

Pakistan's Road to Central Asia: A Perspective through the Prism of Transit Trade Treaties

Umar Khan *

Abstract

Central Asian Republics (CARs) are landlocked countries looking for access to nearest sea ports. On the other hand, Pakistan is looking to diversify its economy by accessing CARs. Afghanistan has traditionally been the land bridge from the subcontinent to CARs, but the transit trade through Afghanistan has not been without challenges. Because of Afghanistan's political unrest and instability, APTTA 2010, has not been entirely successful in easing Pakistan's transit trade to CARs. This paper employs qualitative analysis to examine Pakistan's physical access to CARs through the prism of transit trade treaties. It investigates alternative solutions that circumnavigate Afghanistan via Iran and China, with a focus on the aspirations and sensitivities of these transit countries. Iran and China are apparently attractive alternatives in the context of an insecure Afghanistan, but these alternative routes to CARs are not without their own set of challenges and drawbacks, which warrant a renewed push to establish a working relationship for beneficial transit trade with Afghanistan.

Keywords: Pakistan, APTTA, Chabahar Agreement, QTTA, CARs, CAREC

* Umar Khan is a graduate of the National Defence University in War Studies. He can be reached at umar179@hotmail.com.

Introduction

Central Asian Republics (CARs) are imprisoned by landlocked-ness of their geography, with no immediate access to world ocean trade. In this prison analogy, Russia and China (and to a lesser extent Iran) are their guards due to geographical encirclement. They geoeconomically dominate CARs by virtue of their large size, economic footprint and good neighbourly linkages/ contiguous borders. Consequently it causes cost escalation of any commodity coming in and out of CARs. Innate high costs discourage businesses. Connectivity with the rest of the world also gets affected. Easing of these high costs are dependent on hard and soft connectivity of CARs with their neighbours. Hard connectivity is the physical connection via road, rails links etc, whereas soft connectivity is the customs and other bureaucratic/ regulatory issues, which delays smooth transit of freight through multiple border crossing points (BCPs) of intermediate countries. In order to address these hard and soft connectivity issues, the Central Asia Regional Economic Cooperation (CAREC) program and the TIR convention are playing active roles in breaking CARs out of their geographical prison. Shanghai Cooperation Organisation (SCO) is also an important regional cooperation initiative, but it helps to tie CARs more tightly to the big two, China and Russia, who cast a long shadow. It is unlikely that CARs would be able to leave this shadow under the banner of SCO.

Furthermore, there are two major UN conventions that also aim to ensure free transit trade to landlocked countries. The first is the Convention on Transit Trade of Landlocked States (1965) and the second is the United Nations Convention on the Law of the Sea (UNCLOS, 1982). Pakistan is not a signatory to the first, but it has ratified UNCLOS with a declaration that the content of the freedom of transit to the land-locked states has to be agreed upon by the transit State and the land-locked State concerned. It will be regulated only by the national laws of Pakistan;¹ thereby necessitating

¹ “UN Treaty Collection,” *United Nations*, accessed February 19, 2023, https://treaties.un.org/pages/ViewDetailsIII.aspx?src=TREATY&mtdsg_no=XXI-6&chapter=21&Temp=mtdsg3&clang=_en#_EndDec.

bilateral/ multilateral transit treaties with the land-locked countries of Central Asia.

Literature Review

Asif² has highlighted that Pakistan shares no common border with any of the CARs, which is one of the main obstacles to accessing the region. Khan and Elahi³ regard the poor political and security situation in Afghanistan as an obstacle preventing CARs from taking advantage of the shortest route to the Indian Ocean via Pakistani ports. With the construction of Chabahar port, CARs have an alternative and Pakistan must do all it can for peace in Afghanistan for future links with CARs. Akbari⁴ has concluded that though Chabahar Agreement offers Afghanistan an alternative to Pakistan, however, it cannot completely supplant Pakistan as a transit country and trade partner.

Fair⁵ describes historical Pakistani relations with CARs, noting that Pakistan's aspirations with CARs were economic in nature after the dissolution of the USSR. Initially, Pakistan's push for linkages was welcomed by CARs with their inclusion in the Economic Cooperation Organisation (ECO) in 1992. However, Pakistan's support for the Taliban in Afghanistan and the growth of Islamic extremism in the area in the mid-1990s prompted fear and anxiety in these new countries. As a result, instead of focusing on connection with Pakistan, CARs began to turn to Russia for economic security. The Shanghai Cooperation Organisation (SCO) was created in 2001, to deal with the concerns of security and terrorism in the

² F. Asif, "Pakistan's ties with central Asian States irritants and challenges," *PIPS Research Journal of Conflict and Peace Studies* (2011): 4.

