

**A Qualitative Paper - Factors Affecting the Transit Trade: A Case Study of Afghanistan
Pakistan Transit Trade Agreement**

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ABSTRACT

The study aimed to identify challenges having substantive effect on transit trade between Afghanistan and Pakistan under the transit regime established in 2010. In doing so, a qualitative survey was conducted for identification of challenges affecting transit trade. This included interviews with registered firm owners to collect primary data. The collected data was analyzed through thematic analysis using NVivo software. Results suggest that the decrease in volume of transit trade is due to frequent border closure, War on terror/insurgency in the region, and competitive regional rivalry and had strong effects on time sensitive goods. These non-tariff barriers to transit trade have significant impact on transit trade thus resulted in stagnancy in growth of transit trade i.e. Afghanistan Pakistan Transit Trade Agreement (APTTA). This evidence also informs that other factors such as scarce use of information and communication technology or digital divide, lack of government support, u-turn trade delay in clearance, border skirmishes and political unrest were average factors hindering the Afghanistan and Pakistan transit trade hampered transit trade and remained less significant factor.

Keywords: APTTA, Transit Trade, NVivo, Border Closure

INTRODUCTION

In spite of global technological advancement, landlocked states still continue to face structural challenges to relish the benefits of maritime low-cost and efficient trade. Afghanistan is one of the 44 landlocked states, sharing borders with Pakistan, Iran, Turkmenistan, Uzbekistan, and Tajikistan while depends on Pakistan and Iran to facilitate the transit of its trade and to access global market through sea route. Pakistan is a littoral state and its roads and seaports serve as a transit corridor for Afghanistan to trade globally. This access is governed under the Afghanistan Pakistan Transit Trade Agreement (APTTA) 2010. Treaty/agreement was initially signed by Trade Minister of Pakistan, and Trade Minister of Afghanistan in 1965 which was amended later in 2010 and implemented in both countries on June 12, 2011. The purpose of the agreement was to strengthen trade relations and facilitate transit trade between both the states through Bin Qasim Port and Karachi Port. Provisions of early treaty provided Afghanistan access to Pakistan's sea ports. Provisions related rights to trade with India through Pakistan's route are in vogue. This agreement allows Afghanistan access to India but Pakistan made the decision to disallow Indian transit shipments and exports to Afghanistan through Pakistan's land route causing injury to domestic/local manufacturers. Currently Afghanistan have access to two operational border points, 1) Chaman border, Baluchistan and 2)

Torkham border, Khyber Pakhtunkhwa while the third most important border crossing point Ghulam Khan Border was opened on March 09, 2018, which is still under construction phase.

Both South Asian states remained largest trade partners for long decades. Afghanistan is dependent on Pakistan infrastructure, sound border relations and peace and stability. Global Terrorism Index (2020) ranked Pakistan on 7th position and Afghanistan on 1st rank while measuring the impact of terrorism by systematically coded data of terrorist incidents and indicated Afghanistan with the highest economic impact, equivalent to 16.7% of its GDP. The highest regional economic impact of terrorism amounts to \$5.6 billion which is alarming for the entire region.

Pakistan has recently signed an economic deal with China to connect a newly built seaport named as Gawadar Port to Kashghar, China. It is expected to bring considerable economic benefits to specific sectors including infrastructure development, road networking, energy projects, railway projects, ports development, advanced local transport systems and technology transformation. The government has taken strong initiative in concluding the China Pakistan Economic Corridor (CPEC) by 2026. These projects are expected to heal the fragile economy of Pakistan and Afghanistan which will enhance regional trade and provide stability to the economy of Pakistan and Afghanistan. On the other hand, Afghanistan is having close trading relationship due proximity to Pakistan. The development in transportation, modes of transport efficiency and road connectivity development under CPEC will boost the local and south Asian market integration. Regional integration is a key strategy which enables countries to expand their markets, widen the region's economic space, secure the benefits of economies of scale for production and trade, increases competition in global trade and improves access to foreign technology and investment.

