. The findings, therefore, only partly reflect regional views. Nevertheless, as the two largest economies of the region and with a history of adversarial relations, understanding India's and Pakistan's equities in an EWEC and what is needed for their participation is necessary for designing an EWEC so that it will be a success.

Some of the challenges mentioned earlier—strained bilateral relations, populist politics, geopolitics, and relations with great powers—are at play in the relationship between India and Pakistan. So is the main enabling factor for creating an EWEC: India's rise as a regional and global power. Hence, a respondent's assessment of an EWEC's potential is a crucible for the feasibility of an EWEC as a whole.

To understand the prospects for an EWEC's success, the views of key stakeholders in India and Pakistan were collected. The respondents belong to four stakeholder categories:

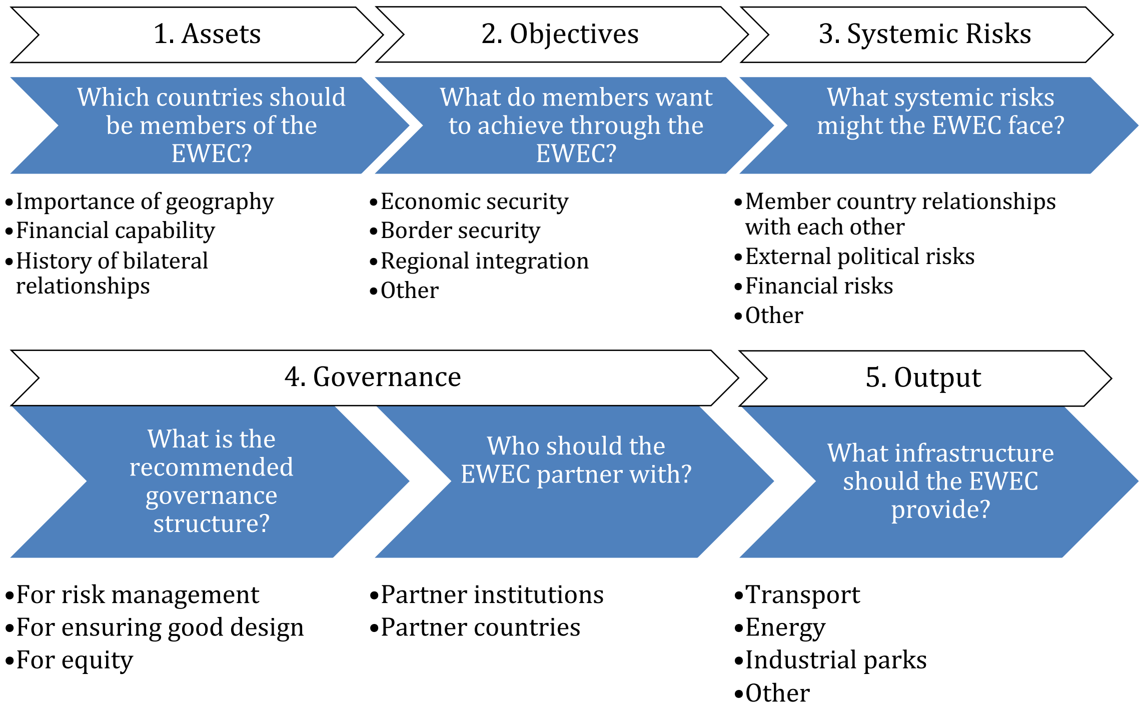
- policymakers
- private industry
- policy-focused think tanks and academia
- media and civil society.

The study was conducted by teams in India and Pakistan. In both countries, responses from 20 experts (five from each category) were obtained through in-person or video teleconference interviews using a structured questionnaire to capture quantitative and qualitative observations (see Appendix B for the questionnaire).

The responses address our research question through six logical steps (as shown in Figure 5.1): membership, objectives, risks, governance, partners, and infrastructure categories. Each of these steps contribute to building a strategic plan. We define a *strategic plan* as an action plan that connects an entity's prioritized objectives and its assets to its activities through a governance structure. The governance structure should address equity, quality, partnerships, and risk management. The action plan should be actionable with well-defined timelines for the use of resources. We do not discuss the operating plan, which would include an organization's structure, management plan, allocation of resources, operating risks, and implementation plan.

The logic model in Figure 5.1 addresses a strategic plan.

Figure 5.1. Logic Model for Developing a Strategic Plan for an EWEC



Response Collection Protocol

The key informant interviews were conducted between January 2022 to March 2022 in Pakistan and between April 2022 to June 2022 in India. Purposive sampling was used to select interviewees. Experts from each of the four categories were identified and requested to provide their insights for this study.

The inclusion criteria were as follows: Subject-matter experts (SMEs) are at the senior level (with more than ten years of experience) from the policymaker and policy analyst communities, and the SMEs should be residents of the country being studied.

We, jointly with RAND's partners in each country, selected the SMEs.

After the SMEs confirmed their participation, the questionnaire was shared with them and meetings were scheduled to conduct the interviews. Informed consent was sought from the respondents at the beginning of the meetings through the provision of an informed consent form. This form apprised the participants that their responses would be kept confidential and used in aggregated form only to draw inferences, and the SMEs duly signed the forms.

Because of the politically sensitive nature of an EWEC for India and Pakistan and its significance for international diplomatic and economic relations, it was challenging to get SMEs to participate and share their views. Therefore, extensive outreach was required—covering almost four times the required sample size—to reach the final target of 20 total respondents per country and five SMEs of each of the four categories per country. Arranging the consultative interview with each respondent was also a challenge and took up a large proportion of the preinterview study period. Furthermore, each interview involved extensive discussion and lasted at least one hour.

After all interviews were conducted, we aggregated and analyzed the data. Quantitative responses were analyzed by the frequency of mentions and ratings. The ratings ranged from 1 to 5, where

- 1 = unimportant/no significance
- 2 = mostly unimportant/low significance
- 3 = somewhat important/somewhat significant
- 4 = important/quite significant
- 5 = very important/highly significant.

Qualitative responses were gathered to complement the analysis and capture respondents' views. The analysis and presentation of responses was carried out through basic standard statistical techniques and graphical presentation.

The data collected for this research are subject to the following limitations:

- Data are based on the interviewees' views (response bias) and follow-up questions by the interviewer (observer bias).
- The sample was selected to represent the policy sector, i.e., it is a purposive sample rather than a random sample. Hence, the sample might not represent the entire population of policymakers and analysts (sampling bias).
- Respondents may not have understood some questions (cognitive bias)
- Respondents may have committed the ergo hoc propter hoc (after this, therefore because of this) fallacy.
- The sample may be composed of individuals with significantly different characteristics, leading to misleading results that may not accurately represent the wider population being studied because of this internal variability within the sample (heterogeneity bias).

Chapter 6

Respondents' Views on an East-West Economic Corridor

In this chapter, we report on the views that respondents from India and Pakistan have on an EWEC. We draw summary inferences about the topic areas as listed in the theory of change.