³ Hashmat Ullah Khan and Muhammad Manzoor Elahi, "Pakistan's Economic Interests in Central Asia: Prospects and Challenges in Regional Perspective," *Central Asia Journal* (2017).

⁴ Suhailah Akbari, "APTTA versus Chabahar: Which Transit Trade Agreement Offers Afghanistan Broader Legal Benefits," *Research Review International Journal of Multidisciplinary* 5, no. 07 (2020): 32-41.

⁵ Christine Fair, "Pakistan's relations with Central Asia: Is past prologue?," *Journal of Strategic Studies* 31, no. 2 (2008): 201-227.

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region with Russia, China, Tajikistan, Kyrgyzstan, and Kazakhstan as members. After Pakistan joined the United States' War on Terror (WoT) against the Taliban in Afghanistan, Pakistan's perception was salvaged and started re-engaging with CARs for economic connectivity.

Linn⁶ examined CARs regional economic integration in his paper on Central Asian regional integration and cooperation. He mentions how, after the disintegration of the Soviet Union in 1991, the five states experienced a severe economic downturn. However, they regained economic stability after the year 2000 and worked to improve internal and external integration. Despite the region's abundance of electricity, oil, and other mineral resources, neighbouring countries such as Pakistan have been unable to underwrite this opportunity.

The Asian Development Bank (ADB)⁷ emphasises that CARs capabilities in utilising their abundant energy resources are improving. However, the major challenge that these countries face is finding a channel for exporting their resources. ADB through its Central Asia Regional Economic Cooperation (CAREC) program has compared⁸ progress made by regional countries in removing bottlenecks in the shape of benchmarks. This report has highlighted high dwell times and large costs of freights crossing through Pakistan, as compared to other regional countries. It indicates poor performance of Pakistani customs and communication infrastructure. Moreover, it has also shown Pakistan's over-reliance on road-based transport for high freight costs and deemed such practice unsustainable. Emphasis on rail-based freight and reducing custom clearance times are recommended.

⁶ J. F Linn, "Central Asian Regional Integration and Cooperation: Reality or Mirage?," in *Eurasian Development Bank*, ed. Evgeny Vinokurov (Almaty: EDB Eurasian Integration Yearbook, 2012).

⁷ *Central Asia Atlas of Natural Resources*. (Manila: Asian Development Bank, 2010).

⁸ *CAREC Corridor Performance Measurement and Monitoring Annual Report 2019* (Philippines: CAREC Program. June 1, 2020), accessed February 07, 2021, <https://www.carecprogram.org/?publication=carec-corridor-performance-measurement-monitoring-2019>.

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Javaid et al.⁹ argue that Russia intends to maintain its hold on CARs through dependency and does not wish CARs to explore southern trade links that would free them from this dependency. Al-Nouimat et al.¹⁰ and Zhekenov et al.¹¹ contend that China primarily uses the SCO's influence to ensure the stability of its eastern Muslim Xinjiang province by combating the three evils, i.e., religious extremism, terrorism, and separatism, as well as to further its economic interests. Russia, on the other hand, uses the SCO to counter Western encroachment in its sphere of influence (CARs). They also emphasise that Iran has made significant diplomatic inroads into CARs by portraying itself as a benign neighbour with no intention of spreading its brand of Islamic revolution (a major concern for CARs) and has positioned itself well to be a viable ocean outlet for the CARs.

While admitting the geographical shortcomings of both Pakistan and CARs, this paper recommends a few proposals in view of the historical background approved by Fair, Asif, Linn, Javaid et al, Al-Nouimat et al.,¹² and Zhekenov et al.¹³

⁹ Faisal Javaid, Asghar Dashti, and Muhammad Arif Khan, "Russian Foreign Relations with Central Asian Republics After 9/11," *Pakistan Journal of International Affairs* 5, no. 1 (2022).

¹⁰ Al-Nouimat, Abdalla Moh'd Dyab, Saltanat Jakubayeva, Duman Zhekenov, and Alibek Azimov. "Geopolitical interest of Iran in Central Asia," *Вестник КазНУ. Серия международные отношения и международное право* 87, no. 3 (2019): 40-46.

¹¹ Zhekenov, D, S. Jakubayeva, M. Sarybayev, R. Utkelbay, and K. Zhetpisbayeva. "Cooperation between China and Central Asian countries in the field of religious security" *Вестник КазНУ. Серия Востоковедения* 99, no. 4 (2021): 46-55.

