

EXPLORING THE ISSUES AND PROSPECTS OF
PAKISTAN’S CROSS-BORDER TRADE WITH
AFGHANISTAN: A CASE STUDY OF GHULAM
KHAN



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CERTIFICATE

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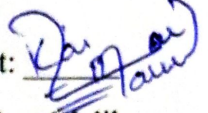
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Dedication

This research thesis is dedicated to my beloved father, fiancé, siblings and my Mother the most important human being living on earth.

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Abstract

Cross-Border trade plays an important role in the economic growth of fragile and conflict affected states. It allows vulnerable residents to reconnect with the bordering country to access goods and services that are key to economic and social recovery. This study aimed to explore the issues and prospects of cross-border trade via Ghulam Khan Border and its impact on locals and the local economy. The study also tried to assess the adoption of international standards at Ghulam Khan Border. For this purpose the study employed the exploratory case study design which is characterized by the lack of preliminary research. The study nature is exploratory since the overall purpose of the study was to explore the reasons of low volume of trade via Ghulam Khan Border and its socio-economic impact on the locals. The study relied on qualitative methods of data collection. One Focused group discussion with locals and 59 in-depth interviews were conducted with different stakeholders. Moreover, the study conducted content analysis of the Revised Kyoto Convention. This thesis found that the reasons for low volume of trade are numerous which includes; the episode of border closure during Zarb-e-Azab, Ghulam Khan Border being comparatively new border and the lack of basic facilities at the border terminal. Due to lack of these facilities, most of the international standards are not adopted at Ghulam Khan. This study also found that the cross-border trade had been a source of employment to many individuals of Waziristan. The study proposed the adoption of certain key international standards from Revised Kyoto Convention.

Key Words: Cross-Border Trade, Ghulam Khan Border, Zarb-e-Azab

Table of Contents

Abstract	v
List of Figures	ix
List of Tables	x
List of Abbreviations	xi
CHAPTER 1	1
Introduction.....	1
1.1 Background of the Study	1
1.2 Cross-border Trade	1
1.3 Trade Routes/ Border Crossing Points.....	2
1.4 Dimensions of Cross-Border Trade	4
1.4.1 Bilateral Trade	4
1.4.2 Transit Trade Agreements (ATTA/APTTA)	5
1.4.3 Illegal Trade	6
1.4.4 Trade Mis-invoicing.....	7
1.5 Issues in Cross-Border Trade.....	8
1.6 Problem Statement	8
1.7 Research Questions.....	8
1.8 Objectives of Study.....	9
1.9 Significance of Study.....	9
CHAPTER 2	10
Literature Review.....	10
2.1 Studies related to adopting International Standards at Borders	10
2.2 Studies related to Pakistan -Afghanistan trade:	13
2.3 Research Gap	15
CHAPTER 3	17
Methodology	17
3.1 Introduction.....	17
3.2 Research Design.....	17
3.3 Research Methods	17
3.4 Research Strategy.....	17
3.5 Sampling Technique	18
3.6 Data Collection and Analysis.....	18
3.7 Units of Data Collection	18

3.7.1 UDC 1. Locals of Ghulam Khan.....	18
CHAPTER 4.....	22
Findings, Results and Discussion.....	22
4.1 Introduction.....	22
4.1.1 Historical Perspective of Cross-Border Trade via Ghulam Khan	22
4.2 Reasons of Low volume of Trade via Ghulam Khan Border.....	22
4.2.1 Relatively New Border.....	22
4.2.2 Closure of Border during <i>Zarb-e-Azab</i>	23
4.2.3 Seasonal trade via Ghulam Khan	23
4.3 Formal Trade via Ghulam Khan and Security Condition	24
4.3.1 Military Operation <i>Zarb-e-Azab</i> and its Effects on Trade through GKK	25
4.4 Current New Developments & Facilities Available at Ghulam Khan Border Terminal.....	28
4.4.1 Weighing and Scanning Facility	28
4.4.2 Banking facility.....	29
4.4.3 NADRA verifications:	29
4.5 Clearance Process of Imports/Exports at Ghulam Khan Terminal	29
4.6 Role of different stakeholders in Cross-Border Trade	32
4.6.1 National Logistics Cell.....	32
4.6.2 Frontier constabulary	33
4.6.3 Pakistan Customs	33
4.6.4 Chamber of Commerce	34
4.6.5 Ministry of Commerce	34
4.6.6 Ministry of Communication.....	35
4.7 Issues and Hurdles in Cross Border Trade.....	35
4.7.1 Inefficient and Insufficient Infrastructure	35
4.8 Government Officials Perspective on Cross-Border Trade via GKK	39
4.8.1 Lack of Quarantine Department, FIA, and Immigration staff.....	40
4.9 Socio-economic impact of cross-border trade on locals of Ghulam Khan	41
4.9.1 Employment Opportunity	41
4.9.2 Impact of Trade on Livelihood & Earnings of Locals	42
4.9.3 Spill-over Effect of Cross-Border trade on locals.....	43
4.10 Significance of Ghulam Khan Border.....	44
4.11 Adoption of International Standards at Ghulam Khan Border.....	45
4.11.1 Revised Kyoto Convention	45
4.11.2 Content Analysis of RKC (Chapter wise).....	48

4.11.3 Compliance with TIR Convention and Revised Kyoto Convention	51
4.12 Overall Recommendations proposed by different stakeholders.....	51
4.12.1 Locals Proposed Solutions	51
4.12.2 Drivers and Traders Proposed recommendations	52
4.12.3 Customs Clearing Agents and Customs Officials proposed recommendations	52
4.12.4 Civil Administrative Officials Recommendations	52
4.13 Chapter Conclusion.....	53
CHAPTER 5	54
Conclusion and Recommendations.....	54
5.1 Conclusion	54
5.2 Policy Recommendations.....	55
5.3 Limitations of the study	57
References	58
Annexure 1	62

List of Figures

Figure 1.1: Border Crossing Points	4
Figure 3.1: Figure 3.1 Categories of Stakeholders (UDCs).....	21
Figure 4.1: Export Process at the Border.....	31
Figure 4.2: Import Process at the Border.....	32
Figure 4.3: Key Principles of Simplification and Harmonization of Customs Procedures...	46

List of Tables

Table 4.1 List of Commodities imported/exported via GKK.....	24
Table 4.2 Frequency Table of Responses	28
Table 4.3 Frequency Table of Responses	39
Table 4.4 Frequency Table of Responses.....	40

List of Abbreviations

ATTA	Afghanistan Transit Trade Agreement
APTTA	Afghanistan Pakistan Transit Trade Agreement
FGD	Focused Group Discussion
FC	Frontier Constabulary
FIA	Federal Investigation Agency
GD	Goods Declaration
GKK	Ghulam Khan Khel
IDPS	Internally Displaced People
NLC	National Logistics Cell
PSW	Pakistan Single Window
RKC	Revised Kyoto Convention
TDPS	Tribally Displaced People
TIR	Transports Internationaux Routiers (International Road Transport)
WeBOC	Web Based One Custom

CHAPTER 1

Introduction

1.1 Background of the Study

Geographically, Afghanistan is located in South-Asia and shares borders with Iran, Turkmenistan, Uzbekistan, Tajikistan and Pakistan. Since it's a landlocked country and have no access to sea water for their international trade purpose, it relies on its neighboring countries for trade with the rest of the world. Afghanistan beyond mere geographical contiguity shares religion, culture, ethnicity, dialects and history with Pakistan. This makes the nature of bilateral relations as described by the former Afghan president "as more conjoined and inseparable twins". With the shared culture, ethnic lineage and language the prospects for trade between the two countries are high. The landlocked Afghanistan has been using the territory of Pakistan till the current day for the access to sea lanes of communication since ancient times. Before the creation of Pakistan, trade took place between British India and Afghanistan via Torkhum-Jalalabad and Chaman-SpinBoldak routes. Apart from access to sea lanes of communication, Pakistan has been Afghanistan's main trading partner. Trade and economic relations between the two countries have improved despite the recent history of mutual suspicions. Pakistan emerged as a natural gateway to Afghanistan.

1.2 Cross-border Trade

Border between any two countries is a line of demarcation which presents change in policies, procedures, rules and often cultures and ideologies. Such borders are inherently a place of disagreement or even conflict. The movement of people and goods across an international frontier will face challenges and decisions that are not experienced when the movements of people and goods are completely within one country (Higginson). Cross-border trade is defined as the flow of goods and services across the international land borders with in a reach of duly defined area. It has two varieties- formal and informal. The former refers to trade in goods and services which is carried out by legally registered traders and fulfill all the legal requirements of trading countries while the later refers to the movement of goods in which all or part of the trading activity is

unrecorded or unrecognized by the government and without adherence to procedural requirements of all formal institutions (Habtamu et al., 2016).

The cross-border trade between the two countries has many dimensions such as transit trade, bilateral trade, illegal trade, regional trade and transit trade to other double landlocked countries. Such a multi-dimensional trade became subject of political debate, negotiations and bilateral agreements and consequently became a source of tension between the neighboring countries. Efforts to overcome these barriers have been hindered in the repeated negotiations because the issues relating to the different dimensions of trade have been mixed up, which made the discussion and negotiations much more complex and unending. Resultantly, the trade relations between the two countries suffered, causing a distrust between the governments. (Khan, 2016)

Since each dimension of cross-border trade is governed by its respective agreement i.e. bilateral trade is governed under its own agreement. Similarly, the transit trade is governed by the transit trade agreement between the two countries. Besides the Transit trade, Pakistan and Afghanistan are the largest trading partners. In the year 2020, Afghanistan exported different goods such as (raw cotton, dried legumes and grapes) of total worth 492 million US Dollars. Afghanistan's exports to Pakistan have increased from 29.9 million US dollars in 2003 to 492 million US dollars in 2020. Similarly, Pakistan's exports to Afghanistan have increased from 408 million US dollars in 2003 to 870 million US dollars in 2020 (oec.world). However, the security situation and political environment in Afghanistan impedes the pace of trade between the two countries. The political differences and trust deficit between the two countries has a negative impact on both the bilateral and transit trade. Due to this trust deficit and political difference, the amount of potential trade between the two countries have not been achieved yet.

This thesis will explore the issues faced at Ghulam Khan Border by relevant stakeholders which directly and indirectly hampers the cross-border trade activities and to analyze the same in term of international best practices and relevant standards adopted by the developed countries.

1.3 Trade Routes/ Border Crossing Points

Pakistan shares 2,640 kilometers border with Afghanistan across the Khyber Pakhtunkhwa and Baluchistan province, while on the Afghan side the border intersects the provinces of Badakhshan, Nurestan, Kunar, Nangarhar, Paktia, Khost, Paktika, Zabul, Kandahar, Helmand, and Nimruz.

Previously, the border at many points was porous due to which cross-border movement of goods and people could not be monitored. However, recent reports suggests that about 85% of border has been fenced.

There are three official border crossing points, which possess all the essentials of border crossing points such as immigration, customs and security check points: Chaman, Torkhum and Ghulam Khan. (Sabawoon, 2020) The Chaman-Spin Boldak border is located in Baluchistan province and connects Quetta with the Kandahar province of Afghanistan. It is the second busiest border with Afghanistan through which both formal bilateral and transit trade is carried. The Torkhum border is the oldest and busiest border crossing point. It connects Peshawar with Jalalabad city, the capital of Nangarhar province of Afghanistan. A large volume of both formal bilateral trade and transit trade is carried via Torkhum border. The history of Torkhum border crossing point dates back to the pre-partition times, cross-border trade between Afghanistan and the British government of India took place via Torkhum border. However, the customs operation office was established in 1954 at the Torkhum border crossing point. The third official border crossing point Ghulam Khan is located in Miran Shah North Waziristan region of Khyber Pakhtunkhwa province. It connects Miran Shah with the Gurbaz district of Khost province of Afghanistan. Ghulam Khan Border is new border which has recently been announced as an official border. The cross-border trade via Ghulam Khan took place in the early 2000's, but later in 2014 the border was closed for cross-border activity because of major military operation 'Zarb-e-Azab'. The cross-border trade via Ghulam Khan was suspended for Four years, and later in 2018 it was reopened for limited trade. In 2019, it was reopened completely for trade as well as people crossing the border. (Sabawoon, 2020). More recently in the month of April 2021, the Ghulam Khan Border was also operationalized for the transit trade.

Apart from these three official border crossing points, there are other border crossing points with Afghanistan where very limited amount of trade take place. These include Arandu (Chitral), Gursal (Bajaur), Nawa Pass (Mohmand), Kharlachi (Kurram) and Angoor Adda (South Waziristan).

Figure1.1 Border Crossing Points



Source: Dawn GIS

1.4 Dimensions of Cross-Border Trade

The cross-border trade between Afghanistan and Pakistan has many dimensions such as transit trade, bilateral trade, illegal trade, regional trade and transit trade to other double landlocked countries. Each kind of trade is governed under the respective arrangement/agreement.

1.4.1 Bilateral Trade

According to the data released by State Bank of Pakistan, Pakistan's exports to Afghanistan fell 5.5% from \$790 million to \$746.3 million during the first nine months of fiscal year 2020-21 (State Bank of Pakistan, 2021). In the fiscal year 2019, Pakistan exported goods worth of USD 1.18 billion to Afghanistan. While Afghan's exports to Pakistan were recorded worth of 544 million USD in the year 2019. During the last 16 years Pakistan's exports to Afghanistan have increased from 408 million USD in 2003 to 1.18 billion USD in 2019 (OEC World). According to the Senior Vice President Sarhad Chamber of Commerce Manzoor Elahi, Pak-Afghan trade has a potential

of 8 to 10 billion USD a year. (Manzoor Ali) He mentioned the slow operations of customs across the border which results in delayed trade.