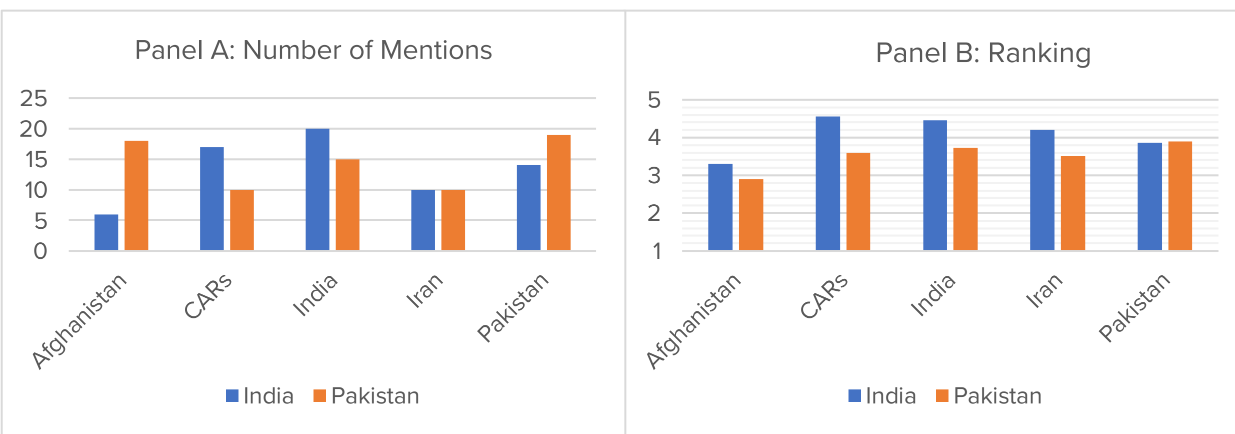
Members of an East-West Economic Corridor

Respondents were asked to identify potential members of an EWEC by listing their choices and ranking them. Respondents were not provided with an advance list of countries from which to pick. Instead, respondents were free to choose their preferred countries. This approach was applied to the selection of partner countries and institutions.

For reasons of compactness, the responses were shortlisted using the following two-step method: First, the number of mentions was observed and a minimum cutoff point, usually half of the possible responses, was used to create a shortlist. In the second step, the shortlisted countries were rated using the mean rank assigned by respondents.

The results in Figure 6.1 and the other figures in this chapter are shown separately for respondents from the two countries.

Figure 6.1. Mentions and Rankings of Possible EWEC Member Countries



SOURCE: Respondent interviews.
NOTE: This figure has two parts. On the left, Panel A shows the frequency with which respondents from India and Pakistan mention each country or group of countries. On the right, Panel B shows the average rank of each shortlisted country or group of countries by respondents from India and Pakistan. The list of countries in Panel B is derived from Panel A by shortlisting them, as follows: All countries with a minimum of ten mentions by the respondents from either India or Pakistan in Panel A (which would equal 50 percent of all possible mentions per country or group of countries) are shortlisted, and their average ranks are shown in Panel B.

For India, the most-relevant member countries of an EWEC are, from most to least, the CARs, India, Iran, Pakistan, and Afghanistan. For Pakistan, the most-relevant EWEC member countries are, from most to least, Pakistan, India, the CARs, Iran, and Afghanistan.

Afghanistan ranks last for both countries. Respondents gave the internal situation in Afghanistan and discord between Pakistan and Afghanistan as reasons that would slow the creation of an EWEC; some respondents suggested that Afghanistan be excluded from an EWEC in its first phase.

One respondent from Pakistan argued that peace must precede an EWEC, stating, in the context of the Afghanistan situation, that

> In the present situation of a conflict, economic and other initiatives cannot be successful. [Instead,] the [likely] outcome is a more militarized environment. [The EWEC] might seem opportune when seen from an economic lens. From a security perspective, the region's openness amidst the presence of foreign businesses provides disgruntled elements with new targets, i.e., foreign companies. [When militants strike, the project] is halted and the investor loses interest.

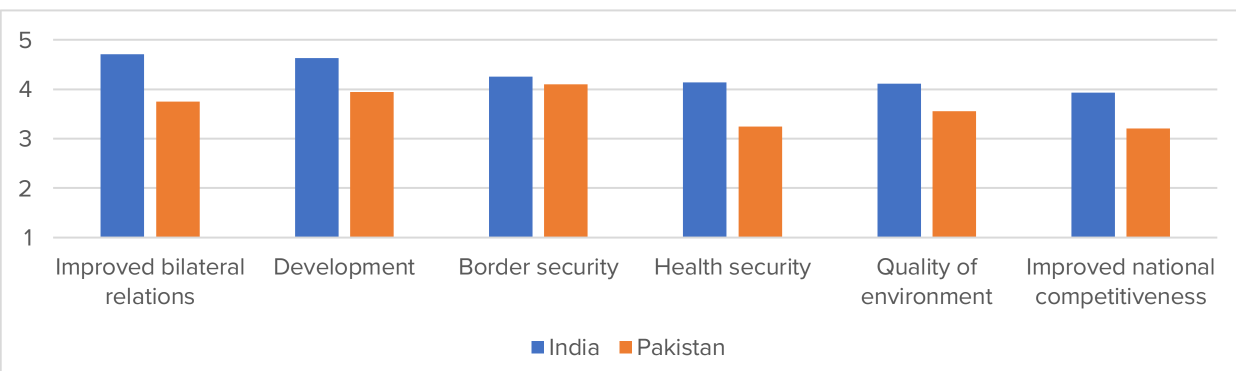
On the other hand, another Pakistani respondent noted that an EWEC, in reference to Afghanistan-Pakistan relations, could mark the "beginning of a new era of mutual success and development in the region."

A respondent from India argued that bypassing Afghanistan in the initial phase of an EWEC would not make sense. It would mean that Central Asia would also be excluded in the initial phase. What would be left would be a corridor linking Iran, Pakistan, and India. This arrangement would not only face obstacles from the United States but, as a respondent from Pakistan noted, "Iran and India do not look at Pakistan as an attractive destination for trade or connectivity."

Objectives of an East-West Economic Corridor

Respondents selected the objectives of an EWEC for India and Pakistan using an initial menu of options. Respondents were also free to add to the list. Figure 6.2 shows the respondents' rankings.

Figure 6.2. Average Rankings of EWEC Objectives



SOURCE: Respondent interviews.
NOTE: The vertical axis shows the average ranking.

The responses in Figure 6.2 show that border security is the most important policy goal for Pakistani respondents, although for Indian respondents, it is the goal of better relations between the two countries. Development is the second choice for both groups. The top three choices are the same for both countries.

Lower-ranked objectives were the expectations that an EWEC would improve the environment and health of the affected populations and that it would improve the competitiveness of its member countries.