¹² Al-Nouimat, Abdalla Moh'd Dyab, Saltanat Jakubayeva, Duman Zhekenov, and Alibek Azimov. "Geopolitical interest of Iran in Central Asia." *Вестник КазНУ. Серия международные отношения и международное право* 87, no. 3 (2019): 40-46.

¹³ Zhekenov, D, S. Jakubayeva, M. Sarybayev, R. Utkelbay, and K. Zhetpisbayeva. "Cooperation between China and Central Asian countries in the field of religious security." *Вестник КазНУ. Серия Востоковедения* 99, no. 4 (2021): 46-55.

CAREC

CAREC programme is an initiative sponsored by the Asian Development Bank (ADB) in 1997, to develop economic cooperation among countries by linking landlocked CARs with the world. There are eleven members of this program including all five CARs, Pakistan, China, Azerbaijan, Afghanistan, Georgia, and Mongolia. This program sponsors hard and soft infrastructure development projects like roads and railway links to ensure connectivity with CARs. This program¹⁴ financed by ADB for hard infrastructure projects to build connectivity. It more importantly proffers solutions to the problems of soft barriers to trade, like delays at ports, borders, inefficient customs procedures, and cumbersome and unnecessary clearance procedures that need to be overcome to increase trade connectivity with CARs and the rest of the world.¹⁵ CAREC has earmarked six routes, called transport corridors to connect CARs with the rest of the world and two of these routes (routes 5 and 6) originate/terminate at Pakistani ports, linking CARs with the Indian Ocean.



Figure 1: CAREC Transport Corridors. Corridors 5 and 6 connect with the Indian Ocean through Pakistan. Source: carecprogram.org

¹⁴ Cordula Rastogi and Arvis Jean-Francois, "The Eurasian connection: supply-chain efficiency along the modern silk route through Central Asia," *The World Bank*, 2014.

¹⁵ Ferrantino, Michael J, "11 Policies to improve the supply chain: what needs to be done?," *Global value chains in a changing world* (2013): 263.

TIR Convention

TIR stands for Transports Internationaux Routiers or International Road Transports. It is an important international road transit convention that was concluded in 1975 to harmonise issues of international transport of goods. This convention not only covers customs transit by road but also by rail or a combination of rail and road. It is the only¹⁶ universal customs transit system in existence, from which cargo can be moved in sealed containers/vehicles from the customs office of departure of one country to another country without requiring customs checks through intermediate borders by ensuring the security of cargo and guarantees to customs' authorities. This convention also sets out international standards for transporters like regular checks and standards for vehicles, insurance, etc., to ensure confidence in the transporters to ply reliably through intermediate countries.

Pakistan, Afghanistan, China, Iran, and other CARs are signatories¹⁷ of this convention, enabling CARs to trade in an international customs transit framework without facing mandatory customs stoppages/checks through transit countries.

Routes to CARs

As Pakistan does not have contiguous borders with CARs, it can only access CARs via Afghanistan, Iran, and China through the following trade routes:

a. Afghan Route

- (1) First route traverses through Pakistan – Afghanistan – Uzbekistan – Kazakhstan touching Peshawar, Torkham, Kabul, Termiz and Shymkent to Almaty.

¹⁶ "TIR Introduction," *UNECE*, accessed February 11, 2021, <https://unece.org/transporttir/introduction..>

¹⁷ "UN, United Nations, UN Treaties, Treaties," *United Nations*, accessed February 11, 202, https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XI-A-16&chapter=11&clang=_en.

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- (2) Second route transverses through Pakistan – Afghanistan – Tajikistan – Kyrgyzstan – Kazakhstan touching Torkham, Kabul, Bander Sherkhan, Dushanbe and Bishkek to Almaty.
- (3) Third route transverses through Pakistan – Afghanistan – Turkmenistan – Uzbekistan – Kazakhstan touching Chaman, Towrgondi, Bukhara, and Shymkent to Almaty.
- (4) This route traverses from Pakistan to Afghanistan's cities Kandahar, Herat to the Turkmenistan border at Towrgondi.

b. Chinese Route

This corridor is the shortest route to Kazakhstan, passing through Karakoram highway to China and reaching Kazakhstan through Kyrgyzstan traversing via Sost - Khunjerab pass -Kashgar- Bishkek to reach Almaty (Kazakhstan).

c. Iran Route

This is the southernmost corridor traversing through Iran's port of Bandar Abbas to Turkmenistan. Using Turkmenistan's rail/road infrastructure onwards to Uzbekistan, finally reaching Kazakhstan.