There are factual evidences showing that increased trade contributes to the economic growth and sustainable development of countries and transit trade accounts for a substantial portion of international trade and thus it is highlighted as one of the key elements of the Economic Competitiveness Package (ECP). It is also clear that efficient transit procedures contribute greatly to the enhancement of economic competitiveness among the signatory states. Transit operation potentially includes many trade barriers, because it usually involves a large number of stakeholders such as various government agencies, transporters and banks or financial institutions. A poor transit system may hamper international trade significantly, and thus hinder the economic development of a country. The literature related to Afghan-Pakistan Transit Trade reveals that transit trade faces many barriers like poor infrastructure, instable political relationship, peace and stability, and administrative practices. Furthermore, Afghan traders also criticize Pakistan for high demurrage charges, delay in security refund, and consignment mishap. The incumbent government aims to enhance regional trade and provide stability to the economy of Pakistan which is also critical particularly for other developing countries like Afghanistan. Furthermore, the identification of challenges and efforts to lower trade barriers may contribute to the economic growth of both countries and improve transit operations to bring considerable economic benefits to LLDCs.

The aim of this research is to find out factors which are more significant factors which affect the transit trade between Pakistan and Afghanistan. The novel challenges are explored which have significant impact on transit trade between Pakistan and Afghanistan. The expected challenges yield various priorities for landlocked Afghanistan. Policies related these factors with particular focus to mitigate these factors of landlockedness. There is a dire need of mitigating region-specific challenges and country-specific challenges to access global market and to integrate local market.

LITERATURE REVIEW

In international trade, transit trade is less documented trade among states (Cabrillo et al., 2016). Transit trade is defined as the border crossing of goods among one or more states (WTO, 2014). Transit trade is defined in General Agreement on Tariffs & Trade (Articled V) as trilateral traffic of consignments crossing a land route of coastal state completing the journey of transit goods and terminating beyond the frontier of transit state. Fay et al, (2004) found that the land locked states (LLSs) depends on transit state infrastructure, political relationship, security and stability and administrative practices. The LLCs are deprived of access to seaborne trade or sea resources which impede LLCs to access international market. Arvis, (2010) examined that the LLS face high cost of penalty for using the transit corridor of the transit state and rely on transit therefore having less developed economy than the transit states. Kweka, (2004) analyzed the impact of transport costs on trade performance and concluded that transport costs are a significant constraint to exports. Limao and Venables, (2001) found that an increase in transport costs by 10 percent reduces trade volume by 20 percent. Arvis et al. (2008) argued that trade is significant not only for a landlocked state but for the transit state as well. Martin (2000) stated that the world consists of 44 (LLS) having no access to sea or lack direct access to international trade. Fay et al. (2004) compares the global indexes of transit states and LLS, transit state's economic and human development indicators are far better than land locked state. Despite of access to the sea there are other problems which hinder the trade between states which includes legal and administrative hurdles by crossing the territory of a sovereign state, and leads to frequent economic and political problems (Makil 1970). The long distance between regions from maritime coast leading to high cost of transportation (Michael 2004), but transit trade crossing long distance is not a new phenomenon (Helpman, 2011) it is political and land fragmentation making hurdles in trade flow (Arvis, 2005). Koosuwan (1971) highlights the hazards faced to Laos's transit trade are the delay in shipment, and high freight charges by ETO. Martin (1983) figures out hazards faced to Laos transit are complex procedures, high cost of shipments, inadequate facilities, insufficient transportation facilities, restrictions and complex documentation lack of coordination and planning from government possess huge problem in smooth flow of transit trade.