1.4.2 Transit Trade Agreements (ATTA/APTTA)

The transit trade relations between Pakistan and Afghanistan started with the United Nations Conventions and General Agreement on Tariffs and Trade (GATT). Under the UN conventions and Article V of GATT which emphasized on freedom of transit, Pakistan was bound to provide national treatment to the Afghan goods for the import and export purpose. Both the countries agreed on certain arrangements and signed the 'Afghan Transit Trade Agreement' (ATTA) in March 1965. The first transit trade agreement was very simple and clear with no complicated system, lasting from 1965-2010. This agreement comprised of 15 articles and two annexes dealing with transit routes, transport, and customs procedure (Owais et.,al 2018).

Under this agreement Pakistan allowed using of territory for trade transit enter from Karachi Port and Port Qasim and exist through Chaman and Torkhum. The trade routes and track in Pakistan as well as Afghanistan were not specified under this agreement. Moreover, according to this agreement Afghan Transit Trucks were not allowed to enter Pakistan and instead transportation facilities within Pakistan's borders was provided by Pakistan Railway and later Pakistan National Logistic Cell (Rahim, 2018).

The focus of this agreement was on both countries facilitating each other in transit trade irrespective of ownership of transport or goods, its origin and vessel flag and/or its exit/entrance point. Dispute resolution was achieved through dialogue or third-party consensus building. Transit trade was facilitated by reducing port duties and freight charges, no provincial or national taxes and/or custom being charged on goods transit expect administrative, transportation and cost of services charges.

Over the time concerns were raised over the transit agreement as it did not address the pilferage and smuggling issue, which was severely affecting the Pakistan's domestic economy. The huge influx of smuggled goods in the Pakistani market was hurting the domestic industries of Pakistan. Moreover, after the disintegration of Soviet Union and emergence of Central Asian republics they surfaced as potential markets for the export of goods and import of energy resources for important regional players such as Pakistan and India. These new dynamics of the region prompted Pakistan

to think about accessing the potential export markets of CARs. Pakistan initiated discussions to revise ATTA. Draft text for the new agreement was prepared by World Bank consultants based on World Customs Organization and Revised Kyoto Convention. The new agreement ‘Afghanistan Pakistan Transit Trade Agreement’ (APTTA) was signed by commerce ministers of both the countries on 28th October 2010 (Rahim, 2018).

The newly signed agreement APTTA provided the operational framework and described the procedures to be followed by the contracting parties. This agreement has a term limit of five years, after these five years term the mutually agreed provisions can be omitted or added. This agreement renews automatically after its term of five years is over until either party terminates it. It also suggested the formation of coordination and monitoring body namely Afghan-Pakistan Transit Trade Coordination Authority (APTTCA) to regulate and monitor the transit trade activities according to the agreement. The APTTA also provided Pakistan with reciprocal rights to access to Central Asia provided that the Central Asian republics become signatory to the agreement. APTTA allowed Afghan trucks to carry Afghan goods to Wagah border but did not allowed access to the India’s exports to Afghanistan. The agreement also provided with some provisions to counter the issue of smuggling including the installation of tracking devices in vehicles carrying transit goods and bonded carriers were allowed to carry the transit goods to Afghanistan. Moreover, APTTA also included the provision of paying Insurance guarantee equivalent to the taxes liable to be paid by Pakistani importers, which can be withdrawn after the transit goods reach its destined destination.

1.4.3 Illegal Trade

The trade and tariff policies in Pakistan provides incentives for smugglers to engage in the illegal and informal trade between the two countries. Many goods that travel in transit to Afghanistan, sometime does not reach Afghanistan and find its way in the Pakistani market, or sometimes the goods in transit are smuggled back into Pakistan to avoid the custom duties and tariffs. Moreover, as a result of long and porous border a large volume of informal trade take place between Afghanistan and Pakistan. This informal trade not only alters the bilateral trade statistics that set up an important component of economic planning but also affects the level of competition faced by domestic producers. Due to the existence of informal trade, the revenue authorities suffers and results in losses to the national exchequer. Moreover, due to this informal trade the domestic

producers are less certain of the level of competition that could affect their production and investment decisions. Resultant, the consumer preferences shift for choice for the smuggled goods which hurts the domestic industry of Pakistan. Mahmood (1998) conducted a study to estimate magnitude and composition of illegal trade between Afghanistan and Pakistan and its impact on key sectors of economy. The study estimates the total size of illegal imports from Afghanistan to Pakistan is 2.21 billion US dollars (Rs 89.35 billion) and the size of illegal exports 0.214 billion dollars (Rs.8.68 billion). The study identified the major products groups that were illegally re-exported to Pakistan, which were similar to that of Afghan imports through Afghan Transit Trade Agreement (ATTA) which clearly indicated that the Afghan transit trade was widely mis-used for smuggling. The study also identified the key routes used for smuggling; Torkhum accounts for about 57.5 percent of total smuggling and Chaman 28 percent. While the other routes including Angoor Adda, khand, Parachinar and Miranshah jointly account for about 15 percent of the remaining smuggling. The study estimated the revenue loss about Rs60.41 billion on account of import taxes, provided the tariffs are not prohibitive and Rs 67.89 billion on account of sales tax and excise duty on domestic production if tariffs are prohibitive. Moreover, the study estimated that illegal imports have deprived Pakistan from 0.84 million jobs.

1.4.4 Trade Mis-invoicing

A part of the formal legal trade remains hidden due to trade misinvoicing¹. Mahmood, (1997) in his paper discusses the determinants of under-invoicing of imports and argues that high tariffs and quantitative restrictions provides incentives for under-invoicing of imports in order to evade the customs duties. Moreover, due to quality differences in certain commodities, it is easy for the importer to under-invoice those imports. He found that import taxes are the most significant factor in under-invoicing of imports. The rise in under-invoicing of imports is attributed to the rise in the rate of import taxes and cheapening of foreign exchange in black market, while the import restriction turned out to be insignificant factor in influencing importer decision.

Similarly, another study by Zafar Mahmood (2016) conducted estimation of the extent of trade mis-invoicing carried out in Pakistan from 1972-2013 with its 21 developed trading partners. The

¹ Trade misinvoicing is an illegal activity in which the trader misinvoices the exports or imports in the form of under-invoicing or over-invoicing in order to evade custom duties, money laundering or both way capital flight.

study found that the total trade mis-invoicing in Pakistan for the period of 41 years was more than 92.7 billion US dollar. The gross revenue loss incurred to the national exchequer due to trade mis-invoicing in the overall period was estimated at 21.2 billion US dollars. The study estimated that the national exchequer is deprived of 0.26 billion US dollars annually in the form evasion of custom duties and export withholding tax.

1.5 Issues in Cross-Border Trade

The cross-border trade relations have remained whimsical similar to the political relations ever since 1947. The issues faced during cross-border trade activity originate mainly due to political differences between the two countries. The political differences dominates and hinders the cross-border trade activities. The issues in cross-border trade between the two countries are related to trade facilitation, transit and transport, en route security, lengthy custom procedures, illegal trade, tariffs, banking and payments competitiveness and infrastructure. Literature reveals that repeated border closures severely affects the Afghan exports which are mainly perishable items such as fresh fruits and vegetables, causing losses to the Afghan traders. This unpredictable border closure occurs due to the tense political and security situation. Moreover, the lengthy clearance procedures at the border and ports causes unnecessary delays which have cost implications for the Afghan traders in the form of demurrage charges. Moreover, the poor infrastructure and facilities at the border crossing points also aids in delaying the cross-border trade activities (Rahim, 2018).

1.6 Problem Statement

The volume of cross-border trade via Ghulam Khan Border is very low as compared to Chaman and Torkhum border despite the fact that Ghulam Khan Border offers easy and cheap access to Kabul. As Ghulam Khan Border is comparatively new so it is important to know how much and how quick international standards are adopted here by Pakistan.

1.7 Research Questions

Basically there are three main research questions:

1: What are the reasons behind the low volume of cross-border trade via Ghulam Khan Border?

2: How does cross-border trade affect the socio-economic outcomes of the region in the context of operations and non-operations?

3: Have Pakistan adopted the International standards for cross-border trade management at Ghulam Khan Border?

1.8 Objectives of Study

The objectives of this study mainly aim:

- 1) To explore the reasons for low volume of cross-border trade via Ghulam Khan Border.
- 2) To analyze the socio-economic impacts of cross-border trade on the locals of Ghulam Khan.
- 3) To examine the adoption of the international border management standards for cross-border trade.

1.9 Significance of Study

The study is significant in a way that it has explored the reasons of less operationalization of Ghulam Khan Border. It has come up with policy recommendations that will address the required facilities needed at Ghulam Khan Border. The importance of Ghulam Khan Border has enhanced as it provides for an additional route for cross-border trade and will make central Asian countries accessible for Pakistan. This will bring more diversifying opportunities for Pakistan in the long run. Moreover, the enhancement of trade will provide livelihood, employment and more opportunities to local people. Overall this area and its surroundings will get developed in terms of infrastructure, communication, and economic opportunities.

CHAPTER 2

Literature Review

There is a lot of literature available on Pakistan and Afghanistan trade relations. As Afghanistan is a landlocked country so it relies on neighboring countries for transit trade. The transit trade through the Pakistani territory is carried through Chaman, Torkhum and Ghulam Khan Border. As Ghulam Khan is relatively a new border and there is not enough literature available on the prospects of cross-border trade via Ghulam Khan Border.

The borders involved in international trade should adopt due international standards which are discussed in the following section.

2.1 Studies related to adopting International Standards at Borders

It is important to follow international standards while carrying any type of trade between countries. The developed countries have adopted certain international standards in order to facilitate the cross-border trade. These standards are provided in the Revised Kyoto Convention (RKC), which is basically the trade facilitation Customs convention that aims to facilitate the trade by harmonizing and simplifying the customs procedures. The standards recommended by RKC includes the adoption of following key principles: transparency and predictability of Customs actions; Standardization, simplification of the goods declaration and supporting documents; simplified procedures for authorized persons; maximum use of information technology; minimum necessary Customs control to ensure compliance with regulations; use of risk management and audit-based controls; coordinated interventions with other border agencies; and partnership with the trade.

Most of the developed countries have adopted and practicing these standards since long. While the developing countries are still in the phase of adopting these standards. These standards promise harmonization of customs procedures, which reduces the cost, by decreasing the uncertain delay at the border. It also helps in facilitation of greater regional economic integration (Taylor et al., 2004).

Similarly Asia & Lianto (2010) discussed that countries with efficient customs and good transportation system enjoys large quantities of trade, higher income and rapid growth.

Likewise, the World Bank (2009) perceives the requirement of more document, results in longer delays at the border and consequently increases the tendency for corruption in customs which may result in illegal activities such as smuggling.

In another study Higginson (2013) discussed some common cross-border issues such as long and un-predictable delays at the border due to inadequate border infrastructure, complex clearance procedures and technological malfunctions. This results in the increasing cost of trading activity.

Moreover, the un-predictable delays at the borders disturbs the trade relationships between the countries engaged in cross-border trade. For instance, in the case of Pak-Afghan transit trade, the Pakistan provided Afghanistan with transit route, but issues such as repeated border closure and complex clearance procedures has resulted in high transit cost for Afghan traders. As a result of which Afghanistan signed various transit agreements with other countries like Iran and Turkmenistan. Due to the high transit cost across the Pakistani territory, the Afghanistan shifted its priorities towards Iran for transit trade, as it offered comparatively cheap access. On the contrary Shabir Ahmad et al. (2017) in his paper argued that the shifting of Afghanistan transit trade towards Iran is not merely due to harsh terms of APTTA but other factors like inefficient infrastructure, deteriorating law and order situation in Pakistan, waning relations between Pakistan and US/NATO due to Salala and Abbottabad incident. Moreover, unnecessary delay and the high transit cost via Pakistan, has shifted Afghan's inclination towards Iran for transit trade.

In another study, Wilson & Otsuki, (2007) discussed that the low level of intra-regional trade has resulted in the weak export performance of South-Asia. They highlighted issues related to infrastructure such as poor road and transportation system and argued that to promote intra-regional trade and economic integration in South Asia measures must be taken to lower the logistics costs and facilitate trade. As trade facilitation provides tremendous opportunities for intra-regional economic integration.

At another place Higginson, (2013) discussed the most common issues related to cross-border logistics and transportation that impacts the traders, shippers and carriers. He categorized the cross border trade issues into three general categories: firstly, high dollar cost of border crossing, which

includes both direct border crossing cost consisting of administrative fee and indirect border crossing cost consisting of warehousing and demurrage cost due to the unpredictable delays during border crossing. Secondly, long and unpredictable waiting at border crossing point due to inadequate border infrastructure, redundant or complex clearance procedures, inadequate staffing of border personnel and technological or systemic malfunctions, thirdly miscellaneous issues including cost and delays due to multiple jurisdictions and overlapping regulations.