Figure 2: Red lines depicting trade corridors through China and Afghanistan.

Afghanistan

Traditionally, Afghanistan has been the main transit route to CARs for Pakistan. Using other countries to traverse to CARs requires additional layers of bureaucracy and treaties to make that happen.

Afghan Pakistan Transit Trade Agreement 2010¹⁸ is the main instrument through which Pakistan accesses CARs. This agreement was signed between Pakistan and Afghanistan, which expired¹⁹ on February 11, 2021. It is in the process of renegotiation. Earlier, the Afghanistan Transit Trade Agreement (ATTA, 1965) was signed in 1965, which granted Afghanistan access to Pakistan's ports but did not address Pakistan's access to Central Asia through Afghanistan. Due to ATTA, Pakistan faced the founding of black markets, in which duty-free goods for Afghanistan were rerouted to Pakistani markets. This resulted in revenue losses for Pakistan. Moreover, Afghanistan was not given access to the Indian markets under the ATTA of 1965. There was no mention of the transit trade to CARs for Pakistan also. As a result, in 2010, a new Afghanistan-Pakistan Transit Trade Agreement (APTTA, 2010) was signed, granting Afghanistan trade access to all countries of the world through Pakistani ports, barring imports from India, and in return Pakistan's trade with CARs was allowed.

Despite APTTA 2010, Pakistani traders faced hurdles to export and import goods from CARs. Earlier, this was widely presumed to be due to anti-Pakistan sentiment toward the USA-sponsored Afghan regime. On the contrary, even after the change of regime in Kabul in August 2021, there has not been much change in Afghan dealings with the Pakistani traders.

¹⁸ "Afghanistan Pakistan Transit Trade Agreement," *Digital image*, Ministry of Commerce Pakistan, accessed January 25, 2021, <https://www.commerce.gov.pk/wp-content/uploads/pdf/APTTA.pdf>.

¹⁹ Zafar Bhutta, "Lack of Trust Hinders Trade with Kabul," *The Express Tribune*, October 12, 2020, accessed February 06, 2021, <https://tribune.com.pk/story/2268121/1>.

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All cargo from Pakistan is offloaded²⁰ from Pakistani trucks and then loaded on Afghani trucks for further transport to CARs. Moreover, customs clearance and check stops in Afghanistan further delay any consignments passing through Afghanistan. This is generally justified as a reaction to Pakistan's decision of not letting trouble free transit trade from India to Afghanistan. The Afghan transporters face many delays due to prolonged customs clearance, burdening mandatory requirements of working with expensive bonded transporters (due to large bank guarantees/insurance associated with bonded transporters).²¹ These complaints of slow and expensive processing of freight are not without merit. ADB research²² has found Pakistan's BCPs at the Pakistan-Afghan border (Torkham and Chaman) to be among the slowest and most costly in the region. Moreover, Pakistani ports have the longest dwell periods in the region, escalating demurrage and freight costs.^{23,24,25} Persistence of such soft barriers to trade

²⁰ "PAJCCI, Pakistan-Afghanistan Bilateral and Transit Trade Issues & Proposed Resolutions," *Ministry of Commerce*, April 2018, accessed January 25, 2021, [http://www.pajcci.com/Downloads/Pakistan-Afghanistan Bilateral and Transit Trade Issues & Proposed Resolutions - April 2018.pdf](http://www.pajcci.com/Downloads/Pakistan-Afghanistan%20Bilateral%20and%20Transit%20Trade%20Issues%20&%20Proposed%20Resolutions%20-%20April%202018.pdf).

²¹ Shoaib Ahmad Rahim, "Afghanistan's dependence on Pakistan: Trade, transit and the cost of being landlocked," *Kardan Journal of Economics and Management Sciences* 1, no. 4 (2018): 1-21.

²² *CAREC Corridor Performance Measurement and Monitoring Annual Report 2019* (Philippines: CAREC Program. June 1, 2020), accessed February 07, 2021, <https://www.carecprogram.org/?publication=carec-corridor-performance-measurement-monitoring-2019>.

²³ Arif Rafiq, "Regional Transit Trade Isn't Enough to Drive Pakistan's Gwadar Port," *Middle East Institute*. October 14, 2020, accessed February 08, 2021, <https://www.mei.edu/publications/regional-transit-trade-isnt-enough-drive-pakistans-gwadar-port>.