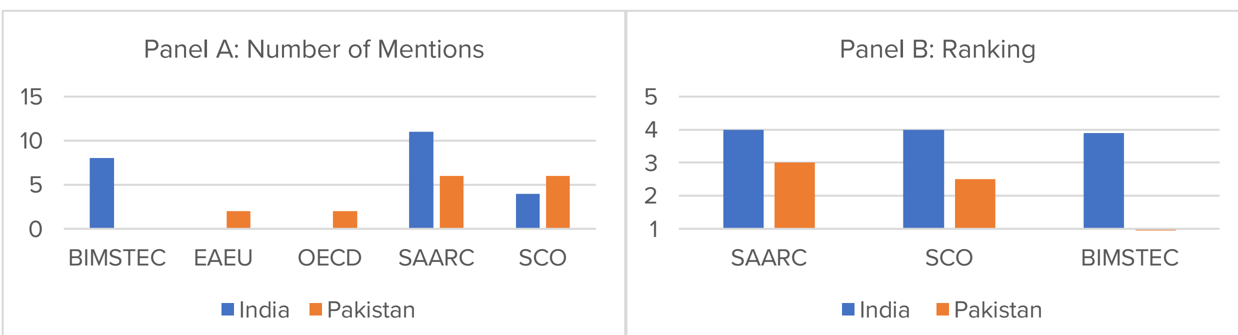
Partners to an East-West Economic Corridor

A key design consideration of an EWEC is with which institutions an EWEC should partner.[13] The institutions include those that could either facilitate the project as associations or participate as lenders, i.e., partner associations and partner lending institutions. Respondents were also asked to identify partner countries. These are the countries outside the region that might have an interest in the project as financiers or in governance roles.

As with the member list, respondents were not provided an advance list of countries or institutions from which to pick. Respondents were free to choose their preferred countries and institutions.

The shortlisting process followed the same two-step method for member selection described in Figure 6.1. Figure 6.3 shows the respondents' mentions and rankings of partner associations.

Figure 6.3. Partner Associations



SOURCE: Respondent interviews.
NOTE: This figure has two parts. On the left, Panel A shows the frequency with which respondents from India and Pakistan mention each association. On the right, Panel B shows the average rank of each association by respondents from India and Pakistan. The list of associations in Panel B is derived from Panel A, as follows: All associations with a minimum of five mentions by the respondents from either India or Pakistan in Panel A (which would equal 25 percent of all possible mentions per country) are shortlisted, and their average ranks are shown in Panel B. EAEU = Eurasian Economic Union; SCO = Shanghai Cooperation Organisation.

[13] This is for convenience only. CARs are diverse: Kazakhstan, Turkmenistan, and Uzbekistan are the potential suppliers of energy under an EWEC. An EWEC's northernmost point would be in Kazakhstan. The energy pipeline would go through Uzbekistan and Turkmenistan to Afghanistan. The link of goods and people might cover the other CARs but would presumably occur later.

Regional Associations

Among facilitating associations, Indian respondents mentioned SAARC and SCO, and they proposed a new institution using the BIMSTEC model, whose members would come from the easternmost countries of South Asia and the westernmost countries of Southeast Asia. One Indian respondent, who said that BIMSTEC's mandate and capability were limited, further noted that BIMSTEC "can only set an example to operationalize a corridor. This might help expedite the process of the formation of EWEC." In the ratings (Panel B of Figure 6.3), SAARC and SCO received the same Important rating from Indian respondents, although BIMSTEC rated a little lower.

Pakistani respondents mentioned SAARC and SCO equally in first place, and EAEU and OECD equally in third place. However, because the number of respondents who mentioned the latter two associations is small, we consider only the first two institutions in the rankings. Of these, respondents rated SAARC first and then SCO. These are the same two preferences in the same order as for India.

Three major themes emerged from the discussions of partner associations. The first was that an association of EWEC members was necessary to build consensus within an EWEC. Creating an association of EWEC members could take time, given the past record of regional disputes and terrorism. Respondents from both countries emphasized the importance of building trust before building infrastructure. As one respondent from India noted, "Without trust, there is no basis for cooperation." An EWEC, it was argued, should include a trust-building mechanism so that participants would believe that national interests were protected.

This view was supported by the head of research at a leading Pakistani think-tank who argued that "India [is likely to be the] least willing to participate as it has the [failed] experience of SAARC." If India does participate, the respondent argued that it would "view Pakistan not as a trusted EWEC fellow member but as a transit point for energy trades with Iran and Central Asia."

The second theme that emerged was that an association would be helpful for negotiating obtaining financing from lending associations and building mechanisms for sharing the financial risk among member countries.

The third theme was that the association should be empowered to address the political challenges from external entities. Such challenges could come from external entities' influence over one or more EWEC members' foreign policies, direct actions against one or more EWEC countries, and influence over multilateral development banks.

Providing political support would leverage each individual member country's power and provide each with political cover. The latter was considered to be particularly important for coping with both great-power interests and bilateral disputes among member countries. In this respect, several respondents cited the role that the Association of Southeast Asian Nations (ASEAN) plays in addressing regional disputes as a model for the EWEC. As one Indian respondent noted, "In ASEAN, there is mutual trust despite countries having bilateral disputes."

Respondents also cited ASEAN's role in protecting vulnerable members from external influences, particularly geopolitics. Raising a concern, one respondent noted that although the association might be able to "insulate EWEC from broader disagreements," building trust would require both support from the association and dialogue between the EWEC member countries.

Such a dialogue could be bilateral or facilitated through third-party countries and institutions, such as SAARC. Several respondents recommended specifically engaging with the Iran and

Afghanistan governments to ensure a stable environment for an EWEC by highlighting shared benefits from regional connectivity and cooperation. One respondent proposed to start by liberalizing visa regimes and facilitating the issuance of work permits. Some respondents also advised leveraging soft power and cultural avenues, such as tourism, religious connections, and business connections to improve ties among the stakeholder countries.

The ultimate payoff of an association would be its contribution to the long-term goals of an EWEC, as discussed earlier. An Indian respondent noted that an association would help the region achieve "mutual defense and security."

The question of who should lead an EWEC association elicited considerable comment. If India took leadership, there would likely be opposition from Pakistan and vice versa. Some respondents suggested that India and Pakistan share leadership. However, this was the view of a minority of respondents.

A respondent from Pakistan discussed the role that Pakistan could play, arguing that its role must be limited:

> To see Pakistan from the CPEC prism and equate it with other regional connectivity endeavors will not be correct. The reasons [are that] Pakistan's fragile economy and weak political institutions make the country a less attractive site for the regional players. Moreover, in the South Asian region, India is ahead of Pakistan both in terms of economic growth and political outlook. Besides, [an] EWEC will be backed by the United States. [This means that] India will be in the lead role, and not Pakistan. [Furthermore,] Pakistan does not have the convening power to bring Afghanistan, Iran, and India to the table for [such a] project.

To be effective, most respondents across both countries emphasized that the association should be governed by a participative and equitable structure that is empowered to make decisions by consensus. Furthermore, as with some United Nations bodies, such as the Conference of the Parties, each country would get a single vote.

A minority of respondents had differing views. Some respondents argued in favor of less power for the association and instead discussed the creation of a WTO-style adjudicating body within the association to resolve disputes.