Similarly Taylor et al., (2004) examined the levels of trade on the US-Canadian border, the cost impact on border and bilateral trade policies. They relied on both primary and secondary data. For secondary data, research review of reports on border management issues and studies on causes and possible solutions to border problems was done. The primary data was collected using qualitative research methods of conducting structured observation technique and in-depth convergent interviews. The information collected through convergent interviews and structured interviews along with variety of assumptions were used to develop categories of impacts and costs to prepare analyses of the causes of and possible solutions to border problems. They suggested that an external perimeter could bring US-Canada border to the level of openness similar to that of European Union without the harmonization of all policies. This system would minimize the cost by decreasing the delay and uncertainty at border which would help facilitate greater integration of North American economy.

The countries that possess an efficient customs, good transportation system and fewer documents requirements enjoy the remarkable advantages in regional and global trade. Such countries scores high in indices of ease of doing business and competitiveness, these indices are translated into large quantities of trade, higher income and rapid growth. Similarly, the World Bank observes the perception of more documents requirement to move the product results in longer delays and there increases the tendency for corruption in customs which can result in illegal activities such as smuggling by translating the incurring opportunity costs in terms of foregone taxes (Llanto & Gilberto, 2010).

Furthermore Wilson & Otsuki, (2007) identified that the low level of intra-regional trade has contributed to weak export performance in South Asia. They highlighted the efficiency and capacity constraints in the context of: (1) port efficiency and infrastructure, (2) land transportation including roads and railways, (3) customs and border crossing (4) standards and technical

regulations, and (5) information technology and e-commerce. They argued that measures to facilitate trade and lower logistics costs in South Asia are among the most important steps to promote intra-regional trade and economic integration. They suggested that trade facilitation can create tremendous opportunities for intra-regional trade in South Asia.

For deep insight Sisay, (2016) conducted a study on Ethiopia cross border trade (both informal and formal trade) with its neighboring countries. The primary data was collected through household survey and key informant interviews with retail traders, exporters, experts and officials from different level of government (federal, regional and local) as well as officials from Ministry of Trade and Agriculture. They found that cross border trade plays an indispensable role for the livelihood of pastoralists, as it helped them obtaining food and clothing and generation of capital. They also identified several problems in the cross border trade which includes the contention between illegal/informal traders and government, absence of standard quarantine service, absence of foreign exchange services, poor road infrastructure and lack of transportation vehicles.

2.2 Studies related to Pakistan -Afghanistan trade:

As the trade proceeds Shabbir & Ahmed, (2015) conducted a study on the welfare impact of Afghan trade on the Pakistani provinces of Baluchistan and KPK. Their study employed 3 different methods, both qualitative and quantitative to assess the impact of post-2014 Afghanistan on Pakistan. They used Household Income Expenditure Survey (HIES) for the year 2004-05 and 2010-11 to form a descriptive analysis of the welfare of households associated with Trade, Transport, warehousing and communication (TTWC) sectors. They used the same data and formed a time series econometric relationship between household income and its determinants. They also had two focus group discussions with government officials for their qualitative part of study. They found that the number of households associated with TTWC sectors has grown substantially in both the provinces, the monthly per capita consumption of household associated with these sectors have doubled.

Further to this Owais et al.,(2018) analyzed the two transit trade agreements between Pakistan and Afghanistan. A comparison between the two agreements was drawn to highlight the salient features of both the transit trade agreements i.e. ATTA (1965) and APTTA (2010). The study highlighted various important articles of both the treaties and their relevance to both the countries. The study

also highlighted the major differences between the two transit trade agreements. The comparison of two agreements led to the conclusion that both of the time while finalizing the agreement laborious efforts were made to finalize these transit agreements so that both the contracting parties could get benefits as much as possible (Owais et al., 2018)

Moreover Grawert et al., (2017) conducted a study “Afghanistan’s Cross-border Trade with Pakistan and Iran and the Responsibility for Conflict-sensitive Employment” in order to understand the employment trends, strategies and practices adopted by Pakistani and Iranian companies engaged in cross border trade and transportation. The study employed qualitative methods by conducting key informant interviews and focused group discussions with transport companies, representative from Afghan-Pak joint chamber of commerce and Industries and self-employed individuals that were involved in cross border trade. The study found that the obstacles and restrictions on official trade between Afghanistan and Pakistan, are principally caused by political tensions which results in frequent border closure. The long delays at the border causes great losses to the transport companies. The study point out that the decline in the formal trade between the two countries resulted in the increase of informal trade and rise of Iran as a potential partner (Grawert et al., 2017). (Grawert, Elke; Nusrat, Rabia; Shah, Zulfiqar Ali, 2017)

Furthermore Khan et al., (2017) in their paper tried to compare the transit trade during the pre and post APTTA era. The paper argued that the shifting of Afghanistan transit trade towards Iran is not solely due to harsh terms of APTTA but other factors like inefficient infrastructure, deteriorating law and order situation in Pakistan, waning relations between Pakistan and US/NATO due to Salala and Abbottabad incident. Moreover, unnecessary delay and the high transit cost via Pakistan, has shifted Afghan’s inclination towards Iran for transit trade. (Shabir Ahmad, Kausar Takrim and Hayat Gul, 2017)

Besides Qayum et al., (2016) discussed the trade relations between Afghanistan and Pakistan, which remained unusual, under the grip of allegations and counter allegations due to political differences and issues. Despite these hostile relations, trade relations between the two continued and the landlocked Afghanistan relied on Pakistani territory for its exports to the world market. Pakistan also granted access to the Afghan goods to export it to India and did not allowed the imports from India via the same route as Pakistan has security concerns over India as well as the threat of losing share of Pakistan exports to Afghanistan. However, the newly signed agreement

APTTA allowed Pakistan's access to the central Asia. Afghanistan have the capability to provide direct routes to the Central Asian Republics as well as to be a regional hub for trade with Middle East. The transit trade provided leverage and stakes to the regional players like India. Trade has great potential for all the three south Asian countries Afghanistan, India and Pakistan but it requires security and sincerity for the implementation of such agreements ((Huma Qayum, Syed Ali Shah, Zubaria Andlib†, 2016).

Khan, (2016) in his paper "Pakistan-Afghanistan Cooperation on Trade: Political Economy Analysis" describes in detail the trade relations between the two countries. The different dimensions of cross border trade that take place and the bilateral trade agreements between the two countries. His study identified the impediments to Pak-Afghan trade which includes issues related to trade facilitation, transit and transport, en-route security, lengthy custom procedures, illegal trade, banking and payments and infrastructure related issues. The paper suggested the adoption of international best practices in order to address these issues. Mere accession to the TIR Convention is not a remedy for the issues faced but the full implementation of TIR convention would be beneficial not only for bilateral trade but transit and regional trade.

In another study Hameed, (2015) discussed how Pakistan has been adversely affected by the War against Terror that caused humanitarian disaster on large scale. In the wake of Zarb-e-Azab military operation thousands of people fled the area to seek refuge in safe areas. The paper explored the challenges faced by the IDPs during and the post operation years on their return to native area. The paper came up with certain recommendations in regard to government response to the crisis.

Likewise Zulfiqar, (2015) draws a comparison of security situation between the pre and post Zarb-e-azab military operation year. The paper highlights the success of military operation and identifies the future challenges in the reformation of FATA region that includes the De-radicalization programs, effective Pak-Afghan border management and the economic security of the people. It concluded that the initiation of FATA reforms and effective border management can change the region from a security risk to economic strength for the country as well as the regional neighboring countries.

2.3 Research Gap

A significant literature is available on Pak-Afghan trade relations that discusses issues such as repeated border closure and complex clearance procedures. Moreover, the long and un-predictable

delays at the border due to inadequate border infrastructure, complex clearance processes and technological malfunctions are some of the most common issues in the cross-border trade. Literature on Cross-border trade has revealed that the issues in cross-border trade such as poor infrastructure and complex clearance procedures results in long un-predictable delays at the border which impedes the regional economic integration. Hence, the potential benefits of cross-border trade are not achieved. Most of the literature has suggested efforts to facilitate the cross-border trade which will pave path for regional economic integration. In case of Pak-Afghan cross-border trade, literature suggested the adoption of the international best practices in order to facilitate the cross-border trade. Ghulam Khan Border being relatively a new border, has not yet been studied to assess the cost of cross-border activity via Ghulam Khan. Insignificant amount of literature is available on the Ghulam Khan border its issues and prospects of cross-border trade. The border is relatively new and is in phase of development. Hence, it is important to spotlight the problems related to less usage of this border from trading point of view. The locals are now engaged in different jobs at the border and this surely has a positive impact on them. Further the spillover effects of this trade on locale residents are important to be explored. Similarly, it is important, in case of trading from borders, to adopt international standards/laws in line with other countries. The adoption of international standards /laws is necessary for protection of rights of traders, and countries.

CHAPTER 3

Methodology

3.1 Introduction

This chapter consists of seven sections. It explains the methodological approach adopted to conduct this research. Moreover, the chapter comprises of research design, research methods, research strategy, and research instruments and data collection method. It also entails the data analysis techniques.

3.2 Research Design

This research adopted an exploratory case study research design. An exploratory case study investigates different phenomena, that are characterized by the lack of preliminary research (Mills, 2009). The exploratory case study is often applied in the research context which is not clearly specified and yet requires data to formulate valid hypothesis. The broader concept of exploratory case study research design is that it provides the researcher with high degree of flexibility and independence in data collection as well as with regard to the research design. This research design primarily aims to explore the so far unknown. It benefits in making the field issues easily apparent. This research thus adopted the exploratory case study design due to the lack of preliminary research on Cross-Border trade via Ghulam Khan.

3.3 Research Methods

This research employed qualitative research methods. The qualitative method is a research strategy that generally emphasizes words rather than quantification in the analysis and collection of data. (Bryman, 2012).

3.4 Research Strategy

The research strategy helps in execution of the research plan. It directs the researcher's thoughts and efforts systematically to achieve its targets. The researcher adopts such a research strategy which is most suitable for the collection of data and its analysis. It can be either type of strategy or a mix of strategies. In conducting this research, the researcher adopted the qualitative research strategy throughout the collection and analysis of data.

3.5 Sampling Technique

This research thesis adopted the convenient sampling technique. The convenient sampling technique is a type of nonprobability sampling in which samples/unit of data collection are approached by the researcher on the basis of convenience. Those people/sample/unit of data collection were sampled who were easily accessible. Due to resource constraints and the resistance from respondents the researcher adopted convenience sampling technique. Although the convenient sampling technique has certain limitations i.e. the sample is not representative of the entire population, the results/findings are not generalized. Moreover, it may produce biased data and it is challenging to replicate the results of convenient sampling.

3.6 Data Collection and Analysis

The research has utilized the qualitative methods for the collection of data. The primary data and information for the research is collected through Focused Group Discussion, Key informant Interviews and In-depth interviews from all the stakeholders mentioned in the following section. During the data collection ethical considerations were observed duly and the interviewee consent was sought and confidentiality was ensured. For the secondary data, regarding the international standards for customs harmonization, the document for Revised Kyoto Convention (RKC) was taken from the website of World Customs Organization. Content analysis of the international convention is done. The thesis have discussed the standards which have been adopted and what standards are still not implemented.

For the analysis of data the interviews and focused group discussion were transcribed and thematic analysis technique was used to analyze the data.

3.7 Units of Data Collection

3.7.1 UDC 1. Locals of Ghulam Khan

The first unit of data collection for this research includes the locals of Ghulam Khan. In order to achieve the objectives of the research it was necessary to include the locals of Ghulam Khan. A focused group discussion was conducted with the locals of Ghulam Khan. About 8 locals took part in the focused group discussion. Moreover, 16 in-depth interviews were conducted with the locals of Ghulam Khan.

UDC 2. Truck Drivers

The second unit of data collection consist of truck drivers involved in trade process and carry goods across border. In order to explore the issues faced in cross-border trade, interviews were conducted with 10 truck drivers.

UDC 3. Customs Clearing Agents

The third unit of data collection includes the custom clearing agents. The customs clearing agents plays the role of bridge between the trader and the customs official. In order to grasp the issues faced in cross-border trade in-depth interviews were conducted with 8 different customs clearing agents.

UDC 4. Traders

The fourth unit of data collection comprises of traders. In order to achieve the objective of the study 8 key-informant interviews were conducted with different traders. Most of the traders were local traders and did not had a registered license for trading (import/export) hence they imported/exported goods through other's registered licenses.

UDC 5. Customs Officials

The fifth unit of data collection includes the officials from Pakistan Customs department. Three in-depth interviews were conducted with customs officials at Ghulam Khan border terminal.

UDC 6. Civil Administration Officials

The sixth unit of data collection consists of officials from the civil administration of Ghulam Khan and Miran Shah. Two in-depth interviews were conducted with the civil administration officials in order to achieve the objectives of the study.

UDC 7. Frontier Constabulary

The seventh unit of data collection consist of FC personnel deployed at the Ghulam Khan Border. Four in-depth interviews were conducted with FC personnel in order to grasp the holistic picture of cross-border trade via Ghulam Khan.

UDC 8. Chambers of Commerce

The eighth unit of data collection includes members from different chambers of commerce (i.e. Afghan-Pakistan Joint Chamber of Commerce, Sarhad Chamber of Commerce and North Waziristan Chamber of Commerce). Three in-depth interviews were conducted with different representatives from the 3 different chambers of commerce.

UDC 9. Public Representative

The ninth unit of data collection include the public representative. In-depth interview was conducted with the public representative of Waziristan.