²⁴ "Sector Assessment," Publication no. PAK 46378, accessed January 1, 2021., <https://www.adb.org/sites/default/files/linked-documents/46378-002-ssa.pdf>.

²⁵ Muhammad Nawaz Khan, "Afghan Transit Trade: A Dividend or Drag on Pakistan's Economy." *Eurasia Review*, October 11, 2022, <https://www.eurasiareview.com/11102022-afghan-transit-trade-a-dividend-or-drag-on-pakistans-economy-oped/>.

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over the years has led to diminishing trade with Pakistan. This will likely result in a complete loss of business traffic to neighbouring Iran.

4. Torkham Sost/Tashkurgan
5. From TorkhamTo Wagha**
6. From Chaman To Wagha**

* This route will become operational on a later date to be agreed mutually.

** Pakistan will facilitate Afghan exports to India through Wagah. Afghan trucks will be allowed access on designated routes up to Wagah. Afghan cargo will be off loaded on to Indian trucks back to back at Wagah and the trucks on return will not carry Indian Exports.

Figure 3: Snapshot of APTTA 2010, explicitly barring imports from India.

On giving Afghanistan access to India, APTTA clearly states that Afghanistan can export goods directly to Wagah border, but no imports are allowed from India. Pakistan will use Afghanistan for transit to CARs, which was the basic purpose of APTTA 2010. In 2016, Afghanistan refused to honour APTTA and when Pakistan announced plans for bypassing Afghanistan using Quadrilateral Transit Trade Agreement (QTTA), Afghanistan agreed to re-honour APTTA. Afghanistan has now found an alternate route to India via Iran's Chabahar port by signing a Chabahar agreement in 2016, with India and Iran.²⁶ It allows the shipping of Indian goods to Afghanistan via Iran's Chabahar port. However, it was later found that APTTA is a more comprehensive and generous agreement in Afghanistan's favour. Some of the salient differences are:²⁷

²⁶ Sumitha Kutty, "India Cements Role in Iran with Chabahar Deal," *Lobe Log*. June 02, 2016, accessed February 10, 2021, <https://lobelog.com/india-cements-role-in-iran-with-chabahar-deal/>.

²⁷ Suhailah Akbari, "APTTA versus Chabahar: Which Transit Trade Agreement Offers Afghanistan Broader Legal Benefits," *Research Review International Journal of Multidisciplinary* 05, no. 07 (2020): 32-41.

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- a. Chabahar agreement covers transit of goods and persons through Chabahar port, while APTTA gives Afghanistan access to all seaports of Pakistan in addition to Wagah border.
- b. The Chabahar agreement does not state freedom of transit, whereas APTTA gives this right to Afghanistan.
- c. Most important of all, APTTA abolishes all custom duties/charges for transiting cargo, except for services rendered; whereas the Chabahar agreement does not allow such concessions. It only mentions the provision of best endeavours for the reduction of such charges in its language.
- d. APTTA provides an explicit definition and type of visa (6 months, with each stay no longer than 15 days) to transporters. On the other hand, Chabahar agreement does not entertain any such provision and vaguely mentions facilitation of visas for contracting parties.

In addition to APTTA being a comprehensive agreement, Pakistan is Afghanistan's major trading partner and top export destination, accounting for 43% of Afghanistan's exports. Ninety per cent of Afghanistan's fresh fruits and vegetables end up in Pakistani markets.²⁸ These factors make Pakistan an indispensable trade partner to Afghanistan and gives Pakistan leverage in re-negotiating APTTA, which has become a protracted issue.²⁹

Iran

There are several advantages of the Iran-Afghanistan route to CARs. Iran has a direct border with Turkmenistan boasting connectivity with CARs. Unlike Pakistan, Iran has good rail connectivity with both Afghanistan and Turkmenistan, giving Iran a significant advantage in freight transportation costs. Due to the low cost of fuel in Iran, freight costs within Iran are reduced even further. Secondly, Iran has an FTA with the Eurasian

²⁸ Dr. Hussain Yasa, "The Political Aspects of APTTA." *Daily Outlook Afghanistan*, February 03, 2021, accessed February 10, 2021, http://outlookafghanistan.net/topics.php?post_id=28555.

²⁹ Muhammad Ali, Mushtaq Ghumman, "Cabinet to Approve APTTA Extension," *Brecorder*, May 21, 2021, accessed June 15, 2021, <https://www.brecorder.com/news/40094109/cabinet-to-approve-aptta-extension>.