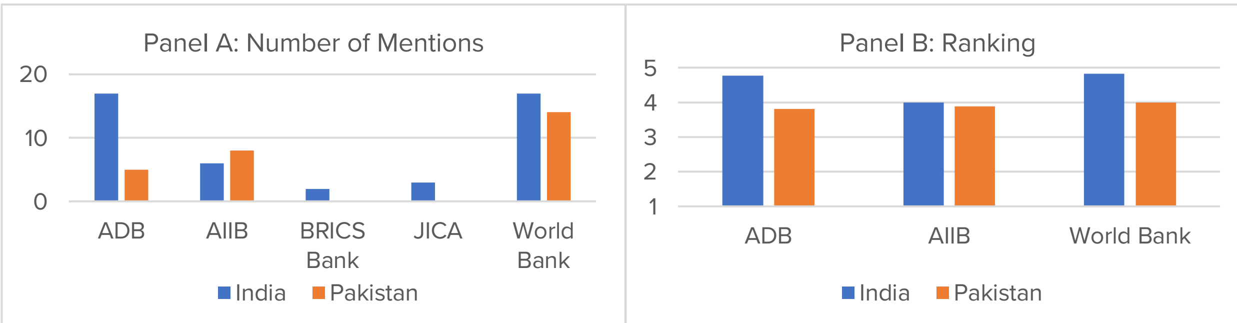
Some respondents felt that the association should primarily be a convening body to be staffed by officials from the participating countries and working to coordinate the disparate projects across countries and facilitate dialogue. Other respondents suggested that the association should have a distributed structure and emphasize political engagement through summits and ministerial meetings and that the association establish working groups to tackle specific issues. A few respondents also suggested modeling the governance structure along the lines of financial institutions, such as the ADB or corporate entities, to maximize its potential to attract investment and facilitate public-private partnerships.

Both countries' respondents largely supported the idea that no one country should lead the EWEC association. Some felt that, by virtue of its size and power, India would become the natural leader unless the EWEC association was designed to be the center of power.

Partner Lending Institutions

Figure 6.4 shows respondents' mentions and rankings of lending institutions that might partner with an EWEC.

Figure 6.4. Partner Lending Institutions



SOURCE: Respondent interviews.
NOTE: This figure has two parts. On the left, Panel A shows the frequency with which respondents from India and Pakistan mention each institution. On the right, Panel B shows the average rank of each institution by respondents from India and Pakistan. The list of institutions in Panel B is derived from Panel A, as follows: All institutions with a minimum of five mentions by the respondents from either India or Pakistan in Panel A (which would equal 25 percent of all possible mentions per country) are shortlisted, and their average ranks are shown in Panel B. BRICS Bank is now known as the New Development Bank. BRICS = Brazil, Russia, India, China, South Africa; JICA = Japan International Cooperation Agency.

For Indian respondents, two lending institutions, the World Bank and the ADB, received the most mentions, and the Asian Infrastructure Investment Bank (AIIB) received the third-most mentions. For Pakistan, the institutions that received the most mentions are, from most to least mentions, the World Bank, AIIB, and the ADB.

The ratings figure (Panel B) shows that the Indian ranking is, in order of highest to lowest, the World Bank, the ADB, and AIIB. For Pakistan, the order is the World Bank, AIIB, and the ADB.

Respondents' discussions about financing an EWEC centered on the role of member countries versus the role of partner institutions and third-party countries as sources of funding. Respondents expressed a variety of views regarding the financial responsibilities of the member countries; the majority of respondents advocated that member countries should contribute at least part of the financial cost. Some respondents suggested that the countries should bear the full cost of the projects, although others suggested that the countries should contribute a certain amount of seed funding before looking for assistance. Others advised creating a structure in which each country contributed according to its share of the combined GDP of the EWEC participants.

Overall, respondents concluded that—other than funding from India, Turkmenistan, and, to an extent, Kazakhstan—the prospects of financing an EWEC internally were seen as poor. As a former federal government minister from Pakistan noted, "Pakistan's major concern would be of financing the project. Pakistan's economy cannot sustain such mega projects. It will require financing for the EWEC project." Afghanistan would also be unable to provide financing.

The respondents of both countries recognized that because of the fiscal weakness of many potential EWEC states, multilateral institutions and third-party countries would have to play a key role in financially supporting an EWEC. One view was to rely on such established and well-respected organizations as the ADB, the World Bank, and AIIB to provide technical assistance and some measure of financing as required. Another respondent suggested establishing a new development bank, similar to the ADB, to manage EWEC-specific projects, although other respondents floated the idea of establishing special-purpose vehicles or a regional-investment bank to attract investment.

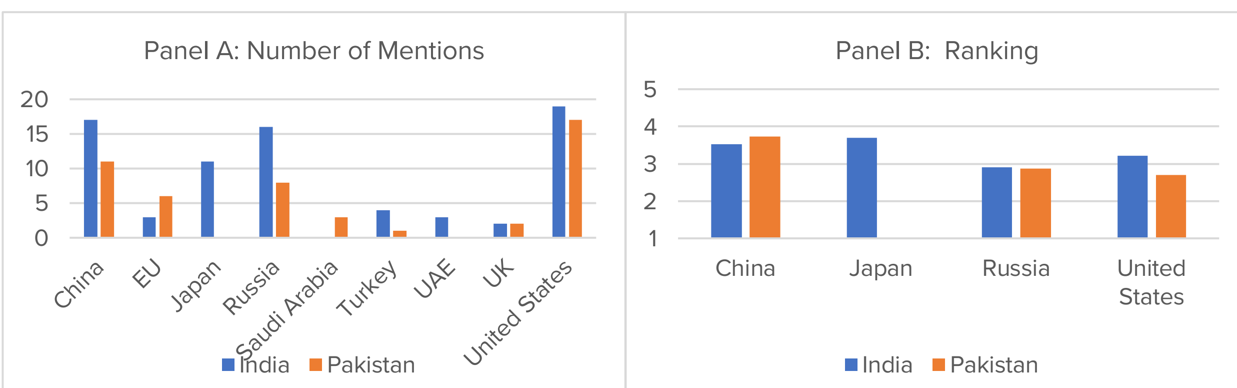
Borrowing from multilateral lenders would need political risk management because multilateral lenders can have loyalties to a great power. A respondent from India noted that the "ADB and World Bank [financing] could be a challenge [for financing EWEC] because these are . . . influenced by the U.S, which could object to the presence of Iran in [an] EWEC."

Respondents felt that India's rise in economic power and its close relationship with U.S.-linked financial institutions, particularly the World Bank, was an important asset. Pakistan would be able to work with China to secure funding from AIIB. Overall, respondents from both countries felt confident that Indian leadership on financial access would result in the successful management of the risks of political interference and the susceptibility of some multilateral financial institutions to great-power control.

Partner Countries

Figure 6.5 shows the responses regarding partner countries. These are countries outside the EWEC region that could play an important role in supporting an EWEC, including the provision of financial, political, and governance support. However, when considering partner countries, the respondents recognized that the risks from geopolitics could affect partner countries' roles.

Figure 6.5. Partner Countries



SOURCE: Respondent interviews.
NOTE: This figure has two parts. On the left, Panel A shows the frequency with which respondents from India and Pakistan mention each country or group of countries. On the right, Panel B shows the average rank of each country by respondents from India and Pakistan. The list of countries in Panel B is derived from Panel A, as follows: All countries or group of countries with a minimum of ten mentions by the respondents from either India or Pakistan in Panel A (which would equal 50 percent of all possible mentions per country) are shortlisted, and their average ranks are shown in Panel B. UK = United Kingdom.