UDC 10. Ministry of Communication

The tenth unit of data collection consist of representative from Ministry of Communication Islamabad. An in-depth interview was conducted with Ministry of Communication.

UDC 11. Ministry of Commerce

The eleventh unit of data collection consist of representative from Ministry of Commerce Islamabad. An in-depth interview was conducted with representative from Ministry of Commerce.

UDC 12. Federal Board of Revenue

The twelfth unit of data collection consist of representatives from Federal Board of Revenue (FBR). Two in-depth interviews were conducted with the representatives from Federal Board of Revenue.

Figure 3.1 Categories of Stakeholders (UDCs)

Government officials at Ghulam Khan	Non-Govt/Private Representatives	Secreteriat level Representatives	Locals
<ul style="list-style-type: none">•Pakistan Customs Officials (3)•Civil Administration of Ghulam Khan (2)•Frontier Constabulary (4)•Member of Provincial Assembly (1)	<ul style="list-style-type: none">•Customs Clearing Agents (8)•Chambers of Commerce (3)	<ul style="list-style-type: none">•Ministry of Communication (1)•Ministry of Commerce (1)•Federal Board of Revenue (2)	<ul style="list-style-type: none">•Locals (16)•Truck Drivers (10)•Traders (8)

CHAPTER 4

Findings, Results and Discussion

4.1 Introduction

In this chapter the findings of the research study are analyzed and discussed. The primary data obtained from the in-depth interviews as well as the Focused Group Discussion are processed, categorized and discussed under the proposed themes.

4.1.1 Historical Perspective of Cross-Border Trade via Ghulam Khan

In the early times at Ghulam Khan Border, there was no such clear demarcation of the borders and movement of the locals was very much easy. The residents of Ghulam Khan would carry goods to and from Afghanistan via animal carts in order to earn their living. Later on the mode of transportation changed to vehicles and then goods were taken through vehicles. Mostly the locals of Ghulam Khan were engaged in this cross-border trade. As most of the people from the other settled areas had no knowledge of this cross-border trade via Ghulam Khan. At that time there were no regulatory authorities deployed at the border to regulate this trade. This cross-border trade was basically illegal or undocumented trade since there were no authorities to regularize this trade and consequently this trade did not generate the tax revenues. This Cross-Border trade continued till the early 2000's. During interviews, some of the local's respondents reported:

“In 2004, the customs department was deployed at Ghulam Khan to regulate the cross-border trade, before this the cross-border trade was informal/undocumented.”

4.2 Reasons of Low volume of Trade via Ghulam Khan Border

One of the objective of this study is to explore the reasons of low volume of trade via Ghulam Khan Border. The interviews conducted revealed the following reasons for low volume of trade via Ghulam Khan Border.

4.2.1 Relatively New Border

The Ghulam Khan Border is relatively new border that connects the North-Waziristan region of Khyber Pakhtunkhwa with the Khost province of Afghanistan. It was operationalized for cross-border trade in 2004. Although, informal trade was carried through this route long before, but the

deployment of Pakistan Customs at Ghulam Khan marked the beginning of formal trade via Ghulam Khan. Moreover, the other two major borders with Afghanistan, i.e., Torkhum and Chaman are being used for cross-border trade since decades. Both these borders are well established and most of the trade with Afghanistan is carried through these routes. Resultantly, the share of volume of cross-border trade remains low at for Ghulam Khan Border.

4.2.2 Closure of Border during Zarb-e-Azab

After the beginning of formal trade with Afghanistan via Ghulam Khan, the volume of trade increased over time. However, due to the security situation in the Waziristan region and in the backdrop of APS attack, a military operation namely Zarb-e-Azab was conducted in the Waziristan region. The military operation resulted in the vacation of the entire region of Waziristan and resultantly the Ghulam Khan border remained closed throughout the military operation years. The military operation lasted for four long years and during this time frame 2014-2018 not a single truck carried goods to/from Afghanistan via Ghulam Khan Border.

4.2.3 Seasonal trade via Ghulam Khan

The data collected through in-depth interviews and FGD revealed that very limited variety of commodities are imported and exported via Ghulam Khan Border. Mostly, fresh fruits and vegetables are imported and exported via Ghulam Khan. Apart from these, other commodities that are imported and exported via Ghulam Khan Border includes Coal and Cement. The fresh fruits and vegetables ripe in a particular season and are then exported/imported to/from Afghanistan via Ghulam Khan. Similarly, the data provided by Customs officials at Ghulam Khan Terminal revealed the increase in revenue during the months from July to December. The volume of trade increases in this particular season via Ghulam Khan Border. Hence, a seasonal trade is conducted via Ghulam Khan Border.

Table 4.1 List of Commodities imported/exported via GKK

Commodities Imported/Exported via Ghulam Khan Border

Imports via Ghulam Khan	Exports via Ghulam Khan
Coal	Cement
Dry Fruits	Rice
Fresh Fruits	Poultry Feed
Ropes	Fresh Fruits
Pulses	Vegetables
Plating material	Maize

Source: Researcher’s Interviews (survey)

4.3 Formal Trade via Ghulam Khan and Security Condition

The formal cross-border trade with Afghanistan via Ghulam Khan began in 2004. The deployment of Customs department at the border crossing point marked the beginning of formal trade via Ghulam Khan. With the deployment of customs department at the border, the trade was being regularized, i.e., the goods being carried were then taxed and after the payment of the customs duties the goods were then allowed to be carried further. However, there were still some episodes of smuggling at Ghulam Khan Border. As most of the local people would use alternative routes to cross the border and evade the customs duties. As the FGD respondents narrated:

“With the deployment of Customs department, the goods were not allowed until the customs duties were paid. However, smuggling still is happening because it was profitable and easy as the borders are not fenced.”

Similarly, the respondent from Customs department told:

“In the year 2004, the Government of Pakistan notified the taxation at Ghulam Khan Border crossing point.”

Another FGD respondent reported that:

“About 8 to 10 individuals from Shar Khel Qoum (tribe) provided security to the customs department”.

The cross-border trade via Ghulam Khan increased over time. Initially the revenue generated at Ghulam Khan Border crossing point was very low primarily due to no awareness of existence of

Ghulam Khan as trading Border and secondly, most of the locals would then try to avoid the customs duties by using alternative routes. Since the border was porous, which made the flow of people and goods easy. However, with the passage of time the volume of trade via Ghulam Khan Border increased. The cross-border trade via Ghulam Khan continued till 2014. During this time the security issues were observed, which had a significant impact on the cross-border trade and the livelihood of the residents of Ghulam Khan. Due to security issues in the region a major military operation *Zarb-e-Azab* was conducted by the armed forces in 2014. The military venture continued till 2018. During the military operation years, the Ghulam Khan Border was closed for cross-border trade activities. One of the FGD respondent narrated:

“After the deployment of customs department the volume of trade via Ghulam Khan started increasing. Most of the locals were then engaged in cross-border trade. The trade increased over time and then in 2014 a military operation Zarb-e-Azab was conducted due to which the trade stopped and the entire region was vacated.”

4.3.1 Military Operation *Zarb-e-Azab* and its Effects on Trade through GKK

Due to the security situation in the region a major military operation *Zarb-e-Azab* was being carried by the armed forces in the year 2014. The military operation lasted for about four years, during the wake of *Zarb-e-Azab* the entire Waziristan region was vacated and resultantly the flow of goods via Ghulam Khan was completely halted. During the military operation *Zarb-e-Azab* the residents of Waziristan vacated the region and left for the settle areas of KPK as IDPs, while some of the locals went to Afghanistan towards their relatives. A large chunk of these locals resided in the IDPs camp at Bakakhel. The military operation severely affected the cross-border trade and the lives of residents of Waziristan. The FGD respondent mentioned that terrorism and militancy in the region created hurdles in the way of cross-border trade. He further narrated:

“Due to the security situation the traders were reluctant to visit Ghulam Khan and a trust deficit was created among the local traders and traders from rest of the settled areas.”

Another respondent cited:

“Military operation was carried to counter the militancy as a result of which the Waziristan region was vacated and the cross-border trade was completely stopped for four long years in 2014 due to Zarb-e-Azab.”

Most of the respondents highlighted that due to military operation *Zarb-e-Azab* the locals incurred huge losses. Many lost their properties and goods, houses, shops were completely grounded. The respondents stressed that before the *Zarb-e-Azab* the security condition of Waziristan region were not satisfactory; people were reluctant to visit the area but the locals were used to the presence of guns. The worse security situation in the region did affected the cross-border trade but with military operation *Zarb-e-Azab* the cross-border trade was completely stopped for four long years and during this time the markets of Ghulam Khan, Miran Shah and Mir Ali were absolutely demolished.

The military operation *Zarb-e-Azab* changed the entire picture of Waziristan. During the military operation entry into Waziristan region was completely banned. As a result of this military venture Ghulam Khan Border remained closed. Most of the locals lost the economic capacity to engage in trade due to the losses that they incurred during the military operation *Zarb-e-Azab*. One of the FGD respondent narrated:

“Zarb-e-Azab has severely affected my business, I have incurred a loss of 4 million rupees. Two containers loaded with goods disappeared in the wake of military operation Zarb-e-Azab.”

Most of the locals incurred huge economic and social losses during the military operation *Zarb-e-Azab*. The houses, markets and shops were completely grounded during the operation. Most of the locals were left with no money to engage in trade again after the reopening of border for trade. One of the respondent assisted that after the *Zarb-e-Azab* very few individuals who had some money engaged in trade while the rest who were previously trading were then working on daily wages.

Another FGD respondent further stated:

“With Zarb-e-Azab the number of locals, as traders engaged in cross border trade decreased. Traders from rest of Pakistan were then engaged in trade. The border people on both sides have been at the disadvantage end, since now their participation in cross border trade has been restricted due to formalization of trade. Now every good that enter through this border has to pay customs duties without this duties goods are not allowed to enter. Previously most of the local people would get benefit of it but now they don't.”

Although, the military operation in Waziristan region brought destruction to the properties, shops and markets in Mir Ali, Miran Shah and Ghulam Khan however, during this operation some significant developments took place in the region such as the construction of new carpeted roads, border fencing and most importantly peace was restored in the region by de-militarizing the region. One of the respondent revealed:

“Although Zarb-e-Azab demolished the Waziristan region but it brought peace in the region, the region was demilitarized and de-weaponized.” He further stated: *“During the course of military operation a new carpeted road was constructed which made the mobility of goods and people easy.”*

Another study by Zulfiqar, (2015) shows that markets in Mir Ali and Miran Shah were destroyed during Zarb-e-Azab. However, during the process of reconstruction and rehabilitation of Waziristan region, developing physical infrastructure and connectivity within the FATA region was given priority. The areas were cleared of terrorists and long dual carriage roads were inaugurated that reduced the time travel between South and North Waziristan and linked it with the Indus Highway. The results are also consistent with Hameed, (2015) who specified that during the Zarb-e-Azab military operation the houses, markets, businesses and other infrastructure had been destroyed. This survey has got this information through pictures (see annex) where shops are destroyed and still need to be built.

Table 4.2 Stakeholder Response

Impact of Terrorism and Zarb-e-Azab on Cross-Border Trade

<i>Responses</i>	<i>Frequency</i>	<i>Percentage</i>	<i>Ranking</i>
<i>Zarb-e-Azab has demolished the entire Waziristan region and more specifically the Ghulam Khan bazar, which was a border market.</i>	24	35	1 st
<i>It has badly affected the lives of the residents of Waziristan. People have lost their properties.</i>	20	29	2 nd
<i>Zarb-e-Azab turned the bazars of Mir Ali, Miran Shah and Ghulam into Soil. All the goods in the markets were lost. People endured huge losses.</i>	10	14	3 rd
<i>The operation Zarb-e-Azab brought destruction to Waziristan region but it also addressed the security issue of the region. Now the region is de-weaponized and peace has been restored in the region, which is a positive sign for cross-border trade.</i>	8	11	4 th
<i>Terrorism and Zarb-e-Azab has stopped the trade activities for four long years.</i>	6	8	5 th
<i>Total</i>	68		

Source: Researcher's Interviews

4.4 Current New Developments & Facilities Available at Ghulam Khan Border Terminal

Currently new developments are observed at GKK border terminal and smooth trade operations are expected from this route.

4.4.1 Weighing and Scanning Facility

The border terminal is operated by National Logistics Cell (NLC). They are responsible for the facilitation and operationalization of the border terminal. The NLC have provided the weighing facility in the terminal. The vehicles carrying goods are weighed through the weigh bridge installed

inside the terminal. Similarly, the scanning facility is available inside the terminal. Scanner is installed in the terminal. All the vehicles undergo the weighing and scanning process inside the terminal. The Goods Declaration form for the vehicle is submitted after the vehicle undergoes the weighing process and scanning process. The NLC charges Rs.3000 for the scanning and weighing of the vehicle (See Annex).

4.4.2 Banking facility

Besides this banking facility is available inside the terminal. Previously, most of the traders and customs clearing agents complained the lack of banking facility in the region. Now a branch of National Bank of Pakistan has been established inside the terminal to facilitate the traders, customs clearing agents and drivers.

4.4.3 NADRA verifications:

The containerized office has been established inside the terminal for NADRA and Immigration but the officials have not been deployed yet. To facilitate the returning back of TDPs a mobile NADRA facility is being provided inside the terminal.