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Economic Union (EAEU), which increases its trade advantage over Pakistan. Due to these reasons, Iran is a major trading partner of CARs and provides them an outlet to the Indian Ocean through her ports. Iran, with assistance from India, covets to channel and monopolise trade with CARs via Chabahar port.³⁰ Iran is the linchpin of the International North–South Transport Corridor (INSTC) and the Ashgabat Agreement, which aims to connect Iran with India, Russia, and CARs. Considerable progress has been made to remove barriers to trade with CARs and increase connectivity, especially via rail. It is a direct competitor for Pakistan's ambitions to provide Indian Ocean access to CARs.



Figure 4: Iran's Vision. Adapted from Source: CSIS: Reconnecting Asia

The only obstruction for Iran to monopolise its trade with CARs is economic sanctions. Pakistan can access CARs via Iran due to its stronger rail infrastructure and contiguous borders with Turkmenistan, but this would only let Iran compete more effectively with Pakistani commodities,

³⁰ Sayareh Jafar, and Meysam Fooladi Mehtarkalateh, "Chabahar port vs. Gwadar port: A Logistics Performance Comparison," In Proceedings of the International Association of Maritime Economists (IAME) 2016 Conference, Hamburg, Germany, 2016.

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resulting in a decreasing market space for Pakistani exports. This is not mere conjecture. Iran has a precedence of having a trade rivalry.³¹

Earlier Iran had provided a land bridge to Turkey with CARs. Iran had repeatedly raised costs for Turkish cargos transiting Iran to CARs by increasing transit trade fees³² and refusing to refuel CARs bound Turkish trucks.³³ It has rendered Turkish exports more costly in competition with Iranian exports in the CARs market.



Figure 5: Chabahar Agreement Route. Source: <https://ifpnews.com/>

³¹ Omid Rahimi and Ali Heydari, "How Iran and Turkey Compete in Central Asian Trade," *The Diplomat*, February 26, 2020, accessed August 08, 2021, <https://thediplomat.com/2020/02/how-iran-and-turkey-complete-in-central-asian-trade/>.

³² "Turkey and Iran Agree on Transit Truck Fee," *World Bulletin / News from Turkey and Islamic World*, November 17, 2014, Accessed August 09, 2021, <https://worldbulletin.dunyabulteni.net/turkey/turkey-and-iran-agree-on-transit-truck-fee-h148602.html>.

³³ "Turkey Hopes to Normalize Truck Transit Fees with Iran," *World Bulletin / News from Turkey and Islamic World*, November 11, 2014, accessed February 07, 2021, <https://worldbulletin.dunyabulteni.net/turkey/turkey-hopes-to-normalize-truck-transit-fees-with-iran-h148185.html>.

China

As lack of stability and political will in Afghanistan made transportation of goods a liability, Pakistan along with China, Kazakhstan, and Kyrgyzstan, decided to form a Quadrilateral Transit Trade Agreement (QTTA) to bypass Afghanistan by transporting goods using the Karakorum Highway via China to Kyrgyzstan and Kazakhstan.³⁴ QTTA was signed on March 9, 1995, by Pakistan, China, Kyrgyzstan, and Kazakhstan to enable Pakistan to circumnavigate Afghanistan to Central Asia. It was enforced in May 2004 and followed the route Karachi-Rawalpindi-Hassanabdal-Gilgit-Khunjerab (Pak/China Border)-Kashgar-Torugart (China/Kyrgyzstan Border) -Bishkek- Akjol-Kordai (Kyrgyzstan/ Kazakhstan Border) - Almaty (Kazakhstan). QTTA uses the Karakoram Highway to connect to Xinjiang province in China which in turn is linked with CARs. This route remained in operation till a landslide on the Karakoram Highway in January 2010. After considerable repairs and rehabilitation, this route was reopened on September 2, 2015, for traffic. However, this agreement has not been effective in enhancing trade. Freight moving through this route faces numerous delays at BCPs due to oversight and lack of concentrated effort by the member countries to remove customs/bureaucratic hurdles. These delays make it unattractive for traders to utilise QTTA for shipments.

³⁴ Muhammad Shoaib, "Presentation on Quadrilateral Agreement," *CAREC Program* (2015), accessed February 07, 2021, <https://www.carecprogram.org/uploads/2015-QTTA-06-PAK-Presentation-QATT-Workshop.pdf>.



Figure 6: QTTA route. Source: www.issi.org.pk

China Pakistan Economic Corridor (CPEC)

CPEC is a Chinese flagship programme of the Belt and Road Initiative (BRI) to link western China to Pakistani ports in the Indian Ocean.