Panel A shows the frequency with which each country was mentioned by respondents from India and Pakistan. China and the United States figure prominently in both countries' respondents' lists. For India, Russia and Japan are the next most-mentioned countries, although for Pakistan, it is Russia and the EU.

In Panel B, we see that India's preferences for partner countries are, from most preferable to least, China, Japan, the United States, and Russia. Pakistan's preferences are China, Russia, and the United States. In comparing the two countries' choices, we see that China emerges as the top-ranked partner country for both countries. Thereafter, the ranks differ.

The proposed partner countries of an EWEC—China, Japan, Russia, and the United States—elicited support for varied reasons, mostly pragmatic. Respondents cited know-how and experience with successfully running institutions as the main positives of an EWEC's partnership with these countries.

Overall, however, partner countries that are great powers—China, Russia, and the United States—were seen as necessary rather than desirable. Russia was seen as important because, as an India-based respondent noted, "It shares borders and has close relations with the CARs."

The United States was deemed important for two reasons. As the same respondent noted, an EWEC will have to jointly address the almost-certain U.S. objection to Iran's participation. As he put it, an EWEC's diplomatic skills would be needed with the United States "because Iran is involved." The second reason is that "in addition, the United States plays an important role in development finance."

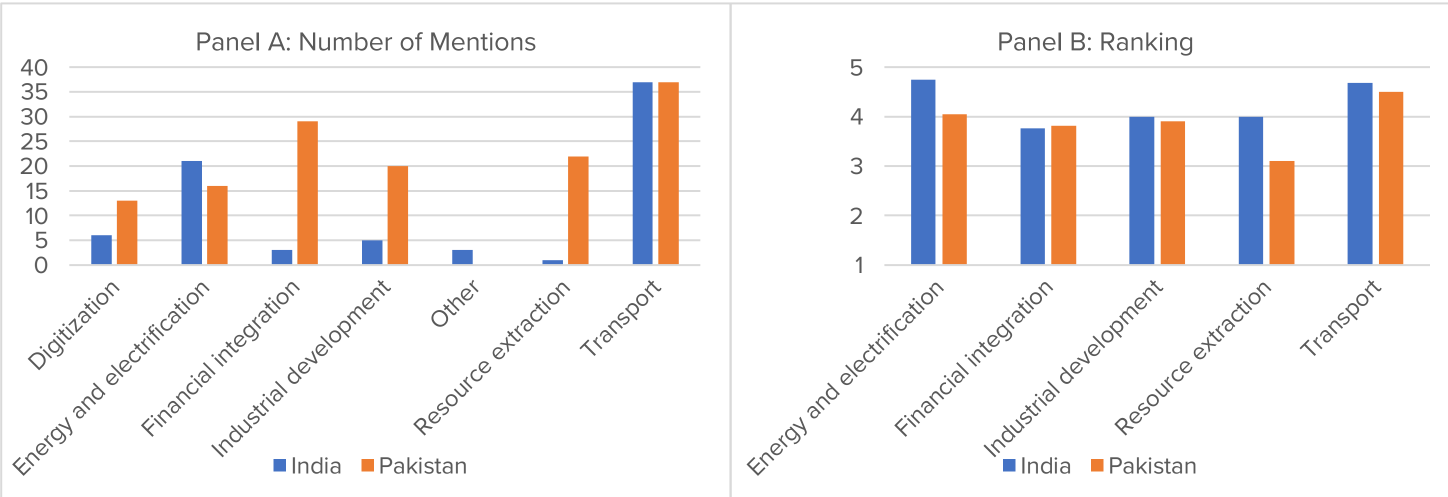
A second respondent, also from India, noted that partnering with China was important, given "China's established foothold in all the EWEC member countries [except India]." However, there would be challenges because China would be "unlikely to easily accept Indian participation in [an] EWEC." Some respondents saw that China would have an economic reason for supporting an EWEC. As one India-based respondent noted, "For China, [an] EWEC will be complementary to the China-Europe railroad corridor."

Infrastructure Priorities for an East-West Economic Corridor

Respondents expressed their preferences on six infrastructure categories: transport of people and goods, digital connectivity or digitization, financial integration (to smooth payments for transactions in agreed currencies and localization), energy supply and electrification, industrial development, and resource extraction (transport dedicated to extracting natural resources). They selected these categories from a longer list provided to them while being free to add their own.

The frequency of mentions and the ratings are shown in Figure 6.6.

Figure 6.6. Infrastructure



SOURCE: Respondent interviews.
NOTE: This figure has two parts. On the left, Panel A shows the frequency with which respondents from India and Pakistan mention each type of infrastructure. On the right, Panel B shows the average rank of each type of infrastructure by respondents from India and Pakistan. The types of infrastructure in Panel B are derived from Panel A, as follows: All types of infrastructure with a minimum of 20 mentions by the respondents from either India or Pakistan in Panel A are shortlisted, and their average ranks are shown in Panel B.

Panel A shows that transport and energy are the sectors most often mentioned by both countries. There was little Indian interest outside these two sectors. For Pakistan, the mentions cover more sectors. Arguably, this is because Pakistan is at an earlier stage of development than India, with less developed industries and financial markets. As a result, financial integration, resource extraction, and industrial development still offer large opportunities in Pakistan.

Panel B shows the average rankings of each sector. For both countries, energy and transport have the highest ratings. A respondent from Pakistan summed up Indian interests in the pipeline as follows:

> India cannot avoid the huge economic gains to be secured under the proposed EWEC initiative. India is likely to prioritize a gas pipeline. Its other priority may be the development of transport infrastructure [road, railway] for boosting trade ties with Afghanistan, Iran, other Middle Eastern countries, and Central Asian states [Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan]. The obvious concern of India would be trade passage through Pakistan and hindrance during bilateral conflicts or wars.

Nevertheless, despite the desire of Indian respondents to be part of an EWEC, India might want some insurance against failure. A respondent from a Pakistani think tank noted that India would have concerns about Pakistan "due to its old animosity" with Pakistan, and with the "fragile nature of stability of Afghanistan." As a result, the respondent felt that India would participate only if its involvement in an EWEC was guaranteed (by treaty or by an empowered third party, such as the United Nations).

We now turn to a discussion of the key findings and our recommendations.

Chapter 7

Summary of Findings and Recommendations

In this report, we discussed the many challenges to creating a proposed EWEC that would integrate the five CARs (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) with Afghanistan, India, Iran, and Pakistan. A review of these challenges in the literature showed that the criteria for a successful regional transport corridor appear to be less about the economic issues than about managing geopolitical pressure, great-power relations, a lack of trust between pairs of member countries, terrorism, civil instability, and capital access constraints.

Analysis of Responses

The interviewees from India and Pakistan showed a remarkably common assessment within and across the two countries regarding an EWEC. First, there is strong support for regional integration that would come from an EWEC.