Besides these general factors, regional transit trade agreement between Pakistan and Afghanistan named as Afghanistan Pakistan Transit Trade Agreement face challenges. Rahim (2018) concludes that closure of main crossing points; barriers to trade with India, unfair demurrage charges and extortion fees, inefficient risk management system, and security overkill are key challenges hindering Pak-Afghan transit trade. Hussain (2015) found that Pak-Afghan trade relationships is historically tense with issues such as cross-border infiltration, refugees, drug trafficking, militant groups, and disputes over counter terrorism policy and dialogue with terrorist networks causing erosion in relations between both the states. Saad (2015) argued that the trends of Afghanistan's trade shifted to Iran due to the devaluation of Iranian currency, transportation charges and infrastructure. Moreover, the decrease in trade volume due to the mentioned hazards shifted Afghan trade to nearest Chinese market.

In general, the south Asian region is less integrated economically, reflecting historical political tensions and mistrust, with cross-border conflicts and security concerns contributing to a low-level equilibrium. According to Pakistan Institute of Legislative Development and Transparency (PILDAT) report (2011) the hazards involved in APTTA is illegal trade practices/smuggling, where surplus is pushed to Pakistan through informal trade routes causing injury to national economy (loss of taxes and duties) Misuse of transit facility is another hazard resulting into resentment among Pakistan manufactures, thus affecting the process of local investment.

According to Pakistan Afghanistan Joint Chamber of Commerce (PAJCCI) report (2018) the following challenges exploit the market dominance of APTTA, where demurrage charges make Afghan importers reluctant to clear the consignments and cause stagnancy in transit trade. Secondly, data errors in Electronic Data Interchange (EDI) pose challenge to APTTA. The errors in messages (i.e. wrong container numbers,

weights) cited in PAJCCI report resulted in stagnant bilateral trade. Although all the errors are from Afghanistan side but still Pakistan plans to rectify problems and execute the smooth flow of EDI. Thirdly, Pakistan exporters are charged with high custom guarantee for exports consigned to Central Asian Republic and the similar practice from Pakistan side results in blockage of trade funds and the payment of 110 % guarantee on exports in transit. This high percentage poses many problems in trade flow. Fourthly, disallowing loose cargos and containerized shipments only is highlighted with provision of trans-loading or cross-loading. The transfer of goods from one container to another in Pakistan territory is not allowed even if more necessary in order to secure the shipments from demurrage charges. This issue led to creation of mistrust between the traders. Lastly, Bonded Carriers (BC) charges higher prices for consignments made under APTTA.

METHODOLOGY

This research is exploratory and qualitative in nature and the purpose of the study is to identify substantive factors affecting transit trade between Pakistan and Afghanistan. The data consists of 78 traders and exporters importers cum clearing agents registered with Sarhad Chamber of Commerce and Industry, Peshawar (Annex- a). Results-driven sample sizes is of 10 interviewees. The interviews were conducted in the head offices of the firm owners located in Khyber Pakhtunkhwa. Furthermore, the purposive sampling technique is adopted in the study and primary data was collected from the respondents/data items i.e. traders and importers exporters cum clearing agents wherein open-ended questions in semi-structured interview were asked which were being in more conformity to the research objectives and research questions (Annex-b). For identification of factors related to transit trade, a thematic analysis of qualitative data underwent the thematic analysis by adopting straightforward step-by-step six phase guide proposed by Braun, V., & Clarke, V. (2006). The Nvivo (qualitative data analysis) software was used for analysis which consists of Computer Assisted Software for Qualitative Data Analysis (CASQDA) standards. Transporters and Customs officers are excluded from the study.

ANALYSIS

This case study intended to explore the challenges associated with Afghanistan-Pakistan Transit Trade. The qualitative themes were identified by mean of interviews conducted with respondents and adopting the case study components proposed by Yin (2014). The following themes were explored using NVivo software such as: 1) Border related factors, 2) Security related factors, 3) Technological factors, and 4) Government related factors

BORDER RELATED FACTORS

The Border related factors contributed to the stagnancy in the growth of bilateral trade or transit trade between Afghanistan and Pakistan and created many logistic difficulties to Afghanistan in particular. The subthemes emerged during interviews with respondents.