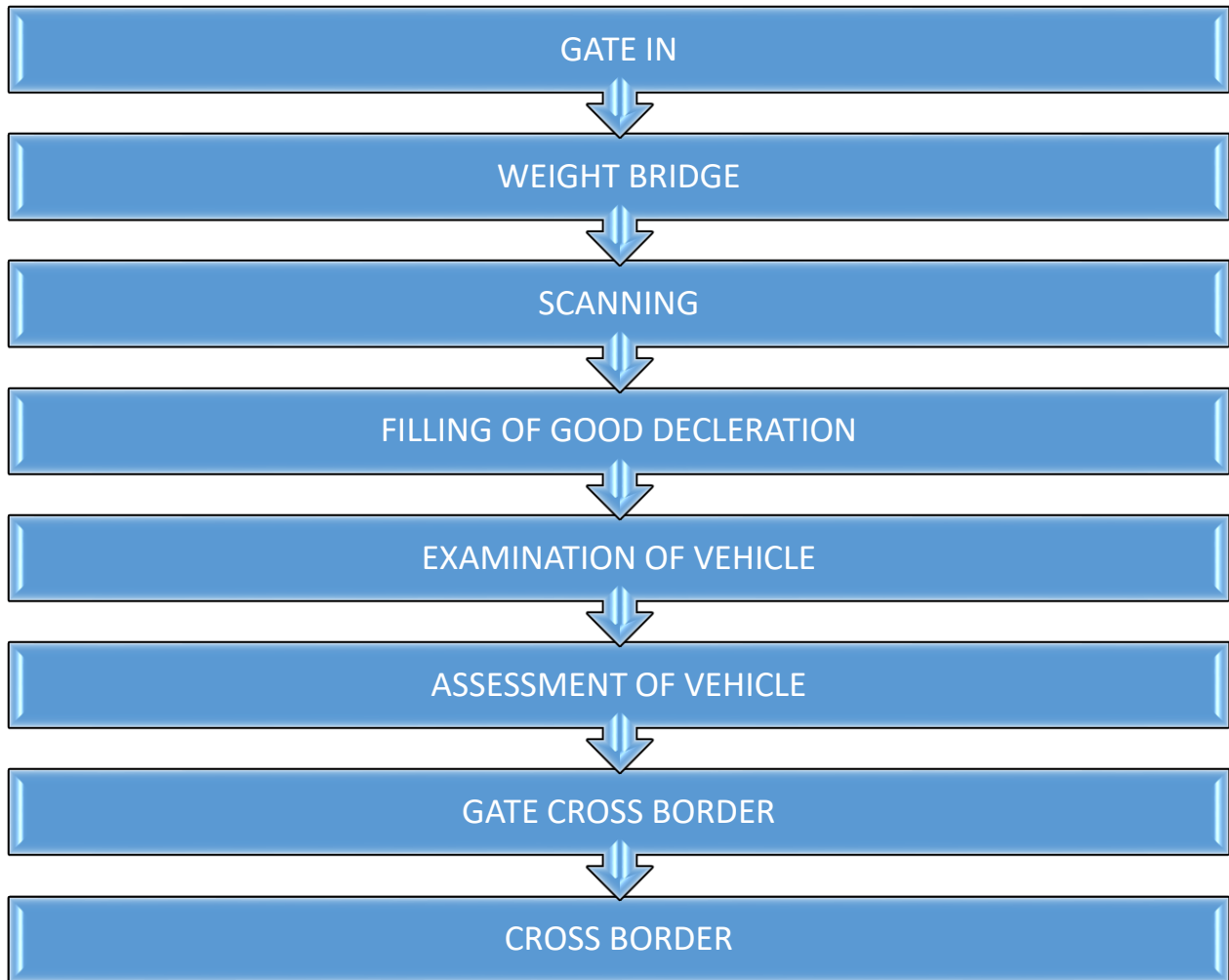
4.5 Clearance Process of Imports/Exports at Ghulam Khan Terminal

The respondents described the process of clearance that take place inside the terminal. Firstly, when the vehicle enters the GKK-Terminal through the gate of the terminal this is the first step during the export process. Stage 1 (*Gate In*). After entering the terminal, the vehicle is parked over the weigh bridge, and the goods in the vehicle are weighed, this is the second stage in export process (*Weighing*). After the weighing process, the vehicle undergoes the scanning process installed inside the terminal, Stage 3 (*Scanning*). After the scanning process the vehicle is parked inside the terminal and the Goods Declaration is filed by the customs clearing agent. For filing the GD, the driver of the vehicle has to provide the receipt of weighing and scanning provided by NLC. After the GD is filed, then the customs Inspector does the examination of the vehicle, this is the fourth step (*Examination*). After the examination process the customs department official does the assessment. At the fifth stage of (*Assessment*) the goods are checked and verified that it must be according the GD submitted. After the assessment process the vehicle arrives at the *Gate Out* and by providing a copy of the cleared GD the vehicle is allowed to export the goods.

Similar, process is undergone at the time of import, however, the only difference is that at the import stage the first step is the crossing of border by the vehicle.

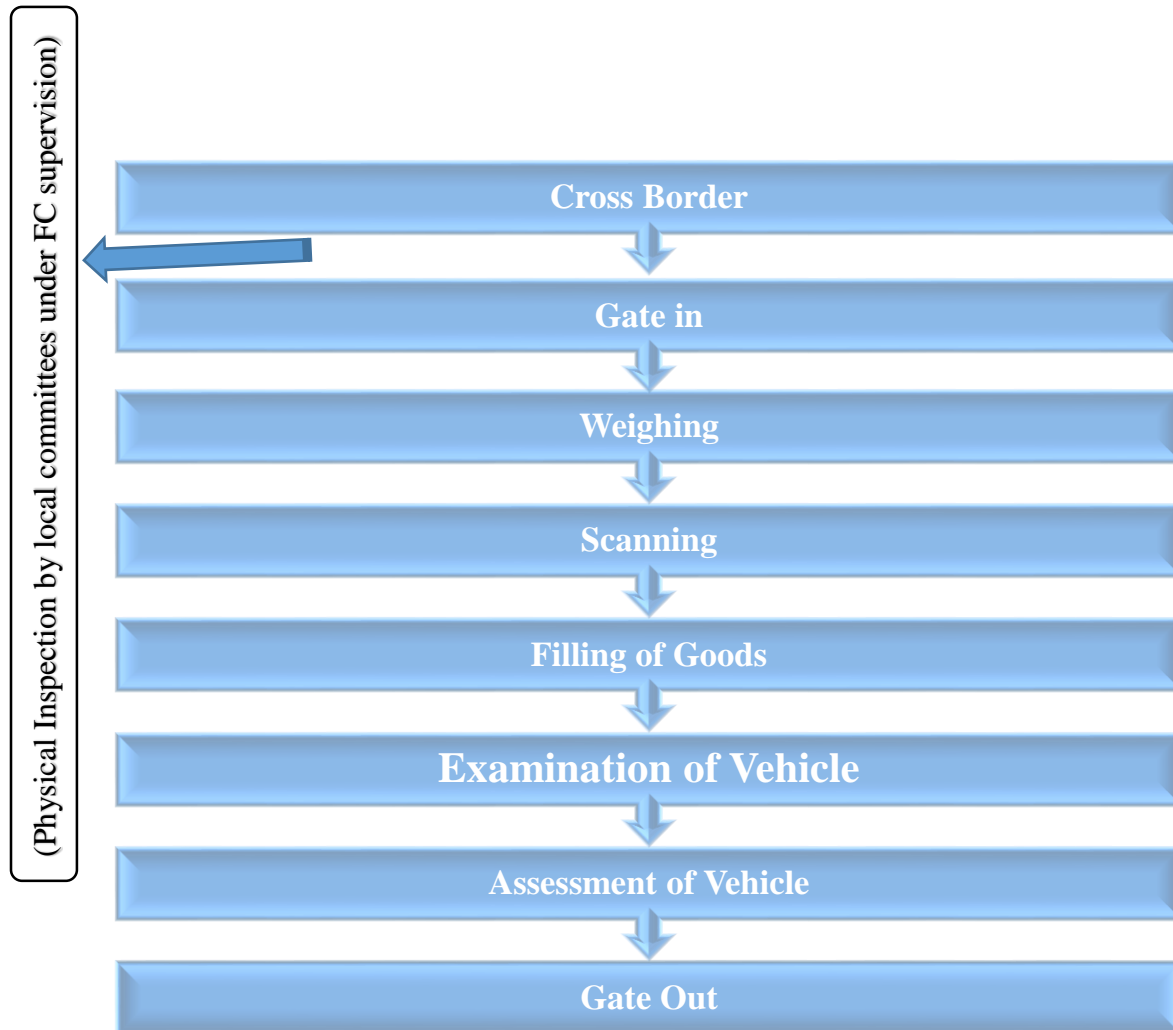
Firstly, the vehicle crosses the border and before entering the GKK-Terminal the vehicle undergoes physical inspection by a committee of locals under the supervision of FC personnel. It takes around 40 to 50 minutes. After the physical inspection is done the vehicle enters the terminal through *Gate In*. Then the vehicle undergoes the weighing process at the weigh bridge inside the terminal. After the weighing process the vehicle undergoes the scanning process. After the scanning process the GD is filed by the customs clearing agent. Once the GD is filed, then the Customs inspector conducts the examination process of the vehicle and make sure that the goods being imported does not have the banned items. After the examination process the customs department does the assessment process. After the assessment process the vehicle is set free and arrives to *Gate Out*. By handing over the copy of the cleared GD to the guard at the gate the vehicle is allowed to take the goods further to the mandis.

Figure 4.1
Export Process at Border



Source: Own observation and survey

Figure 4.2
Import Process at Border



Source: Own observation and survey

4.6 Role of different stakeholders in Cross-Border Trade

The cross-border trade activity involves the functioning of different stakeholders together.

4.6.1 National Logistics Cell

The National Logistics Cell is responsible for the operationalization of the border terminal. They run the affairs of the border terminal. All the required facilities for trade are provided by the NLC.

Apart from facilitating the smooth flow of trade, NLC plays an important role in regulating cross-border movement of cargo and passenger traffic.

4.6.2 Frontier constabulary

The primary role of Frontier constabulary (FC) at Ghulam Khan Border is to ensure the security. Since the area is sensitive from security point of view, the FC personnel deployed at Ghulam Khan Border oversee the movement across the border. According to them three different kinds of movement is done via Ghulam Khan Border i.e. the movement of individuals from the divided tribes mainly *Gurbaz*, secondly the inflow of patients who seek medical assistance provided at Ghulam Khan Border and thirdly the inflow of goods through trucks and containers. The FC personnel facilitates the patients seeking medical assistance at the border crossing point. They also oversee the movement of people from the divided tribes, most of the individuals left for Afghanistan when Zarb-e-Azab started back in 2014, now they are coming back, the FC personnel performs the duty to regulate the movement of these people. Moreover, the FC personnel also inspects the vehicles carrying goods to prevent the security hazards and the movement of any suspicious or banned items.

4.6.3 Pakistan Customs

The Pakistan Customs play the role of facilitation in cross-border trade. Their primary role is the collection of duties on the goods imported and exported. The customs department at the borders implement the laws of state formulated by the Ministry of Commerce. The Customs department implement those laws by regularizing both the imports and exports. The regularization of import and export differs in a way that sometimes a ban is implemented on the import of certain commodity. The Customs department then ensures the entry of such banned items.

The customs clearing agents are individuals from private customs clearing enterprises. They play the role of a bridge between the trader and the customs department. They perform the function of

submission of Goods Declaration file for the traders on the online portal of WeBOC² and PSW³ system.

4.6.4 Chamber of Commerce

The chamber of commerce plays a significant role in the cross-border trade. They perform the function of a bridge between the traders and Ministry of Commerce. The issues and hurdles faced by the traders are communicated with the Ministry of Commerce by the representatives of these chambers. Besides this, they recommend the possible solutions to the problems being faced in trade.

4.6.5 Ministry of Commerce

The Ministry of Commerce is authorized to regulate the trade under the Imports and Exports Act 1950. It plays the key role in cross-border trade. The trade and tariff policies are formulated by the Ministry of Commerce. Moreover, the Ministry of Commerce is accredited to regulate the key practices and procedures involved in import and export. Moreover, the Ministry is responsible for the facilitation of trade. The Ministry of Commerce typically sets the tariff and non-tariff barriers⁴ to promote trade and protect the domestic industry. The Non-tariff barriers are tangible obstacles to the international trade, which restricts imports. This includes measures such as anti-dumping measures and countervailing duties. In Pakistan, numerous legal instruments are used to create NTBs that includes; Statuary Regulatory Orders, Import Policy Order and Export Policy Order. Besides this, the notification of operationalization of Ghulam Khan Border for cross-border trade was issued by the Ministry of Commerce in 2004. Later on in 2021, the Ministry of Commerce issued the notification of operationalization of Ghulam Khan Border for the transit trade.

² WeBOCs (Web Based One Custom system) is a web-based computerized clearing system which provides end to end automated customs clearance of exports and imports. Jointly developed by the Pakistan Customs and PRAL (Pakistan Revenue Automation Limited).

³ PSW (Pakistan Single Window) is an initiative by Pakistan Customs to reduce the time and cost of doing business by digitalizing Pakistan's cross-border trade and eliminating paper based manual processes. The PSW aims to provide an integrated electronic platform allows parties involved in international trade transport to lodge standardized information and documents with a single-entry point to fulfill all import, export and transit regulatory requirements.