Respondents from both countries also agreed on objectives and partners. For both countries, the most-preferred member countries, partner institutions, and associations were the same. Particularly noteworthy was Indian respondents' high ranking for working with China and AIIB. The preferred infrastructure sectors that an EWEC would support also largely overlapped—two of the top three sectors were the same. The strategic priorities that an EWEC would fulfill also showed considerable overlap: Five of the six top-ranked priorities were the same.

Respondents foresaw several challenges an EWEC would face, which were along the lines of those identified in the literature. Respondents saw great powers as being necessary partners rather than desirable partners. This thinking seems to reflect respondents' anxieties arising from the highly polarized geopolitical environment, which is because EWEC countries seem to have lost economic opportunities. The conventional benefits of great-power involvement—access to technology, systems, and capital—were considered to be less important than neutralizing their influence over the project.

To address the challenges, respondents gave most weight to the establishment of a regional association with wide powers over the region's internal and external relations. However, given the lack of unity in the region, establishing such an association will require a long-term approach of building trust before the association could be tasked with representing countries' interests.

Several respondents cited ASEAN as a model for the governance of an EWEC association. See the box on ASEAN's governance and effects.

Respondents in both India and Pakistan expect India to play a leadership role in an EWEC. The respondents expressed confidence that India's status on the world stage gives it enough agency to manage the risks arising from the state of great-power relations, including access to capital.

Respondents noted that the acceptance of India as the leader of the association will be a challenge in a region that is poor and whose members are cautious about neighboring countries' motives. The literature review identified gaps in India's current capabilities to lead: attitudinal issues, limited provision of regional public goods and regional aid, low involvement in intraregional trade, and a near-complete absence of Indian initiatives to establish regional supply chains. Although trust between countries might be insufficient for all these gaps to be filled, trust is a necessary condition for fixing them all. Respondents, therefore, mostly focused on the importance of building trust.

The combination of Indian leadership and an association of all EWEC countries raised the question of the EWEC association's architecture. Respondents noted that, in the long term, an association could deliver more than a hegemon directing affairs could, as the ASEAN and EU experiences suggest. To be acceptable, the association must give every member a fair voice. Respondents' views suggest that members of the EWEC region themselves will have to ensure such fairness rather than having it be promoted from outside, either by leading countries or multilateral bodies.

Respondents recognized that the strategic enablers discussed in the literature, apart from India's role—the CARs' globalization, Pakistan's need for foreign direct investment, and Afghanistan's return to stability—could help an EWEC succeed.

Overall, the challenges are seen as severe but surmountable. The long-term plan should focus on devising a collaborative entity with a governance structure that is based on equity and designed to enable the building of mutual trust over time.

ASEAN's Governance and Effects

ASEAN was established in 1967 with backing from the United States to promote economic development through collaborative efforts. Its founding members—Indonesia, Malaysia, the Philippines, Singapore, and Thailand—had varying degrees of strained relations. Indonesia and Malaysia had just concluded the Borneo War, and tensions persisted between Malaysia and Singapore following the latter's 1965 separation. Additionally, Malaysia and the Philippines were embroiled in a territorial dispute over Sabah, a region of the Malaysian island of Borneo. Of the five founding members, only Thailand maintained stable relations with the others (Wah, 1997; Weatherbee, 2019).

Although the primary concern for these countries at the time was the spread of communism, ASEAN hesitated to make this an explicit focus. Instead, ASEAN's charter emphasized social and economic cooperation. As Askandar (1994) noted, ambiguous, uncontroversial objectives were seen as the best way to unite the member states. Economic development thus became the primary objective, enabling cooperation and trust-building among the leadership. This is believed to have helped resolve the Malaysia-Philippines dispute just a year after ASEAN's founding.

Formal reconciliation efforts came in 1976 with ASEAN's adoption of the Treaty of Amity and Cooperation in Southeast Asia, which mandated peaceful dispute resolution among members. Although the treaty was largely successful, ASEAN's diplomatic opposition to Vietnam's 1978 invasion of Cambodia was ineffective because major global powers—China, Russia, and the United States—showed little interest in ASEAN's role (Narine, 2008). This failure illustrates the limits of the mostly middle powers that make up ASEAN.

ASEAN has faced challenges because of the escalating U.S.-China rivalry. Maintaining unity has become difficult because member countries prefer a neutral stance between the two powers. Although ASEAN has resisted U.S. pressure to curtail economic ties with China, divisions have emerged on security issues. For example, in 2024, the Philippines shifted decisively toward the United States, although Cambodia remains heavily influenced by China (Beeson, 2024; Seneviratne, 2024).

Recommendations

Form an East-West Economic Corridor Association

Forming an EWEC association (EWECA) is the core recommendation from respondents and matches the findings of the literature review. Over the long term, the EWECA would be vested with wide powers over the region's internal and external relations to address the five areas of challenge identified in Chapter 2: intraregional relations, geopolitics, access to international finance, great-power relations with regional members, and insurgency and terrorism. These requirements, in turn, require EWECA to have authority for ambassadorial, project management, and dispute-settlement tasks.

It is unlikely that EWECA would exercise these capacities at its creation. Given the state of distrust between key pairs of countries, EWECA must start small. Only the governance structure should be specified initially. Given the asymmetries between member countries, an equitable governance structure in which consensus is encouraged is recommended. Each member would have a single vote without veto power to be used when consensus is not reached.

In the short term, the focus of an EWECA should be trust- and consensus-building. Its task should be to maintain equity in decisionmaking.

Given the stated challenges mentioned earlier, the strategy that respondents suggested is to start with areas of action that member countries could control without concern about great-power interference or bilateral disagreements between member states. We turn to this concern in our next recommendation.

Sequence an East-West Economic Corridor's Activities Carefully

An EWEC's transport corridors would consist of gas pipelines, roads, railways, and digital infrastructure (such as cables and towers). Roads and railways are, to a large extent, substitutes for each other, and we consider them as a single unit for the present purposes.