Border closure is highlighted in this study during the coding process by almost all the respondents, depicting that when the border closure take place the transit trade between Afghanistan and Pakistan badly affected. R1, R2, R3, R6, R8 R9, and R10 shared their views that “when border is sealed our business is stagnant then” “Some products are seasonal when the delay occurs they run out of season.” “Border closure is a huge loss to country because traders are stuck in between the borders”, “some products get expired have sealed border many time due to cross fires, Border closes the payment of addition halting is made and extra payment is of detention fee is also made to transporters and shipping companies.” “Shipments are exposed to higher risks, thefts, delays, incidental situation occur like Chaman Bomb blast, Shehwan bomb blast added to the border closure in result consulate posed more checks and balances on trade.” Abrupt and frequent border closures, did play a significant role in decrease of bilateral trade.” R7 is of the view that “Shipping companies also charges rent of vehicle 4000 per day and extra halting on delay at border affect the businessmen.” Additionally, Pakistan Afghanistan Joint Chamber of Commerce and Industry (2018)

report also pointed out that the abrupt border closure remained a mutual issue creating mistrust among the business community of both the countries.

Visa problems

R2 is the only respondent who spoke about the visa issuance problem at border and stated that “Afghanis here in Pakistan are facing visa problems, obtaining multiple entry business visa is hard but when the border closes it creates more hurdles and creates distrusted situation”.

Border Skirmishes

Cross-border infiltration or border skirmishes aided to the closure of borders between Afghanistan and Pakistan. R3, R10, R5 are of the view that “Routine border fires create very hurdles for traders which all the time results in Border Closure.” “The border is sealed many times due to cross fires” respectively.

U-Turn Trade

R4 of the view that Goods are pushed back to Pakistan and R9 also expressed his view that U-turn trade is in practice from the start of ATTA 1965 and still exists. R6 explained that “Border management is necessary to control the informal trade goods under the APTTA go missing and then found in the local market, keep a strict check on APTTA misuse, essential food items is through Pakistan; though mostly informal.” R2 stated that “Some trade activities are through smuggling.” This factor is preconceived in various studies and the same factor is addressed to concerned authorities prior to this research work.

Inefficient Border Management

Border management is another theme coded from the data and which also exist in the previous studies. R1 stated that “BM is necessary to control the informal trade, Thirdly, border management is need of the day.”

Delay in clearance

The theme identified during the coding process of data is delay in clearance. R2, R3, R7 and R9 stated that “Quick clearance can help us a lot.” “Speedy clearance of consignment is time saving.” “The increase in waiting time for clearances, abrupt and frequent border closures, did play a significant role in decrease of bilateral trade.” “Speedy clearance of consignment can benefit us in repayment of our investments”.

SECURITY RELATED FACTORS

As the case study intended to explore factors associated with APTTA and address the significant factors to authorities concerned, the security related factors were coded subject to respondent’s scenario. Border closure took place many times due to security measures in Pakistan. Border skirmishes and cross border terrorism resulted in blockade of transit trade. Following are the responses of respondents confirming that security related factors contributed to the decrease of the transit trade.

War on Terror/Insurgency in the region

Most respondents expressed their views that War on terror or insurgency in both the states led to drastic decrease in volume of transit trade. R1 and R2 stated that “70% of transit trade is shifted towards Iran due to insecure situation in the country. We are not given any security. We are doing our business at our own risk. R4 is of the view that “No security of our consignment, The biggest issue in the bilateral trade is of terrorism.” R5 and R6 responded to the same question that “containers are misplaced on either side whether that is by Taliban or terrorist, terrorist attacks or bomb blasts on either side of the signatories is having drastic affects, terrorism/insurgency is another major threat to bilateral trade which needs to be addressed to official concerns.” R7 being Afghan national said that “Afghanistan is my homeland but we cannot carry out business there due insurgency.” R8 response was recorded as Security and instability in the region is the issue faced to bilateral trade, Cross-border infiltration, refugees, drug trafficking, militant groups, and