Since QTTA uses the Karakorum highway, CPEC projects will help Pakistan to connect with Kazakhstan using the CPEC infrastructure. Not only will hard infrastructure be improved but delays in BCPs and custom co-ordinations will be streamlined automatically when China's own goods will be subjected to similar transit exercises from Pakistan to China and vice versa.

In light of Afghanistan being a willing barrier between Pakistan and CARs, QTTA is a viable alternative. As already stated, QTTA's importance was highlighted when Afghanistan insisted on the inclusion of India in APTTA

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and stopped Pakistani shipments to CARs in 2016.³⁵ This was not acceptable to Pakistan due to prevalent tensions with India. Afghanistan dropped its demand for reciprocal access to India after Pakistan announced its intention to revitalise QTTA. It ostensibly challenged Afghanistan's desire to monopolise Pakistan's route to CARs.³⁶

On the other hand, due to persistent instability in Afghanistan, the rest of the CARs have also requested to join QTTA like Tajikistan³⁷ and Uzbekistan.³⁸ They also wish to enhance their connectivity to the rest of the world through Pakistan's warm water ports. However, certain issues have persisted which have resulted in a lacklustre utilisation of the QTTA agreement which includes:

- a. Delay in the issuance of visas to the drivers/personnel.
- b. Lack of information about the agreement and associated protocols by customs officials of member countries. Authorities unnecessarily stop vehicles in a variety of locations when they pass through their jurisdictions. China's customs and immigration authorities cause unnecessary delays in the inspection and clearance of vehicles in transit.
- c. The QTTA transit route is not an all-weather road link. Due to unsuitable weather, it remains closed for a minimum of four months every year (December to end March).

³⁵ "Regional Connectivity through QTTA and CPEC," *Daily Times*, October 04, 2020, accessed February 11, 2021, <https://dailytimes.com.pk/674284/regional-connectivity-through-qtta-and-cpec/>.

³⁶ *A Framework for Renegotiating Afghanistan Pakistan Transit Trade Agreement* (Islamabad: Pakistan Business Council, 2020), 6, accessed February 12, 2021, <https://www.pbc.org.pk/wp-content/uploads/Framework-for-Renegotiating-the-Afghanistan-Pakistan-Transit-Trade-Agreement.pdf>.

³⁷ Zafar Bhutta, "Tajikistan to Join Pakistan Road Link Bypassing Afghanistan," *The Express Tribune*, February 23, 2017, accessed February 10, 2021, <http://tribune.com.pk/story/1337274/tajikistan-join-pakistan-road-link-bypassing-afghanistan>.

³⁸ Mubarak Zeb Khan, "Uzbekistan Looks to Pakistani Ports." *Dawn*, May 8, 2020, accessed February 10, 2021, <https://www.dawn.com/news/1555445/uzbekistan-looks-to-pakistani-ports>.

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- d. Most borders work on a 5 or 6-days weekly basis and have different working hours.
- e. Numerous inspections by different agencies at the borders and during transit, especially in China.

There is sensitivity³⁹ in China with respect to Islamic separatism (East Turkistan Islamic Movement) and China has a strict posture towards any activity which might be perceived to aid such unrest in her Xinjiang province. Cross-border movement of cargo from one Muslim state Pakistan, to another (Kyrgyzstan/ Kazakhstan) is a cause for suspicion and increased checking of cargoes at BCPs. To streamline the transit of goods via QTTA, the following are considered essential:

- a. Adherence to TIR convention by member countries. After customs Inspection at the point of origin, the truck/container should be sealed, and the same seal should be opened at the final destination.
- b. E-Visa facilitation for transport operators may be ensured by QTTA member countries. Multiple entry unified visa sticker mechanism is also a viable option that may be introduced to ease transporter's multiple visa woes.
- c. Facilitation of approved transport operators should be ensured via embassies of QTTA member countries by the Ministry of Foreign Affairs.
- d. Operators should be granted at least 6 months or one-year multiple entry visas as per QTTA agreement.
- e. China may be sensitised about Pakistan's trade interests with CARs, and Pakistan must reinforce soft infrastructure linkages of CPEC

³⁹ Raj Verma, "Domestic Political Drivers and Chinese Diplomacy: Xinjiang and Counter-Terrorism in South Asia," *Asian Perspective* 44, no. 4 (2020): 561-586.

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with QTTA in the shape of MOUs and written understandings from China in order to streamline transit trade.