⁴ Tariffs are taxes on trade, whereas non-tariff barriers refer to non-monetary restrictions of various kinds such as documentation requirements, technical or safety standards and packaging requirements.

4.6.6 Ministry of Communication

The role of Ministry of Communication in the Cross-Border trade is two-facet. Firstly, the Ministry is responsible to provide the road infrastructure till the borders. Secondly, in case of Cross-Border Trade with Afghanistan, the Ministry of Communication being a part of the negotiation process, provides the legal framework for the trade between the two countries in the form of Afghanistan Pakistan Transit Trade Agreement (APTTA). Ministry has also issued policy as” National Freight and Logistic Policy (2020)” in which government is determined to provide infrastructure, logistics and communication facilities to facilitate cross border trade.

4.7 Issues and Hurdles in Cross Border Trade

Ghulam Khan Border being comparatively new border faces some issues and hurdles during the cross-border trade. The issues faced at Ghulam Khan Border terminal are primarily due to the inefficient infrastructure at the border terminal. In addition to this security related concerns are also aiding the issues faced at the terminal. Due to lack of sufficient infrastructure facilities such as (proper offices, ware-houses and a proper communication facility) various problems are faced in the cross-border trade such as lengthy clearance procedure. Besides, this the lack of some department officials at the border terminal further intensify the issues. All these issues are discussed as under:

4.7.1 Inefficient and Insufficient Infrastructure

Due to inefficient and insufficient infrastructure facilities available at the Ghulam Khan Border terminal, the stakeholders engaged in cross-border trade face various issues. Due to these issues the pace of trading activity decreases and causes delay in cross-border trade. Moreover, these issues discourage the traders and drivers particularly. At times it also decreases the profit for the traders. One of the most pressing concern reported by the different stakeholders is the lack of sound communication infrastructure.

4.7.1.2 Communication Problem

The Ghulam Khan Border terminal as well as the entire Ghulam Khan Region faces the problem of Communication. Due to lack of communication system the individuals face problem in co-ordination and communication. There is absence of cellular network, telephone exchange and

sound internet connection. Due to lack of this basic facilities the locals of Ghulam Khan as well as the individuals working with in the border terminal faces difficulty in communication and performing the online processes required for trading. Most of the respondents reported that the communication problem prevails in the region. Due to lack of communication facility the locals face difficulty in communicating with trade related persons. Similarly, most of the traders could not communicate with the truck drivers carrying their goods. As one of the FGD respondent narrated:

“The biggest issue we face here at Ghulam Khan is the communication problem. Previously an Afghan network named ‘Roshan’ was working here and the locals used to interact through that network but now the authorities have banned them. If the government allows one network or a landline facility is provided to the general public a major issue of the locals will be sorted out.”

Similarly, due to lack of sound internet connection the custom clearing agents faces problem in the submission of Goods Declaration form in the online portal of WeBOCs and PSW. Due to this weak connectivity issue, the submission of GD takes more time which delays the clearance procedure at the terminal. This delay in clearance not only frustrates the drivers and traders but also causes them economic losses. Results are consistent with (Grewart et al., 2018) who highlighted obstacles on official trade between Afghanistan and Pakistan, are principally caused by political tensions which results in frequent border closure. The long delays at the border causes great losses to the transport companies.

One of the custom clearing agent narrated:

“Due to poor quality internet the process of filing GD is worrisome. Mostly, the internet is slow and it takes 30 minutes to process a single GD on WeBOC. With a good internet it takes maximum 5 minutes to submit the GD”.

Another agent told that a new notification has been issued which orders the use of Pakistan Single Window (PSW) from January 2022 onwards. He stated:

“Now most of the custom clearing agents have shifted towards the use of PSW (Pakistan Single Window), which is very loaded software and requires a good internet connection to perform the task of submission of Goods Declaration file online.”

4.7.1.2.1 Pakistan Customs views on Improved Internet Facility

The custom officials stated that previously we faced the issue of sound internet due to which the processes inside the terminal were delayed and we were being accused for the delay caused in clearance procedure. The customs respondent narrated:

“Now we have acquired a good internet facility on our own, although it was duty of NLC to provide us good internet, with this internet now the issue of delay in clearance process will be resolved. With the enforcement of Pakistan Single Window the processes will get more faster, since all the different departments will be interlinked and with a single click processes will be done”

4.7.1.3 Lengthy, Hectic Clearance Procedure

The vehicles undergo lengthy clearance procedure both at zero point and inside the terminal. These lengthy clearance procedures discourage both the trader and driver. Most of the respondents highlighted this as a major issue that discourages the traders. The vehicles carrying goods undergoes physical inspection at zero point. It takes around 40 to 50 minutes to perform the physical inspection of the vehicle. The respondents mentioned that this physical inspection is being done by a group of local people under the supervision of FC personnel. They also narrated that for the physical inspection they are charged Rs. 800 rupees.

Most of the respondents reported that after the physical inspection, the clearance procedure inside the terminal is very worrisome. The clearance procedure is further delayed due to the slow internet inside the terminal. The respondents mentioned the lengthy clearance process at the border terminal as a serious concern. According to them, the border closure and the long waiting at the terminal and zero point have resulted in economic losses. Some of the traders were not satisfied with the customs department. They blame both Pakistan Customs and NLC for not facilitating during the clearance process. One of the respondent narrated:

“NLC and Customs intentionally delays the clearance of vehicle. The grapes which I have imported perished at the terminal due to the inefficient performance of the customs and NLC staff. We are told that some time it takes 8 hours to process a single GD, if such is the case we request government to provide a good quality Internet.”

Most of the local traders stated that due to difficulty in entry and exit of locals to and from Afghanistan, the locals are then engaged in strikes due to which the traders suffer the economic losses. One of the respondent cited:

“The online clearance system at the terminal requires a good internet which is deficient at the terminal and resultantly it takes a long time in clearance of the vehicles due to which the perishable fruits and vegetables perishes and we face huge losses”

4.7.1.4 Lack of Basic Facilities

The Ghulam Khan Border terminal lacks some basic facilities which affects the efficiently working of the terminal. This includes the lack of warehouses with in the terminal where the goods can be unloaded at times of emergency or seizures. Currently, there is a single shade available to meet the need of warehouse. Besides this the terminal lacks clean drinking water. The border terminal also lacks washrooms. One of the clearing agent narrated:

“NLC is not giving proper attention to the issues faced inside the terminal. We have been given very little space in the containerized office cabins. 8 to 10 different enterprise agencies work together inside the containerized office which results in so much noise.”

Another respondent reported:

“Besides a good quality internet, the terminal lacks a lot of facilities such as drinking water facility, no mosque, no washrooms. No shady place or sitting area is available for the drivers. Most of the time they enter the overburdened containerized cabins making it difficult for us to perform our duties.”

Table 4.3 Stakeholders Responses

Issues/Hurdles in the Cross-Border Trade

<i>Responses</i>	<i>Frequency</i>	<i>Percentage</i>	<i>Ranking</i>
<i>No communication system i.e. No Cellular Network, No Landline connection (PTCL), No Internet. Internet which is available in the terminal is very slow.</i>	26	40.6	1 st
<i>Slow clearance process, and repeated physical inspection at the border crossing point, which causes delay.</i>	24	37.5	2 nd
<i>Entry to/from the border crossing point is worrisome and problematic. It takes 8 to 10 days to complete the processes necessary to cross the border.</i>	8	12.5	3 rd
<i>No Clean drinking water is available.</i>	6	9.3	4 th
<i>Total</i>	64		

Source: Researcher Interviews

4.8 Government Officials Perspective on Cross-Border Trade via GKK

Similarly, the customs officials reported that there are no proper residence facilities for them. They cited that the fabricated containerized offices lack the heating facility. The respondents highlighted that a new notification was passed according to which the Ghulam Khan Border terminal shall be operated 24 hours a day. This makes the duty hours quite longer and it is impossible to perform such a duty inside these containerized offices.

Due to security issues and insufficient infrastructure available at Ghulam Khan Terminal the pace of trading activity slows down and results in long queues at the border, which in turn discourages traders and drivers. Due to the security concerns and low number of scanners the vehicles undergoes the physical inspection as a result of which unnecessary delay is caused which frustrates the driver and traders.

Moreover, the Ghulam Khan Border terminal lacks facilities that are required for the efficient functioning of the border terminal. There is only one scanner installed in the terminal. Most of the respondents highlighted that due to less number of scanners available at the terminal, the clearance process becomes lengthy. They also mentioned that there is a need of scanner at the zero point to avoid the physical inspection.

Table 4.4 Frequency Table of Responses

Government Officials Perspective on Cross-Border Trade via GKK (Issues Faced during Cross-Border Trade via GKK)

<i>Responses</i>	<i>Frequency</i>	<i>Percentage</i>	<i>Ranking</i>
<i>No proper communication system due to the absence of cellular network and the telephone exchange service. No sound internet connection</i>	5	27.7	1 st
<i>The GKK terminal lacks facilities required for efficient cross-border trade i.e. No proper offices and residence set up for custom officials. Fabricated containerized offices have been set up which lacks heating facility.</i>	4	22.2	2 nd
<i>No ware houses in the terminal for trans loading the goods.</i>	4	22.2	2 nd
<i>Immigration and FIA staff missing due to no recruitment/deployment. Similarly, the quarantine department staff is missing.</i>	3	16.6	3 rd
<i>No proper mosque inside the terminal.</i>	2	11.1	4 th
<i>Total</i>	18		

Source: Researcher Interviews

4.8.1 Lack of Quarantine Department, FIA, and Immigration staff

The Ghulam Khan Border terminal still lack the deployment of officials from various departments that are necessary at a border crossing point such as Quarantine department, FIA and Immigration. Due to the absence of these officials at the border the cross-border movement of people and certain goods is restricted. Some of the respondents highlighted:

“The predestination path has been constructed but have not been operationalized for the movement of people because the immigration and FIA staff have not been deployed yet however, offices for FIA and Immigration have been established.”

Moreover, they also cited the requirement of quarantine department officials at the terminal. Due to the absence of quarantine department now the flow of dairy products and poultry have been stopped at Ghulam Khan Border, since these commodities require quarantine certificates for import and export which is provided by the respective department.

4.9 Socio-economic impact of cross-border trade on locals of Ghulam Khan

The second objective of this thesis to analyze the socio-economic impact of cross-border trade on the locals of Ghulam Khan. The interviews and FGD revealed the following socio-economic impact:

4.9.1 Employment Opportunity

The cross-border trade via Ghulam Khan have not only provided employment opportunities to the locals of Ghulam Khan but to the residents of entire Waziristan region. Most of the individuals from different areas of Waziristan are engaged in cross-border trade as daily wage workers. Many are engaged as traders, drivers etc. The operationalization of Ghulam Khan Border has been a source of different economic opportunities to the locals of Waziristan.

The Cross-border trade via Ghulam Khan provides the local with employment opportunities. Although, most of the employment opportunities that it offers are ordinary i.e. Most of the locals are engaged as daily wage workers. The nature of work is difficult and earning is very less. Most of the workers are engaged in loading and unloading the trucks. Moreover, some of the locals are engaged in cross-border trade as drivers. While a significant number of literate and educated people are working as Custom clearing agents in the terminal. The custom clearing agents' functions as bridge between a trader and the custom officials, i.e. the custom clearing agents helps the trader in filing the Goods Declaration (GD) form online. These customs clearing agents are present in the terminal representing their respective enterprise/agency. With this successful submission of Goods Declaration (GD) file, the agents receive a specific amount of commission. Those who are engaged in cross-border trade as Custom clearing agents earns a handsome amount of money with which they can earn a good living. Other than these some of the locals are engaged

in forming a committee whose task is to physically inspect the cargo vehicles at Zero Point. Moreover, a few number of individuals serve at NLC terminal point who are residents of Waziristan.

4.9.2 Impact of Trade on Livelihood & Earnings of Locals

The cross-border trade being an instrument of growth offers employment opportunities to many. In case of trade via Ghulam Khan, it has also offered many individuals a source of employment, through which they can earn their living. The cross border trade offers different kind of employment opportunities to the locals. The respondents discussed the role of cross-border trade in the lives of the locals. One of the respondent highlighted:

“This cross-border trade offered a source of employment to the locals. Many were engaged as daily wage earners, as the literacy rate of Waziristan is low so those who were illiterate/uneducated were engaged as daily wage earner while those having some education were engaged in custom clearing agency”.

Another respondent narrated:

“Trade in this area has provided earning opportunity but the earning of the daily wager is insufficient to earn a good living”.

One of the respondent accentuated that the earning opportunities at Ghulam Khan are less as compared to other areas of Waziristan such as Darpa Khel and Bora Khel mandis, they offer much employment opportunities.

Another respondent reported:

“Due to the cross-border trade many of his family members are engaged in employment offered by this trade, a few are engaged as custom clearing agents and some as drivers”.

One more respondent told that although the cross-border trade has provided employment opportunities but that is not sufficient since the daily earning is not more than Rs. 1000 and it also varies sometime there are more workers than the number of trucks to be loaded and unloaded, so the locals have to wait for their turn and consequently gets an opportunity to work after 2 days.

One of the respondent stated:

“Those working inside the terminal receives a regular and fixed income, those individuals are selected and not everyone gets such an opportunity”.