disputes over counterterrorism policy and dialogue with terrorist networks have contributed to an entrenched trust deficit, both sides turbulent as the whole region is hit by militancy which hampers the trading activities.”R9 also responded that war on terror remained significant factor and “transit trade beyond the security sector, complicating efforts to build stronger trade and economic ties, trade is affected by the current situation created inside the country, Security is main hurdle here in our trade and its impacts are very severe,”R9 and R10 responded to a question that What opportunities do you think will enhance APTTA, that access to central Asian states will enhance APTTA but Afghanistan is not having any secure rout to central Asia republics (CARs). Transit Trade money is misused and transacted in illegal ways which contributes to insecurity among Pakistan and Afghanistan.

Indian Hostility/Regional Rivalry

This theme emerged during the coding process of data collected from respondents. Many respondents pointed out during interview that regional rivalry is causing loss to economy of Pakistan and substantial portion of transit trade is diverted to Iran with Indian assistance. R2 stated that “India is supporting trader by giving rebate on many products and 12 hundred Kanals site is provided for containers at Iran where trucks and containers are parked without giving any demurrage.”R3 and R6 had the same concept as “On one side India is driving them and even interferes in their defense matters and supporting them, Indian interest in Afghanistan is generally considered as a product of the strategic rivalry between New Delhi and Islamabad.”R5 pointed out that “India provides a free translator across the country ports whose guidance enables them to communicate with regional traders.” R9 said that “Afghanistan is favor of the inclusion of India in APTTA and Indian Government has keen interest in Central Asian Republic and wants to have close trade ties with Afghanistan via Iran, the upcoming competition from Iran and India, the small improvement in transit facility for Afghan goods (via Pakistan) may lead to more commercial trade prospects.”R10 is of the view that “India financially support Chabahar and Bandar Abbas Ports in Iran to reach CARs, bonded warehouse is established in a spacious location where trucks are loaded and unloaded without paying any demurrage, rent, detention etc. Chahbahar port of Iran being built and promoted by India as an alternative to Gawadar appears to be at a relatively disadvantageous position on three accounts its close proximity to the choke point of Strait of Hormuz, India and Tajikistan give good incentives to Afghan traders which motivate them to trade through Iran ports.”R2 responded to a question Is there Indian factor due to ban on Indian Exports under APTTA? that “On other side Iran is trying to shift the business to the respective ports newly built with the assistance of India, the act India is interfering everywhere in economic activities, Indian supports every trader of Afghan to trade with world through land routes of Iran, India sees enormous potential in growing trade with Afghanistan, Border crossing between Iran and Afghanistan is without any charges.” Hence the above statements of the respondents strongly confirm that regional rivalry exists i.e. Indian Hostility. India is enhancing role of Iran as transit route and its coordinated investments affected the transit trade between Pakistan and Afghanistan which shifted Afghanistan’s focus towards regional competitor Iran.

Political Instability

Political instability is another hindrance in transit trade between Pakistan and Afghanistan. Due to political instability the investors have lost their trust to invest further in transit trade. Trade issues must not be interchangeably dealt with political issues highlighted some respondents. The factor was revealed during the interview with the respondents and was further validated in coding process as a theme in thematic analysis. Previous literature also revealed that political unrest exists since the inception of Pakistan which has a negative impact on economic growth of both the fragile economies. R10 stated that “There is the transit trade relations between the two countries have remained capricious akin to political relations ever since 1947.” However, the transit trade of Afghanistan has remained unstable akin to surge political relations between the two countries. R3 pointed out the same by saying that Political problems are there on both sides. Trade between both the countries must be supported at national level and political issues, significant

role in decrease of bilateral trade in addition to turbulent political ties between the two countries,"R6 stated that political instability is another issue hindering trading activities.