Pak-CAR Trade Prospects

Against popular belief, Pakistan has a good light industrial and agricultural capacity which has export potential to CARs.⁴⁰ Both China and Iran also have good industrial capacity and compete with Pakistani light industrial goods/produce in CARs market. Relying on Iranian or Chinese transit has the potential to introduce unintended sharing of trade intelligence. This may subsequently lead to the loss of market share from CARs in the long run. Whereas, Afghanistan with no industrial capacity offers no competition and is a viable transit country for Pakistan. Besides, Afghanistan is also rife with political instability. It is expected that transit trade to CARs via Afghanistan will always be problematic even after the conclusion of renewed APTTA. Safeguards to these concerns must be introduced in the newly-negotiated APTTA deal to have a financial punitive effect on Afghanistan, thereby deterring it from obstructing Pakistani trade.

Further, a multilateral approach in dealing with Afghanistan is also a feasible option, if CARs can be persuaded to discourage Afghanistan from blocking trade. This can be achieved by expanding APTTA to include other CARs under one transit trade agreement for duty-free transit to CARs and beyond. If Pakistan is successful in forging an umbrella multilateral transit trade deal that includes all CARs and Afghanistan, it will save Pakistan from becoming a hostage to Afghani unilateral actions; as the trade interests of other CARs/ stakeholders would also be impacted. At the same time, Afghanistan's own commerce with CARs would be leveraged as collateral.

Presently, APTTA is the best agreement for Afghanistan, and it would not be possible for it to get any better deal from any other country. The case of Chabahar agreement is relevant in this regard. It may be argued that while Pakistan gives Afghanistan access to the whole world (through its ports)

⁴⁰ Umar Khan, "Pakistan's Trade Opportunities and Challenges with CARs: Kazakhstan and Turkmenistan in Perspective," *Central Asia* 91 (2023):1-28.

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sans Indian imports, Afghanistan gives Pakistan access to three CARs. This huge quantitative imbalance in terms of access to countries needs to be properly understood. At present negotiations for renewing APTTA are stalled with Afghanistan due to the following reasons:

- Afghanistan wanted import access from India
- Insistence on the reduction of customs delays, and charges on services/facilities, etc.

Reduction of custom delays and service charges may be addressed to make Pakistani ports competitive. However, the Government of Pakistan (GoP) may continue to stay firm in negotiations vis-a-vis Indian imports. Pakistan needs to protect its trading interests. Pakistan is Afghanistan's main trading partner. Otherwise, the government of Pakistan has the option of offering the same terms and conditions as offered in the Chabahar agreement already signed by Afghanistan with India and Iran. The new APTTA agreement is already very generous by regional standards.

Nonetheless, Pakistan should only chase the project of the road to CARs if it can reap tangible economic benefits from it. Renting out port and rail/road infrastructure to decrease landlocked-ness of CARs will not contribute to changing Pakistan's economic landscape. Real tangible economic benefits can be realised only if there are Pakistani trading companies operating from CARs territory; marketing and importing products of Pakistani-origin into CARs. Encouraging the establishment⁴¹ of Pakistani trading houses/companies inside CARs territory can be considered a major policy discourse. It can be dovetailed with all initiatives (transit trade agreements, preferential trade agreements, etc.) aimed at promoting enhanced connectivity with CARs.

⁴¹ Umar Khan, "Pakistan's Trade Opportunities and Challenges with CARs: Kazakhstan and Turkmenistan in Perspective," *Central Asia* 91 (2023):1-28.

Conclusion

Pakistan accesses CARs through Afghanistan, Iran, and China. Despite the obvious hard connectivity concerns with CARs: soft infrastructure connectivity challenges play a dominant role in influencing the trend, speed and cost of trade between these countries. Important international instruments like CAREC and TIR are available to address hard and soft connectivity issues with CARs. Iran is taking advantage of these instruments and augmenting them with its own regional partnership programs like INSTC and Ashgabat Agreement to increase its hard and soft connectivity and become a go to warm water port for CARs. Despite having a firmer international standing and access to better transit agreements than Iran, Pakistan has lagged behind in utilising and enforcing cooperation programs (QTTA, APTTA, CAREC, CPEC etc.) to its advantage for connecting with CARs. Bureaucratic/regulatory bottlenecks (soft infrastructure issues) have plagued transit trade through Afghanistan and China. This must change and Pakistan must exercise adroit diplomacy to renegotiate and enforce transit agreements, if Pakistan wishes to capitalise on the untapped economic potential of CARs. Furthermore, the idea of using Iran to connect with CARs must be spurned; otherwise, it will see itself bypassed and circumvented, negating the value of its prized geostrategic location.■