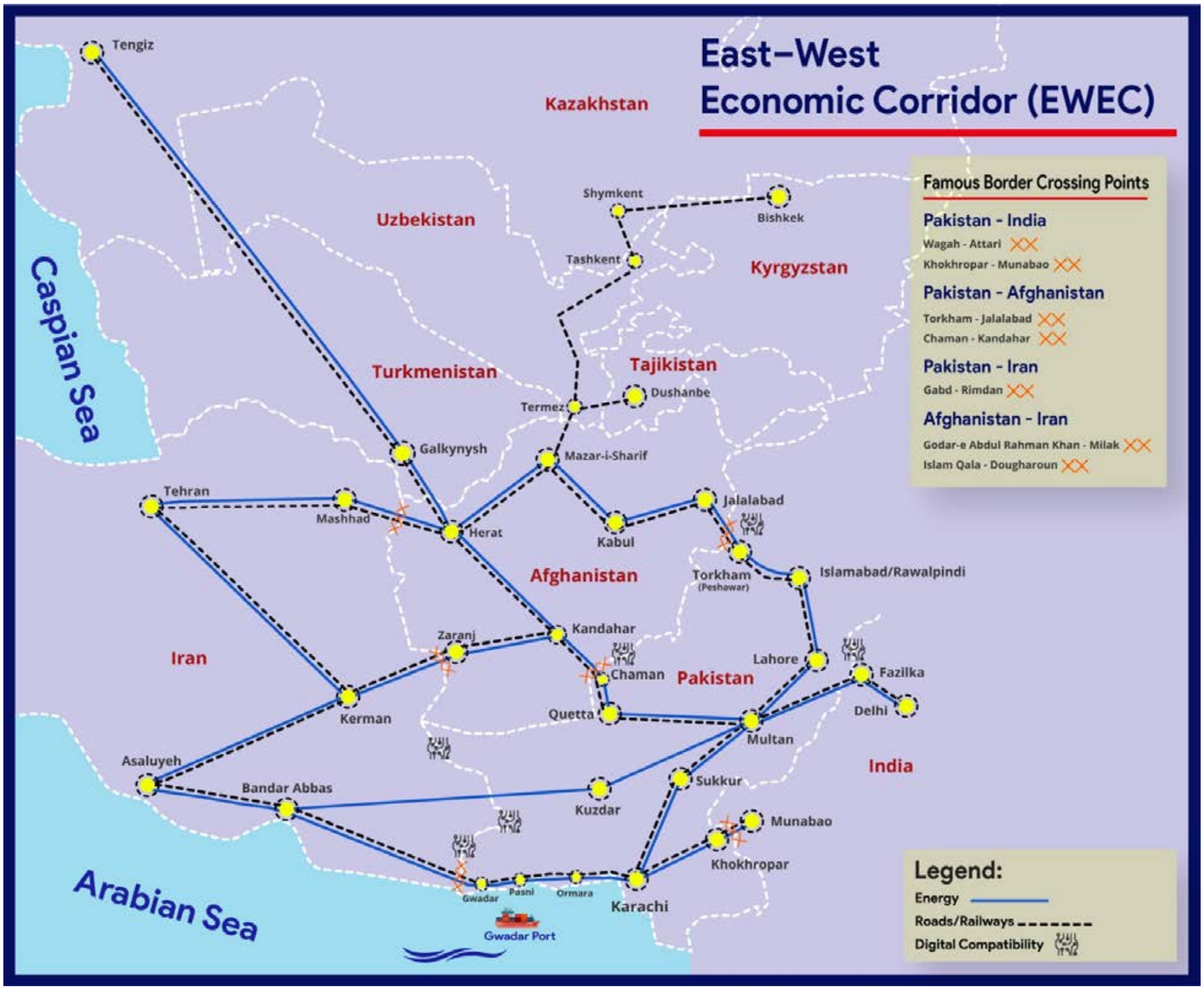
The proposed layout of an EWEC, which is likely to be achieved in phases over a period, is shown in the map (Figure 7.1). The assumptions on which the layout is based are described in the figure note.

The scale and scope of an EWEC will, in its first years, likely be small relative to the plan laid out in Figure 7.1; this would be owed to the cost, governance, and political challenges. In addressing these challenges, an EWEC will face a dilemma. For cost management, the more commercially viable and standalone projects should be implemented first. Cross-country pipelines fall under this category. However, the EWEC might attract unwelcome geopolitical attention because it would compete with LNG exports sent by ship, and the largest global LNG shipper is the United States. This suggests that, if an EWEC is to succeed, its starting point should prioritize political sensitivity in determining its sequencing.

Small confidence-building projects would be of particular use. Even something as small as a research-based advocacy group of EWEC partner countries—which would advocate regionally and globally for an EWEC as a critical vehicle for the region's sustainable development—would be useful. Such lobbying efforts could, even with limited success in achieving their objectives, build trust within the EWEC partner countries and increase the group's agency more than individual member countries could do by lobbying alone.

After trust is gained, the EWECA could build relations with great powers and initiate action plans for specific projects. Again, initially, these should be small, uncontroversial projects, such as improving the quality of existing digital links between countries. The comparison with ASEAN's initial timidity in stating its most important goals first seems obvious.

Figure 7.1. Map of the Proposed East-West Economic Corridor



NOTE: Gas pipelines: The EWEC pipeline plan duplicates the IPI and TAPI layouts with some modifications. Iranian gas supply: In the original IPI plan, the pipeline connected Asaluyeh in Iran through the port of Bandar Abbas (this segment is already operational) to a delivery point, Multan, in Pakistan. At Multan, the gas would separate into two pipelines. One pipeline would connect Multan with India at Fazilka and terminate at Delhi, India's capital city. The other would go to Karachi in Pakistan. The development of the Gwadar, Pakistan, port over the past decade could be leveraged by a new pipeline connecting Gwadar to Bandar Abbas, Iran, to its west and Karachi to its east. Turkmenistan's gas supply: In the original plan for TAPI, the pipeline would enter Afghanistan at Herat, pass through Kandahar, enter Pakistan at Chaman, pass through Multan, and end at Delhi. There are no proposed changes to this layout. Kazakhstan's gas supply: This route would connect the gas field in the Tengiz gas field to Turkmenistan's Galkynysh gas field. This would enable Kazakhstan's gas to be supplied to Afghanistan, India, and Pakistan. Highway-rail and digital (HRD) infrastructure: Unlike the use of a pipeline, HRD use depends on the population along its route. The major cities within all the EWEC countries are already well-networked with optical fiber cables both within and across countries. The focus of an EWEC should, therefore, be on transporting goods and people.

To conclude, we note that even the more practical of politicians point to the populist views of their countries to justify disputes and stagnancy whenever cooperation has been attempted in the region. This study's respondents, although they included senior policymakers and analysts from two adversarial states, disproved that notion with their remarkably similar and pragmatic views.

Appendix A

Respondent Profiles

The respondents belong to four stakeholder categories:

- policymakers
- private industry
- policy-focused think tanks and academia
- media and civil society.

Table A.1. Respondent Profiles

Category	India	Pakistan	Total
Policymakers	5	5	10
Private industry or industry body	5	5	10
Policy analysts	5	5	10
Media and civil society	5	5	10
Located in-country	**20**	**20**	**40**
Total	**20**	**20**	**40**

SOURCE: Information provided by respondents and verified by interviewers.
NOTE: All respondents were considered senior SMEs because they have at least ten years' of individual experience in the field.

Appendix B

Questionnaire

We include the original questionnaire with minimal editorial changes. Any changes are formatting changes; we have not altered the content of the questionnaire.

QUESTIONNAIRE

Feasibility of an East-West Economic Corridor

Preamble – Read to respondent.

This questionnaire has been shared with the respondent in advance. The interviewer will enter the responses on his/her own version.

The objective of the study is to analyze how a future economic corridor, termed the East-West Economic Corridor (EWEC), may help to economically integrate Afghanistan, India, Iran, Pakistan, and the countries of Central Asia (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan).

We would like to obtain your responses through an interview based on this questionnaire. Additional information about the study and the questionnaire is provided below.

Confidentiality of Responses

We will keep your responses confidential and not link names to survey responses. The results of this survey will be included in a report that combines all responses. All information provided will be subject to RAND's Human Subjects Protection Committee (HSPC) standards and procedures regarding protection of information.