TECHNOLOGICAL FACTORS

Beside Border and Security related factors, the technological factors also impeded in smooth flow of transit trade. Various respondents recorded their responses as follows:

Digital Divide

R3 expressed that "Quick in-out of trucks from dry ports will enhance the traffic and speedy delivery of consignment will save time and money, planning for future is needed for smooth flow of consignments." Quick in out of trucks is possible with speedy scanning machines.R6 stated that "Dry ports are to be upgraded, Less or Inadequate automated processes and scarce use of ICT another factor in transit trade."R7 stated that "Government shall adopt computerized system for examination of goods and quick examination checkup."R 9 added that "Quick clearing of consignments and examination of product using computer fast scanning speedy machines for goods clearance will contribute of enhance APTTA." R10 added that "data stored in database shall be accessible to government official throughout Pakistan."R2 stated that tracking system is too weak as many containers mishap during the transportation from Karachi to Chaman and Torkham Border."Most respondents said that the misuse of APTTA needs to be addressed and proper management procedure shall be adopted to tackle the issue.

Mishap of Consignments

Another factor revealed in the coding process is mishap of consignment containers. R2 stated that no clear provision exists to carry responsibility of goods mishap and further stated that "bonded carriers responsible for all mishap and missing of containers or tracking companies should be set responsible for loss of any container, and bonded carrier does not take any responsibility for any mishap."

No Systematic Scanning Policy

Systematic scanning is dire need for good clearance under APTTA, respondents demanded. R5 stated that "to impose a systematic scanning policy for containers on both their import and export, cargos are containerized and goods are scanned at Karachi but the result is not satisfactory."R3 stated that "Government shall adopt computerized system for examination of goods and quick examination checkup." R4 stated that "Quick clearing of consignments and examination of product using computer fast scanning speedy machines for goods clearance will contribute of enhance APTTA."

GOVERNMENT RELATED FACTORS

Detailed responses were recorded during interviews with respondents regarding the government related factors. Many respondents expressed grave concern about the improvement in APTTA regulations and coordination among official across Pakistan. Many respondents were of the opinion that there is lack of government support. The following government related factors hindering transit trade were generated based on data coded.

Single Mode of Transport

All respondents expressed their views that there is a single mode of transportation for goods shipped under APTTA. The transport is shipped only by National Logistics Cell (NLC) which is independent carriage unit. R1stated that "additionally Railway shall be upgraded for shipping secure goods. R2 stated that "Secured ports can really enhance APTTA while railway up gradation is required, trucks are deployed only for shipment of goods if railway is made functional it will reap the benefits by receiving freight charges and shipment fee, R3 also stated that "railways would receive 20% extra of transit goods transported under APTTA." R4 and R5 have the also same request that "Railway should be made functional to improve the

transit trade though it will be slower but it is safer than other means, Railway shall be made functional for the safe shipment of consignment, bonded carriers are speedy to be used in shipment but they cost much higher cost than the railways, trade activities are carried out through roads across Pakistan. R6 expressed his personal opinion that “I am in favor of the decision to include Railway department in APTTA agreement.” R7 said that “Railway is safest and quick mode of consignment delivery, expect speedy clearance from customs authorities.” R8 stated that “The shipping of consignment is through bonded carriers.” R9 requested that government shall include the Railways in APTTA to avail the low cost opportunity of trade.

Lack of Government Support

Another factor followed by single mode of transport is lack of government support. R3 stated that “Policy should be implemented with consent of stakeholders with prior notice, government polices play an important role.” R5 stated that “Facilitation on both sides, Government should take the consent of Stakeholder in their annual meetings.” R6 said that “We are doing our business at our own risk. No security of our consignment, good infrastructure and facilitation to traders will enhance APTTA and that is possible only when the central government will take initiative to improve them, freight reduction and no provincial tax should be levied across Pakistan”, R9 said that “Border management is necessary these days. R10 expressed his view that “Proper management at top level can be very useful in managing transit trade, The transactions are not recorded and cannot be addressed at government level, All departments should not interfere in transit trade. Single department should be held responsible to handle trading activities.”