4.9.3 Spill-over Effect of Cross-Border trade on locals

The cross-border trade plays a significant role in the lives of the local residents, as it offer different kinds of earning opportunities. This income opportunities have a substantial spill-over effect; due to income opportunities many individuals had the opportunity to improve their living condition. The respondents discussed the spill-over effect of cross-border trade in the lives if the residents of Ghulam Khan.

According to the FGD respondent: *“Employment opportunities have increased the income of the individuals which have improved their livelihood. Moreover, this cross-border trade have also engaged the locals in earning or else they would be engaged in wrong doings such as theft, drugs etc.”*

Another respondent negated the spill-over effect of cross-border trade and specified

“The cross-border trade has provided income opportunities to the locals. But it does not have such a significant impact that have improved the lifestyles of individuals to a large extent as most of the individuals are engaged as daily wagers and they don’t earn a lot so there is no significant positive impact of cross-border trade.”

Although most of the locals engaged in cross-border trade works on daily wages and earn around Rs. 800 to 1000 per day, which is scarce to improve the lifestyle of a family. With such amount of income an individual could only feed the household. Besides, the daily wage workers, other literate individuals of Ghulam Khan have an opportunity to work as a custom clearing agent, who earns a good sum of money which can be utilized for attaining good health and education of the family members.

One of the respondent said, *“the cross-border trade provided employment opportunities for the individuals to engage. Through this income the lifestyle of some individuals have improved and the construction of the new carpet road have made access easy to Miran Shah at times of emergency and in general.”*

The respondent from NWTDC chamber narrated that if the passenger facility is provided at Ghulam Khan Border, the employment will increase manifold. With the deployment of Immigration staff, the flow of people will become easier and resultantly the number vehicles through this route will increase and earning opportunities for the locals will automatically increase. This development will then require the construction of hotels, petrol pumps etc. which will increase the employment opportunities for the individuals from Waziristan.

4.10 Significance of Ghulam Khan Border

Ghulam Khan Border is the third busiest border crossing point with Afghanistan after Torkhum and Chaman. It has very recently been operationalized for transit trade. The Ghulam Khan Border provide an additional route for both bilateral and transit trade. Having alternative options is always beneficial. Previously, only the two borders Torkhum and Chaman were operationalized for bilateral and transit trade. The number of vehicles on these two borders were enormously high, which mostly resulted in heavy traffic and road blockades. There have been episodes of border closures due to security and other issues. At such instants the significance of alternative border crossing points is truly revealed. Besides an alternative route, the Ghulam Khan route offer easiest and shortest route to Khost and Kabul. One of the respondent mentioned:

“The Ghulam Khan border reduces the distance for the transit goods particularly. It also offers shortest distance to the goods imported/exported from the southern region across the Indus highway. Due to the comparatively short distance and easy plain route it offers less transportation cost. Besides this the operationalization of this border plays a significant role in the development of livelihood of the residents of Waziristan.”

Similarly, another respondent narrated:

“Ghulam Khan route offers the easiest route to the Khost and Paktia provinces. The Paktia province is rich in coal and most of the coal is imported from Afghanistan’s Paktia province through Ghulam Khan route. Moreover, this route is shortest for the transit goods that comes from Karachi and Gwadar port. Hence this route shares the burden of the other two busiest routes Torkhum and Chaman.”

Apart from these, the operationalization of Ghulam Khan Border plays an important role in the lives of locals of Waziristan. This cross-border trade has provided different kind of employment

opportunities to the people of Waziristan, which includes opportunities for daily wagers for loading and unloading of vehicles, drivers, clearing agents etc. Moreover, the Waziristan region had faced severe economic losses during the military operation. Although the Waziristan region is a poorly developed area, and the establishment of border terminal paves path for the development of the region. As the one of the official narrated:

“Trade and stability both are consequential; if trade is improved the situations will get better. Because people’s economic condition does shape their behaviors. These people specially the young lads if granted an opportunity to engage in trade, they will lean towards trade. We need to pacify the aggressive behavior of the individuals here. A person economically sound cannot be exploited easily.”

4.11 Adoption of International Standards at Ghulam Khan Border

The third objective of this thesis is to assess that whether the international standards and international good practices are adopted at Ghulam Khan Border or not. There are number of international agreements that are used to enforce standards and controls during border trading.

4.11.1 Revised Kyoto Convention

The Revised Kyoto Convention (RKC) is basically an international agreement that provides a set of comprehensive customs procedures to facilitate the international trade. The RKC aims to facilitate the international trade by simplifying and harmonizing the customs procedures. The convention provides standards and recommends the practice of modern customs procedures. The General Annex of RKC elaborates and commits the contracting parties to the key principles of simplification and harmonization of customs procedures which are as listed in the figure 4.1 as under

Figure 4.3: Key Principles of Simplification and Harmonization of Customs Procedures



This agreement not only ensures the smoothening of international trade and maximum facilitation to movement of goods and passengers travelling around the world but it also leads to an overall improvement of international trading environment. It encourages the international investments, development of industry and increases the participation of small and medium sized enterprises in international trade. Moreover, the RKC has gained a quality symbol and is regarded as quality standard for modern customs administration. The accession to RKC produces a positive announcement effect that an RKC contracting party is certified to have international customs standards in place. Furthermore, it assists the RKC contracting party to attract foreign direct investment. Besides this the RKC is referred to in many documents as an indicator of best practices in Customs procedures in the 21st century. The RKC has a brand status in terms of customs procedures. Apart from this the WCO member countries that acceded to RKC have a greater likelihood of receiving capacity building related to RKC measures offered by WCO and other international organizations.

Many RKC measures, including computerized or Electronic Data Interchange (EDI) Customs systems, Customs risk management systems, and pre-arrival information, are expected to improve customs release times. Faster release of goods at borders is beneficial directly and indirectly for both Customs administrations and businesses. For example, it enables Customs administrations to process more transactions without delay at borders, so that they can deploy their limited resources

to high-risk cargoes. It also allows traders to enhance their competitiveness in domestic and international markets thereby to enhance business opportunities

Certain RKC measures have been known to strengthen the capacity of customs administrations in improving revenue collection. Firstly, revenue could increase as a result of a larger tax base (more imports) attracted by faster release of goods and lower trade costs. Moreover, the (Moisé-Leemani, 2009) suggested that trade facilitation measures can reduce the incentives for “informal” cross-border trade where traders do not pay Customs duty and VAT. Last but not least, a specific Customs technique such as post-clearance audit could enhance revenue collection. Experience has often showed that Customs revenue increased significantly following Customs reform and modernization programs (B.Sokol, 2005)

RKC implementation is likely to promote protection of security, society and human health. Customs risk management is the significant element in the implementation of effective Customs controls, while facilitating the legitimate international trade. The use of Standardized information technology enables the Customs administration to help detect and recognize the movements of illegal goods or people across borders. It also enables the Customs administration to coordinate timely with the other border agencies. Moreover, the transparent and predictable Customs procedures effectively improve the integrity and professionalism of Customs administrations worldwide. Furthermore, the rigorous implementation of RKC helps to facilitate the inflow and outflow of goods and people at times of emergencies and natural disasters.

Pakistan have acceded to the RKC in 2004. The instrument of accession was signed by the then president. Pervez Musharraf on 19th February 2004⁵. The instrument of accession was accepted at Brussels on 1st October 2004 after which Pakistan became a formal contracting member to RKC. Besides the General Annex Pakistan has also acceded to the first chapter of the following four Specific Annexes of the said convention which are:

Specific Annex A: Arrival of Goods in Customs Territory

Specific Annex B: Importation

⁵ <http://www.wcoomd.org/-/media/wco/public/global/pdf/about-us/legal-instruments/conventions-and-agreements/contracting-parties-and-instruments/pakistan/pk200402-instrument-of-accession.pdf?la=en>

Specific Annex C: Exportation

Specific Annex J: Specific procedures

The FBR respondent highlighted that most of the customs procedures that we follow are according to the provisions of RKC. The respondent quoted that we are much better in the adoption of practices mentioned in RKC as compared to other countries. However, we may lag behind in implementation of some standards mentioned in RKC due to no proper infrastructure facilities available at Ghulam Khan Border crossing point.

4.11.2 Content Analysis of RKC (Chapter wise)

The chapter 3 of RKC sets out standards for the clearance and other customs formalities. This includes the establishment of competent custom offices where goods may be cleared or produced and their hours of business. Besides this the chapter sets out standards for Goods Declaration format and content that must conform to the UN-layout key. Similarly, the 3.12 standard, states that the customs shall limit the data required in Goods Declaration to only such particulars that are deemed to be necessary for the assessment and collection of duties. Moreover, this chapter also consist standards for the examination of goods 3.33 Standard, states that after the declaration of goods examination shall be carried out as soon as possible.

“According to the majority of the respondents from FBR and Pakistan Customs most of these standards are followed.”

However, the Chapter 3 of General Annex of RKC also consists of transitional standards.⁶ The 3.5 transitional standard, states that when the Customs intends to establish a new Customs office or Customs to establish a juxtaposed Customs office to facilitate the joint controls wherever possible. Similarly, 3.35 Transitional standard, states that if the goods are inspected by other competent authorities than the Customs, they must schedule a joint examination and the Customs shall ensure that the examination and inspection of goods are coordinated and are carried out at the same time. Authorities at Ghulam Khan lag behind in the implementation of these transitional standards at the border terminal.

⁶ Transitional Standards are those standards of RKC for which a long period for the implementation is permitted.

The Chapter four of General Annex sets out standards for assessment, collection and payment of duties and taxes. According to these standards, the national legislation must define the conditions, circumstances and time period when the liabilities to taxes and duties must be incurred. Similarly, 4.4 Standard states that the rates of duties and taxes must be set out in official publications. Other standards in this chapter states that the national legislation shall specify the person responsible for payment, due dates, place and methods of payment of duties and taxes. According to the respondents all these standards are followed dully. The rates of duties and taxes on the commodities is described in the official document published. Similarly, the mode of payment of duty taxes and its due date are specified.

The fifth chapter of RKC discusses the standards related to the payment of security. These standards states that the national legislation must enumerate the cases in which security is required and the specification of forms in which the security is required. The other subsequent standards states that Customs must determine the amount of security.

Chapter Six of RKC consists of the standards for Customs Control.⁷ The 6.1 Standard of RKC states that all the goods and the means of transport that enters or leaves the Customs territory will be subject to customs control irrespective of the fact if the they are liable to taxes and duties or not. The subsequent standard states that the customs control shall be limited to that necessary to ensure compliance to the customs law.

The Standard 6.3 of RKC states that the Customs shall use Risk Based Management.⁸ Similarly, the subsequent standard states that the Customs shall use risk analysis to determine which person and goods including the vehicle should be examined and to what extent the examination must be done. Another Standard 6.6 of RKC states that the Customs shall include the audit based control. The FBR respondent in this regard stated that we are not following the risk based management and audit based control. The respondent stated that we have proposed to do profile-based inspection. Similarly, the Standard 6.10 states that the Customs must evaluate the trader's commercial system

⁷ Customs Control are the measures applied by the Customs to ensure compliance with the Customs laws

⁸ Risk management is defined as the systematic application of management procedures and practices which provide Customs with the necessary information to address movements or consignments that present a risk. The preamble to the RKC lists the application of risk management as one of seven key principles of trade facilitation embodied in it

which have an impact on customs operations. The Transitional Standard 6.9 states that the Customs shall use information technology to the greatest extent to enhance the customs procedures.

Chapter Seven of RKC discusses the standards for the application of Information Technology. These Standards states that Customs shall specify the conditions for application of information technology in order to support the customs operations where it is efficient and cost-effective. Other standards suggests that while introducing computer application the customs must use of internationally accepted standards. In this regard some of these standards have been adopted by the authorities at Ghulam Khan but due to unavailability of the efficient internet service, the actual benefit is not achieved.

Chapter Eight discusses the standards for the relationship between Customs and the third parties. These standards include that the person concerned in trade shall have the option to transact the business either directly or through a third party. The other subsequent standards states that the national legislation must set out conditions under which a person may act as a third party. Moreover, the customs shall specify the circumstances under which they are not prepared to transact business with the third party.

Chapter Nine discusses the standards related to the information (decisions, rulings) provisions by the customs. These standards states that all the relevant information pertaining to the customs laws must be readily available to any interested person. Similarly, at the request of interested person, the custom shall provide the information as quickly and as accurately possible. Information related to any specific matter raised by the interested person may be entertained with the required information.

Chapter 10 discusses the standards for appeals in the customs matters. This standards that the national legislation must provide the right of appeal in customs matters. Similarly, the national legislation shall provide the right of an initial appeal to the Customs. Other standards states that if the appeal to the customs is dismissed, the appellant must have the right to appeal in any other independent authority then customs. It have the right to appeal in a judicial authority. Other standards in the chapter states that the appeal must be lodged in writing stating all the grounds on which it is being made. Similarly, the other standards state that a time limit shall be fixed for the lodgment of an appeal.

4.11.3 Compliance with TIR Convention⁹ and Revised Kyoto Convention

The respondents narrated that Pakistan is a signatory to these conventions.¹⁰ Basically these conventions define some international good practices and standards. The TIR convention good practices and standards are for the transit goods. For transit trade separate custom officials are designated here at Ghulam Khan Border terminal and they make sure to follow those standards. The transit goods are not inspected and are enclosed in a sealed container. When the transit container reaches the border terminal the designated custom inspector checks for the necessary documents and tracker installed at Karachi is then removed and is marked to have reached safely. Similarly, another tracker is installed on the vehicle while entering the other country and is again removed while exit the border of that country. The FBR respondents stated that we have adopted most of the standards in the RKC and we are much better than most of the countries in compliance with RKC standards, however, some of the standards may not have been adopted due to different reasons.