Notes to Interviewer for Explanation to the Respondent

1. Purpose of Questionnaire: This questionnaire is intended to elicit information about how an East-West Economic Corridor (EWEC) may be developed for regional development and integration.
2. What is the EWEC: EWEC is a proposed facilities-based economic corridor. It will consist of rail, road, pipelines, power grids and digital infrastructure connecting Afghanistan, India, Iran, Pakistan, and the countries of Central Asia (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan).

3. What is the Belt and Road Initiative (BRI): The BRI is an infrastructure-intensive foreign aid program of China to support both the development of infrastructure in partner countries and connect the partner countries with China and with each other through facilities connectivity, trade and in other ways.
4. What is the China Pakistan Economic Corridor (CPEC): CPEC is an infrastructure initiative under the BRI that connects Pakistan with China. Through CPEC, transportation linkages, ports, electric power plants, pipelines, and industrial parks are being constructed.
5. What is the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC): BIMSTEC is a 7-country initiative for socioeconomic development. The partner countries are Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand. Infrastructure is one of the categories under BIMSTEC.
6. Some questions in this questionnaire ask the respondent to rank importance or significance of some factor from 1 to 5 (**low to high**). A rank should be interpreted as follows:
   a. 1 = Unimportant/No significance
   b. 2 = Mostly unimportant/Low significance
   c. 3 = Somewhat important/Somewhat significant
   d. 4 = Important/Quite significant
   e. 5 = Very important/Highly significant

7. Some questions provide examples in order to help the respondent provide a response. Important: *The examples are not intended to guide the respondent's thinking in any way.*

Questionnaire

Name:
Designation:
Contact address:
Email (organization or personal):
Organization Website:

1. Rank the following countries and institutions in their importance for different purposes (development/diplomacy/defense) of EWEC. Rank from 1 to 5 (low to high). *Note: List at least three such countries/institutions and rank them in the empty cells. Add additional rows as needed. See example below.*

Table 1.1: Institutions and Initiatives of Importance to EWEC

I. Stakeholder participating countries (e.g., India, Kazakhstan, Pakistan)	**Development**	**Diplomacy**	**Defense**
1.			
2.			
3.			
II. Stakeholder regional or global institutions (e.g., World Bank, SAARC, BIMSTEC, SCO)			
1.			
2.			
3.			
III. Stakeholder non-participating countries (e.g., China, Russia, USA)			
1.			
2.			
3.			
4.			
Example: II-1. World Bank	5	1	1

Comments to Explain Your Responses:

1. Rank the EWEC infrastructure categories listed below in the columns by importance to India. *Note: (1) First, against each infrastructure category in row 1, enter a rank. (2) Second, list at least two EWEC partner countries that India would like to build partnerships with against "Partner Countries" (last row of the table). See the example below.*

Table 2.1: EWEC Infrastructure Categories of Importance to India

Country	Transport	Digitization	Financial Integration	Energy Infrastructure	Industrial Development	Resource Extraction	Other (Specify)
India							
Partner Countries							
Example:	5					4	
Partner Countries	Afghanistan, Iran						

Comments to Explain Your Responses:

1. List up to four projects that at least three countries (including India) can participate in under each infrastructure category and rank in order of importance (from 1 to 5, low to high). List the countries and be as specific as possible about the projects. Notes: the infrastructure categories are as listed in Question 2, i.e., transport, digitization, financial integration, energy infrastructure, industrial development, resource extraction, and other (if applicable). See the example below.

Table 3.1 Projects for joint implementation

	Project	Infrastructure Category	Partner Countries
Project 1			
Project 2			
Project 3			

	Project	Infrastructure Category	Partner Countries
Project 4			
Example:	Freight train linking Kabul, Lahore, and Delhi – 5	Transport	Afghanistan, India and Pakistan

Comments to Explain Your Responses (include comments on how the projects may be financed):

1. Rank the following strategic priorities for India in order of importance from 1 to 5 (low to high) and rank the role EWEC can play. *Note: First, rank each strategic priority in the country cell. Second, specify a project and its infrastructure category. Third, list the project's EWEC partner countries (at least two). See example below.*

Table 4.1: Countries Mapped against their Strategic Priorities

Strategic Priorities	India	Proposed Project of EWEC	Infrastructure Category	EWEC Partner Countries
1. Climate Change				
2. Air Pollution				
3. Health security				
4. Economic development (trade, FDI)				
5. Border security – land/sea				
6. Security of land/sea/air transport routes for trade				
7. Cybersecurity				
8. Stability of partner country				
9. Diplomatic gains				
10. Public diplomacy				

Strategic Priorities	India	Proposed Project of EWEC	Infrastructure Category	EWEC Partner Countries
11. Policy coordination 12. Financial Integration 13. People-to-people exchanges 14. Other (specify)				
Example: 1. Climate Change	5	Renewable Energy Development	Energy Infrastructure	Iran, Pakistan

1. Implementation Issues:
    a. Can other infrastructure initiatives such as BIMSTEC support EWEC initiatives? If so, how?
    b. What are the politically sensitive issues in implementing EWEC?
    c. How may these be addressed?
    d. What is a desirable governance structure for EWEC?
    e. What is a desirable financial structure for EWEC?

(Note: open-ended response)

Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BRI	Belt and Road Initiative
CAR	Central Asian republic
CAREC	Central Asia Regional Economic Cooperation Program
CPEC	China-Pakistan Economic Corridor
EAEU	Eurasian Economic Union
EU	European Union
EWEC	East-West Economic Corridor
EWECA	East-West Economic Corridor association
GDP	gross domestic product
GMSECP	Greater Mekong Subregion Economic Cooperation Program
GSPA	Gas Sales Purchasing Agreement
IMEC	India-Middle East-Europe Economic Corridor
INSTC	International North-South Transport Corridor
IP	Iran-Pakistan
IPI	Iran-Pakistan-India pipeline
ISIS-K	Islamic State of Iraq and Syria—Khorasan
LNG	liquid natural gas
MOU	memorandum of understanding
OECD	Organisation for Economic Co-operation and Development
SAARC	South Asian Association for Regional Cooperation
SCA	Southwest and Central Asia
SCO	Shanghai Cooperation Organisation
TAP	Trans-Afghan Pipeline
TAPI	Turkmenistan-Afghanistan-Pakistan-India pipeline
UAE	United Arab Emirates
WTO	World Trade Organization

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In this exploratory report, the authors ask whether an East-West Economic Corridor (EWEC) linking Afghanistan, the Central Asian republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan), India, Iran, and Pakistan is feasible. Earlier efforts to develop economic corridors in this region have failed. The causes, the authors find, do not lie in doubts about the corridors' economic viability. Instead, the causes appear to be geopolitical alignments, internal conflicts, relations between EWEC members, great-power relations of EWEC members, and barriers to external capital.

The authors reviewed literature about past corridor initiatives and developed a case study of regional pipeline initiatives to identify the causes of past successes and failures. The authors also explored the salience of these and possibly new causes through in-person interviews with policymakers and policy analysts in India and Pakistan.

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RR-A3076-1