Extra Halting Charges

Respondents reported that their trucks stranded on either side cause them extra halting charges as R3 said “trucks demand for extra halting from importers and exporters therefore they also suffer a lot in paying demurrage as well.” R7 said that “The other reason for decline in transit trade is delay caused by customs agencies, extortion fees, and under power trucks. R8 stated that Daily halting charges of drivers ranging from Rs-4000 to 6000. Border closes the payment of addition halting is made and extra payment is of detention fee is also made to transporters and shipping companies.” R9 said that “Traders are charged with excess costs of high demurrage and extra halting.”

Delay in Security Payment

Delay in repayment of security impeded trading activities. Respondents said that they give security of 5 hundred thousand of empty containers if container is misplaced, they suffer huge loss and misplacing of container is usual. R3 said that “Security Refund is a big problem for medium size businessmen, long delays in release of insurance guarantees significantly increase the transactions costs for Afghan traders.”

Lack of One-Window Operation

Although a single response from R9 is recorded that provision of one window operation shall be provided to traders to enhance transit trade but it worth to overcome the cumbersome documentation or bulks of documents required to ship the consignment may create administrative complexities in transit trade.

High Demurrage Charges

The theme emerged that government charge high demurrage charges. R3 stated that “Government is taking 300% security of a single container which blocks the flow of trader’s fund which is an extra burden.” R5 said that “Stoppage of Consignments blocks the payments. Container detention is levied on trucks, duty taxes are not paid and trucks demand for extra halting from importers and exporters therefore they also suffer a lot in paying demurrage as well.” R6 said that “Demurrage is paid by the importers and exporters when the consignment are stuck on each side of a country.” R9 also reported the same that “Detention charges on container from \$80 to \$120. Traders are charged with excess costs of high demurrage and extra

halting.

Lack of Customs and Local Coordination

Another factor that emerged during the coding process was lack of customs and local coordination. Respondents reported that “Government should take the consent of Stakeholder in their annual meetings. “Customs coordination for completion of paperwork where excessive documentation requirements and inefficient border-crossing procedures make hurdle in transit trade is highly appreciated by respondents. R9 said that “The other reasons for decline, delays caused by customs agencies, extortion fees, and under power trucks.” R8 stated that “regional cooperation with consent of all stakeholders can enhance the agreement, lack of communication among the offices of customs at various stations.” R9 pointed out that “Inconsistent custom procedures and policies affect the bilateral trade. Regional cooperation is necessary.” R10 responded that “Traders should not be harassed by policemen and other official who charges trucks illegally, Lack of mutual understanding among both the countries has been great hurdle to our trade.”

CONCLUSION

The primary objective of the research was to investigate the factors affecting APTTA and address those potential challenges to authorities concerned. The analysis suggests that the Afghanistan- Pakistan transit trade faces challenges such as Border related factors, Security related factors, Technological related factors and Government related factors.

Firstly, in border related factors frequent and abrupt border closure remained a mutual issue that impeded transit trade and created mistrust among the business community and investors. Furthermore, the results depicted that when the border closure took place Afghanistan and Pakistan transit trade got badly affected. Most seasonal products under APTTA ran out of season due to delay in clearance and blockade at border points. Perishable products like fresh vegetables and fruits imported from Afghanistan on daily basis got expired due to border closure. The traders paid additional halting charges and made extra payment as a detention fee to transporters and shipping companies. Many respondents had a grave concern over the delay in shipment at borders points which exposed their shipments to higher risks and thefts. According to Zarmina (2017), thousands of trucks loaded with fresh fruit got stranded at entry points in Pakistan.

