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## **The Tashkent-Islamabad Axis: Architecting a New Era of Regional Leadership and Prosperity**

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### **SYNOPSIS**

*The visit of the President of Uzbekistan, Shavkat Mirziyoyev, to Pakistan in February 2026 is not an ordinary visit: it is a generational chance to organize the strategic alliance that would define the geo-economic and geopolitical strategy between the two countries. The alliance could bring a chain of stability, connectivity, and prosperity. This kind of coalition will be in a position to stabilize the security of the region, make a multi-billion-dollar trading bloc between the core of Eurasia and the Arabian Sea, and put in place a functional mechanism to stabilize Afghanistan.*

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### **Key Cooperation Pillars between Pakistan and Uzbekistan**

1. Bilateral trade is, however, small, about USD 400 million by the end of 2024, and nowhere near what it could be due to market complementarities. Connectivity, rather than demand, is the main limitation. The proposed Termez Mazar-e-Sharif Kabul Peshawar railway, which is estimated to take an approximate length of 760 km and shorten the transportation time in Pakistani ports from weeks to days, has the potential to reduce transportation costs by up to 40 percent and reorganize the nature of trade flows in Central Asia and South Asia.
2. Regional security is the most essential enabling factor of any other form of cooperation. The continued existence of militant groups, including ISIS-K, TTP, survivors of the IMU, and ETIM, and the drug trafficking of narcotics in Afghanistan, constitutes a direct threat to the two states. Response fragmentation or reactivity is not adequate in a setting where security and connectivity are heavily interdependent.

3. The High-Level Strategic Cooperation Council was established in 2025 in order to resist fragmented diplomacy. The institutional connections were solidified by opening up an Uzbek branch of a bank in Pakistan in 2026, which provides the funding (trade financing and letters of credit) that would allow coordinating the industry on a long-term basis.

4. Civilization affinity is a strategic asset, but it has not been exploited in modern-day diplomacy. To the younger generations, a common background needs to be visible, available, and economically viable.

### **Recommendations**

- Infrastructure gaps continue to slow down economic growth, and bilateral trade stands at a low level of \$434 million at the end of 2025. To fill this gap, there will be a need to operationalize the Trans-Afghan Rail to Trade, and the creation of the joint Trans-Afghan Rail to Trade Corridor Authority (TARTCA) will result in more effective trade. This suggested institution might be mandated with raising the capital between 5-7 billion dollars needed by the international lenders, such as the AIIB and ADB. Through completion of the 1520mm gauge technical requirements, the project can realistically seek to pass 20 million tons per year of cargo, which will save 40 percent of transit costs. At the same time, a Digital Green Corridor needs to be adopted to automate customs in the TIR Convention in order to reduce 60% of border dwell time by 2027. This ought to be backed by a solid 24-month roadmap to uproot the existing Preferential Trade Agreement (PTA) to a full-fledged Free Trade Agreement (FTA).

- The missing link to bilateral trade is the opening of the NBP branch in Uzbekistan in 2026. The State Bank of Pakistan (SBP) and the Central Bank of Uzbekistan should go beyond conventional banking in order to maximize this. As a recommendation, an introduction of a Local Currency Settlement (LCS) system to circumvent the risk of third-party currency volatility is provided. This must be combined with the Electronic Data Interchange (EDI) system that is also operationalized by technical teams. With the help of the EDI and Karachi and Gwadar port manifests, the two countries can have the “Port-to-Tashkent digital tracking that will possibly decrease the costs of

logistics by 15-20% and guarantee the achievement of the short-term objective of trade amounting to 1 billion dollars.