The findings of analysis are consistent with Owais et al. (2008) that finalizing the agreement is laborious efforts but both the contracting parties could get benefits. Hence agreements and international standards must be followed.

4.12 Overall Recommendations proposed by different stakeholders

All the different stakeholders during in-depth interviews and focused group discussion proposed certain recommendations for the improvement of cross-border trade. The recommendations proposed are as following:

4.12.1 Locals Proposed Solutions

- Communication problem must be addressed. At least one network may be made functional or a landline must be provided, internet access to the locals and traders will reduce the barriers of communication between a trader and the driver

⁹ TIR Convention is a custom convention on international Transport of goods. It facilitates the international carriage of goods from one or more custom office of departure to one or more customs offices of destination. The vehicles carrying TIR goods remains sealed through the TIR transport and being a rule the goods are not inspected by the Customs at the border crossing point. Only at times of suspicion of irregularities the Customs are entitled to inspect.

¹⁰ <https://unece.org/DAM/tir/documents/CN.420.2015-Eng.pdf>

- The cross-border movement of divided tribes must be made easy. They should be allowed on the passes previously issued by the civil administration. Moreover, they must be allowed to carry a certain amount of goods with them for instance 3 to 4 kg of eucalyptus or black tea.
- Compensation of losses by government and re-establishment of Ghulam Khan Border market.
- Easing the clearance process at zero point, avoidance of repeated physical inspection

4.12.2 Drivers and Traders Proposed recommendations

- Permission for Co-driver
- Easing the clearance process
- Permission for Afghan vehicles to go beyond Miran Shah at least for vehicles carrying coal
- Allowance of trucks loaded with mix vegetables with their respective custom duties. All the mix vegetables must not be charged uniform Custom duties
- Avoidance of Repeated physical Inspection
- Provision of cellular network
- Provision of Warehouses and hotels
- Friendly and easy visas for registered traders

4.12.3 Customs Clearing Agents and Customs Officials proposed recommendations

- Provision of proper offices at the terminal instead of fabricated containerized offices
- Proper residence facility for Custom officials
- Provision of High-speed Internet
- Provision of spacious offices for clearing agents
- Terminal must be upgraded to diminish the dust at terminal
- Provision of warehouses at the terminal for unloading goods at times of emergency or seizure
- Trade in PKR

4.12.4 Civil Administrative Officials Recommendations

- Deployment of missing staff at Ghulam Khan Border Terminal

- Permits issued to Afghan vehicles to carry certain goods beyond Miran Shah
- Provision of sound internet facility
- Issue of disputed land bought for terminal must be resolved to enlarge the terminal
- Telephone exchange, parking place for vehicles and ware houses must be provided
- Facilities required for 24 hours operationalization of border terminal must be provided
- Increase Scanners at the border terminal, one must be installed at zero-point

4.13 Chapter Conclusion

The volume of cross-border trade via Ghulam Khan is low as compared to the other two borders due to the fact that it is comparatively new border and there have been episodes of repeated border closures for a long period of time. Moreover, mostly seasonal fruits and vegetables are traded via Ghulam Khan due to which the flow of goods via Ghulam Khan remains high in a particular season. Furthermore, the Ghulam Khan Border lacks certain basic facilities due to which the pace of operations at the border terminal slows down and results in slow clearing process.

Besides sharing the burden of the other two borders, Ghulam Khan Border plays a key role in the employment opportunities to the locals. Many of the locals have been provided with employment through which they earn their living. The Waziristan region have faced severe social economic problems during the military operation Zarb-e-Azab. Many individuals perceived the Zarb-e-Azab as a punishment for them from the state. It had resulted in the increase of anti-state sentiments. Employment opportunity of the locals in the cross-border trade helps in decreasing this anti-sentiments. The further development of this border will result in the development of the Waziristan region which will ultimately play a key role in decreasing the anti-state sentiments.

The cross-border trade via Ghulam Khan is affected by the facilities available at the border terminal. As discussed above, the terminal lacks certain basic facilities such as communication problem, internet issue, etc. Besides this the lack of sound infrastructure facilities at the Ghulam Khan Border Terminal not only the pace of cross-border trade activities decreases but also acts as a barrier in the implementation of the international standards at GKK-Border Terminal.

CHAPTER 5

Conclusion and Recommendations

5.1 Conclusion

The study aimed to explore the issues and prospects of cross-border trade with Afghanistan via Ghulam Khan Border. It focused to explore the reasons for low volume of cross-border trade via Ghulam Khan. Moreover, the study also focused to explore the socio-economic impact of the cross-border trade on the residents of Ghulam Khan. The study assessed the adoption of international good practices at Ghulam Khan Border Terminal. For this purpose an exploratory case study design of qualitative research methodology was employed to explore the issues faced in cross-border trade via Ghulam Khan. The study nature is exploratory since the overall purpose of the study was to explore the issues and prospects of cross-border trade and its socio-economic impact on the locals. The study is unique as it explored the adoption of international standards and good practices at Ghulam Khan Border Terminal. In this regard multiple visits to Ghulam Khan were done to collect data through FGD and in-depth interviews.

The study found that the reasons for low volume of cross-border trade via Ghulam Khan are numerous. Since the Ghulam Khan Border is comparatively a new border crossing point and is still in its developing phase, it lacks many basic facilities. The issues being faced in the cross-border trade are primarily due the lack of sound infrastructure facilities. Besides these, the flow of goods via Ghulam Khan is enormous during a specific time period. Since most of the commodities imported and exported via Ghulam Khan includes fresh fruits and vegetables. Hence, maximum revenue is collected at Ghulam Khan Border terminal during the second half of the year (from July to December). Apart from these, the cross-border trade via Ghulam Khan Border was completely stopped for four long years during the military operation (2014 to 2018).

Moreover, due to lack of sound infrastructure facilities at the border terminal the cross-border trade faces certain barriers which impedes the pace of cross-border trade. Besides the insufficient and inefficient infrastructure there is a lack of certain departments that plays a key role at border crossing point, to facilitate the movement of goods and people. The lack of such departments also aids in broadening the issues that hampers the cross-border trade. The lack of Immigration and FIA official at the border terminal effects the cross-border movement of the divided tribes. Due to their absence, the divided tribes face difficulty in the cross-border movement. The locals had to

take multiple permissions and despite seeking multiple permission they face delays in their movement across the border. Due to this issue, the locals resort to strikes and results in roads blockades hence the cross-border trade is affected. Had there been the concerned staff to regulate movement of divided tribes, episodes of road blockades can be avoided.

Likewise, the lack of Quarantine department at the border crossing point has resulted in the stoppage of commodities that require quarantine certificates such as poultry etc. Previously, these commodities were being carried via Ghulam Khan. However, due to the requirement of quarantine certificate and the lack of the concerned authority at the border crossing point has completely stopped the flow of these commodities.

The cross-border trade being an instrument of growth have provided employment opportunities not only the locals of Ghulam Khan but to the entire Waziristan region. This region had faced severe economic and social losses during the wake of military operation. Many had lost their properties and goods during the military operation. Due to losses incurred by the locals a sense of deprivation and anti-state sentiments have risen among the locals. Moreover, due to economic deprivation and unemployment in the region, a bulge of youth may be involved in wrong doings such as theft, drug abuse etc. Therefore, it is foremost important to facilitate the cross-border trade by developing the Ghulam Khan Border terminal. This will not only create employment opportunities but will minimize the anti-state sentiments in the locals.

The study concludes that due to the security concerns in the region and the absence of proper infrastructure, the real potential that Ghulam Khan could deliver in terms of revenue and employment is not possible. Moreover, the adoption of international good practices as mentioned in Revised Kyoto Convention at Ghulam Khan Border terminal is also affected by the lack of proper infrastructure.

5.2 Policy Recommendations

In the light of the findings and conclusion of the study, this research study proposes certain policy recommendation which are as under:

- **Addressing the communication problem**

As the study found that one of the major issue faced in the region is the communication problem, although due to security concerns the provision of cellular network has been denied in the region, High speed internet must be provided inside the terminal to speed up the online processes. Moreover, the provision of landline PTCL connection instead of cellular network in the region would certainly benefit the locals, traders in communication.

- **Deployment of officials of various departments**

To address the issue of cross-border movement of the divided tribes, deployment of FIA and Immigration must be done as soon as possible in order to regulate and facilitate the cross-border movement. Moreover, a friendly visa policy must be adopted for the locals (divided tribes) and traders. Furthermore, the Quarantine department must be deployed at Ghulam Khan Border Terminal to re-start the flow of dairy products.

- **Development of border terminal**

The Ghulam Khan Border Terminal shall be developed and all the necessary facilities must be provided in order to operate the border terminal 24 hours a day. Proper residence facility must be provided to the Customs officials at the terminal. Moreover, the segregation of import and export terminal on either sides will reduce the long queues of vehicles.

- **Installation of scanner at zero point**

Installation of scanner at zero point will certainly reduce, the time consumed in physical inspection. In case of necessary physical inspection the 3.35 Transitional standard of RKC must be adopted. The transitional standard, states that if the goods are inspected by other competent authorities than the Customs, they must schedule a joint examination and the Customs shall ensure that the examination and inspection of goods are coordinated to avoid the repeated physical inspection of vehicles.

- **Adoption and Implementation of RKC Standards**

All the standards including the transitional standards must be adopted and implemented at Ghulam Khan Border Terminal. Adoption of Risk based Management and audit based control must be specifically adopted in order to facilitate the cross-border trade.

- **Re-establishment of Border Market**

The losses incurred by the locals during the military operation shall be reimbursed as promised, in a way to re-establish the border market. Rules and regulations regarding border market must be drafted and implemented to compensate the local traders in the border market.

5.3 Limitations of the study

The findings of the study provide an insight to the issues faced during the cross-border trade via Ghulam Khan and its socio-economic impact. The study also provides insights to the adoption of the international standards mentioned in the RKC. However, many limitations were faced during the data collection for the research thesis. Firstly, one of the major stakeholder in cross-border trade i.e. NLC did not agreed to give an interview and the required data. Secondly, it was observed that during the interviews most of the residents were also reluctant in the provision of real information due to job security and personal security threats.

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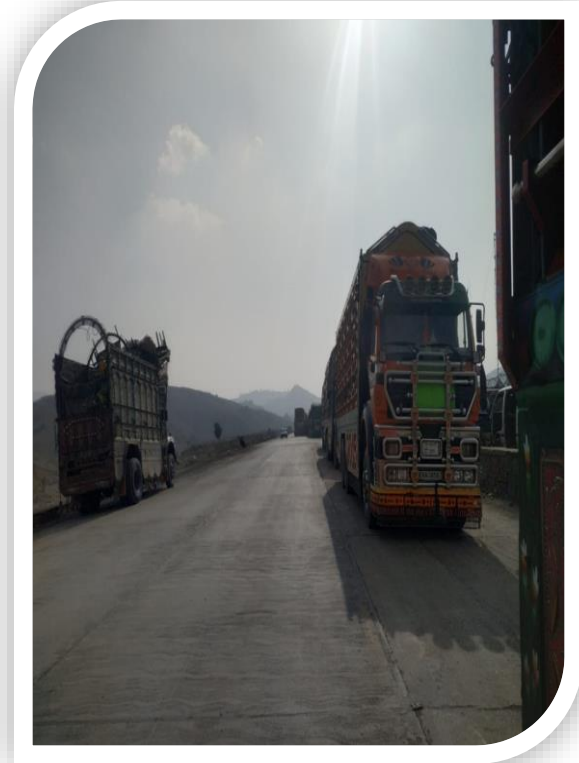
Landscape view of Ghulam Khan Bazar



Shops Destroyed during Zarb-Azab



Vehicles stranded in Queues



Due to lack of warehouses, goods transloaded from one vehicle to another



Wagons carrying passengers undergoing entries



Ghulam Khan Border Terminal



Trucks inside the Ghulam Khan Border Terminal



Receipts of NLC charging Rs.3000 for Scanning and Weighing of Vehicles

NLC National Logistics Cell

Receipt
Ghulam Khan Kalay Border Terminal
National Logistics Cell

NO 31912 2653 Mbob 10
 Dated 27/12

Received with thanks from HRT 1268

The sum of Rupees 3000

On account of Freight Charges NLC against _____

Cash, By Cheque / Bank draft No. _____ Dated _____

VALID FOR CHEQUES SUBJECT TO REALIZATION

Ghulam Khan Kalay Border Terminal
 For National Logistics Cell

Maximum 3 days are Free days for vehicles parking inside terminal.

Days	04 - Wheel	06 - 10 Wheel	22 - Wheel
01 -03 Days (03x days)	Free Days	Free Days	Free Days
04 -07 Days (04x days)	Rs. 50 / - per day	Rs. 100 / - per day	Rs. 200 / - per day
08 -12 Days (05x days)	Rs. 100 / - per day	Rs. 200 / - per day	Rs. 300 / - per day
13 -18 Days (06x days)	Rs. 150 / - per day	Rs. 300 / - per day	Rs. 400 / - per day
19 to onward	Rs. 200 / - per day	Rs. 400 / - per day	Rs. 500 / - per day