Secondly, in security related factors, War on terror/insurgency in the region remained a significant factor which has negatively affected APTTA. War on terror wherein border skirmishes and crossfire from either side even many times led to border closure between Afghanistan and Pakistan. Moreover, war on terror is quantitatively ranked highest in the region as Global Terrorism Index (2020) ranked Pakistan on 7th position and Afghanistan on 1st rank while measuring the impact of terrorism by systematically coded data of terrorist incidents. Peace and Security in the region is prerequisite for investment environment. APTTA has immensely contributed to heal Pakistan’s economy by earning precious foreign exchange but declining trend in the recent years due to the war on terror alarms the authorities for future endeavors. Due to this factor, Pakistan’s fragile internal security environment continues to hurt its financial position and is deprived of emerging opportunities. External meddling in domestic and regional affairs adds complexity to Pakistan security matrix. Hence regional instability continues to inhabit in regional connectivity and economic integration and immensely resulting in disputes causing injury to APTTA.

Lastly, regional rivalry/Indian hostility factor emerged during the coding process of data collected from respondents. Many respondents pointed out that the regional rivalry is causing loss to economy of Pakistan and substantial portion of transit trade is diverted to Iran with Indian assistance. The upcoming regional competition from the regional competitors i.e., Iran and India tend to reduce the size of transit trade due to the higher cost of trade. The delay caused huge loss to traders and the competing interests of global and regional players pose dilemma for Pakistan. Balancing trade relations in this competitive environment is challenging as often competing economic and political interests lead to covert hostility.

Quest for transit trade increase and allowing goods through Pakistan land routes without any blockade is dire need to compete Chahbahar and Bandar Abbas port. The study further highlights that most respondents in response to a question “What opportunities do you think will enhance APTTA?” recorded their responses that with practical realization of China Pakistan Economic Corridor (CPEC) the infrastructure and transport sector of Pakistan will improve and transit trader may also relish the benefits. To look forward for opportunities associated with APTTA can beam light for enhancing the current transit trade and will improve our local exports. In response to question related the expansion of business towards Central Asian Republics, most respondents expressed their keen interest in expanding their businesses to CARs. Positive response shows that APTTA can be enhanced with multilateral transit opportunity. CASA, TAPI, and CEPC projects are expected to be streamlining Afghan transit trade interdependency.

RECOMMENDATIONS

1. Government regulatory body established for transit trade shall provide regular briefings on policies related to future improvements in transit and bilateral trade.
2. Inclusion of Railways in APTTA carriage can really enhance transit trade in terms of speedy, low cost and secure shipment of consignments.
3. A centralized shipment tracking system needs to be launched throughout Pakistan to ensure safe consignments shipment which will decrease theft and mishap of containers.
4. Government should facilitate dry ports for speedy clearance and should adopt quick examination checkup of shipments under WeBOC.
5. Simplification, streamlining and standardization of transit procedures, application of information technologies, will play role in enhancing the efficiency of transit systems.
6. Regulators/Directorate of Transit trade shall take consent of all stakeholders in taking decision regarding APTTA.
7. Containers shall be insured with insurance companies to take responsibility of goods under transportation to cover the loss suffered to agents and investors in case of mishap of containers.
8. Most of the time, the delay in consignment occurred due to incomplete documents, hence effective information sharing mechanism shall be adopted.
9. The government should take initiative to enhance APTTA and play active role in revenue generation to benefit the economy and avoid losses.
10. Immediate policy action should be taken to tackle the hazardous situation.
11. Transit trade management strategy to be implemented and strengthen.
12. Lack of external customs storage facility as the consignments are exposed to higher risk in open area
13. To look forward for opportunities associated APTTA can beam light for enhancing the current transit trade and practical realization APTTA to improve our local exports and industry.
14. The implementation of these measures may improve transit trade operations and may bring considerable economic benefits to both the south Asian states.

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