- The fact that Uzbekistan offers to sell 29 units of textile to Pakistani entrepreneurs with electricity tariff charges of 8 cents per unit is almost historic to the members of APTMA in Pakistan since the industrial rate in the country is already at 16 cents per unit. The two nations need to set up a Special Pak-Uzbek Textile Industrial Zone to be able to exploit this. This would enable Pakistani companies to use the cheap energy sources and low-cost GSP Plus in Uzbekistan to export the value-added garments to Europe without a duty. At the same time, the recent visit of Pakistani specialists to the Almalyk Mining and Metallurgical Complex (AMMC) must be established as a Technological Exchange Agreement. The country needs raw copper and minerals to replace what Pakistan specializes in, electrical and heavy machinery, and this will form a cyclic industrial economy. On the one hand, the annual pharmaceutical imports in Uzbekistan reach 2.14 billion dollars in 2025, and dependence on foreign drugs is 90% (the priority of the localization of production is the first tier). It is proposed that Tashkent Pharma Park should have a "Pakistan Wing" where companies such as Bio Labs and Caraway Pharmaceuticals can take advantage of the Mutual Recognition Agreements (MRAs) on clinical trials, due to the success of Novugen Pharma. This would enable the Pakistani medicines to be registered and distributed in Uzbekistan within months, of time but not years. The Pakistani investors can gain a substantial market share by targeting the \$5–\$10 price range, where the demand is increasing the most over time, before the Chinese and European states can compete with them in terms of new GMP certification regulations in 2026. With regards to the example of Pakistan, the country recently, in January 2026, negotiated with massively high demand with the Pakistani leaders of the private sector (including Fauji Food and Fauji Meat) regarding the chilled meat, mangoes, and rice. To overcome the risk of spoilage of the Trans-Afghan route, the parties ought to invest in Joint cold-Chain Hubs at the Termez and Torkham borders. Moreover, 1121 Silla rice and mandarins should be subjected to a re-export strategy: by processing and packaging 1121 Silla rice and mandarins in Uzbekistan, the Pakistani exporters can take advantage of the Free Trade Agreements of Uzbekistan with the CIS

countries to get 1121 Silla rice and mandarins to the Russian and Kazakh market duty-free, thus effectively avoiding the traditional logistic hurdles.

- A solid roadmap of 24 months toward a Comprehensive Free Trade Agreement (FTA) with Pakistan should be finalized during the next visit of President Shavkat Mirziyoyev to Pakistan in February 2026. A Joint Business Concierge ought to be created to facilitate the 130+ joint ventures that are in operation. This office would offer a one-window facilitation of visas, dispute resolution, and local regulatory compliance, which would see to it that the political goodwill is converted into long-term, long term commercial success.
- To cushion the relationship against the evolving agenda of the key powers, the bilateral relationship has to be taken to the next level by inviting Foreign and Defense Ministers every year to a Ministerial Dialogue, which is termed as 2+2. This will guarantee a Unified Regional Voice in the SCO and ECO. A Joint Strategic Foresight Unit, which includes a variety of academic institutions on both sides, can be used to further increase institutional depth. This project will be useful in the analysis of long term trend, including the water scarcity caused by climate change and the growth of the academic exchange demand. Also, a Smart Border project based on UAVs and a universal biometric database at the crossings of Termez and Torkham is necessary to reconcile the open trade policy with the closed terror policy.
- The common Timurid and Mughal legacy should be turned into a strategic economic resource. Babur Houses in Pakistan and Iqbal Houses in Uzbekistan will act as centers of attraction to 50,000 tourists that the organization intends to attract every year by 2030. A combined tourist project should also be introduced as a Heritage Trail where single visa is offered to the circuit of Samarkand-Lahore-Multan. The company should promote Joint Media and Film Production to capture the interest of youths, who form the highest population in the two countries. The co-creation of high-quality documentaries about the Legacy of the Silk Road would be a good way to refute extremist accounts and to create a contemporary, shared identity to defend the long-term vision of a land-linked, prosperous Eurasia.

## **Conclusion**



A visit of President of Uzbekistan to Pakistan is a strategic milestone, and it presupposes a shift from rather amicable relations to active, result-oriented cooperation. New bilateral engagements are now taking a different path of economic practicality and reciprocal strategy development after having been well established on political trust. The instrument of collaboration has four reinforcing pillars, namely, security, connectivity (coordinated approach to Afghanistan), economic diplomacy, and cultural linkages. This cumulative strategic effect of development, and not individual gains of one of the fields, amplifies the outcomes of other fields. This composite design is suggestive of a definite severance with gradual involvement in an outrageous regional perception. The Trans-Afghan railway is the center of this change. It is not simply a transport project, a geo-economic instrument, which is capable of linking Central Asia and the Arabian Sea. In the instance of Uzbekistan, it relieves the landlocked constraints, whereas in the instance of Pakistan, it heightens its standing as a transition location in Eurasia. The development of the Preferential Trade Agreement, sectoral joint ventures, and the envisaged Supreme Council of Strategic Partnership of the year 2026 institutionalize this partnership, and this is what makes it a lasting paradigm of regional cooperation.

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