

**Pakistan-Afghanistan economic interdependence and implementation of  
APTTA: Governance performance and institutional constraints in Pakistan  
(2015-2025)**

**By**

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**Abstract**

*The purpose of this paper is to examine how Pakistan implemented the Afghanistan-Pakistan Trade and Transit Agreement (APTTA) during 2015-2025 by assessing the extent to which its governance and institutional frameworks were able to provide sustained, predictable and efficient trade and transit cooperation. Employing a qualitative institutional analysis based on policy review, trade and transit trend assessment and analysis of government and international reports, the paper evaluates modernization of customs, border infrastructure, transit routes and administrative coordination. Findings indicate that Pakistan has made significant progress through Web-Based One Customs (WeBOC), Pakistan Single Window (PSW), cargo tracking systems, operationalization of Gwadar Port, opening of Ghulam Khan Border Crossing Point (BCP) and infrastructure development at Torkham and Chaman. However, implementation remained inconsistent due to bureaucratic delays, infrastructural bottlenecks, road freight dependence, limited capacity of dry-ports and fragmented inter-agency coordination. The paper concludes that success of APTTA was influenced more by governance continuity, sustained implementation and infrastructure capacity than by the agreement's design. These findings emphasize that institutional resilience is essential to sustain transit cooperation in politically and security-sensitive environments.*

**Keywords:** APTTA, Pakistan-Afghanistan Trade, Trade Governance, Customs Modernization, Border Management, Transit Trade Facilitation.

**Introduction**

Pakistan-Afghanistan trade and transit relations have strategic importance in the regional connectivity within South and Central Asia, owing to Afghanistan's landlocked geography and Pakistan's role as its principal maritime gateway. Afghanistan historically remained dependent on Pakistan's ports for access to international market, making Pakistan's customs, trade and transit governance systems central to the broader regional connectivity frameworks.

Against this backdrop, an important question arises: to what extent Pakistan's institutional and governance framework has effectively implemented transit arrangements in a manner that sustained stable, predictable and efficient trade and transit cooperation between 2015-2025? The period of 2015-2025 is selected because it captures the commencement of US-led NATO forces drawdown and other significant political, security and administrative transformations. Therefore, this timeframe is considered more suitable for evaluating Pakistan's implementation of APTTA under changing operational conditions. In this paper, economic interdependence refers to the extent of mutual economic connectivity established by trade, transit and cross-border linkages.

This economic relationship was regulated through Afghanistan Transit Trade Agreement (ATTA) of 1965. Expanding trade, customs modernization requirement and smuggling issue, entailed its up-dation, after which it took the shape of APTTA in 2010. It introduced provisions for bonded carriers, customs guarantees, cargo tracking system<sup>1</sup> and bilateral coordination authorities<sup>2</sup>, in accordance with international standards. APTTA was not conceived as an instrument of trade facilitation alone but as a broader institutional framework through which Pakistan's customs enforcement systems, border governance structures, infrastructure capacity and administrative coordination mechanisms could facilitate more predictable and efficient transit governance.

Notwithstanding the relatively advanced treaty architecture, Pakistan's implementation of APTTA during 2015-2025 remained constrained by operational weaknesses for most of 2015-2025. Political disputes, persistent security concerns, administrative bottlenecks and customs inefficiencies continuously disrupted transit flows<sup>3</sup>. These disruptions exposed gap between the agreement's institutional provisions and operational governance performance. This demonstrates that the treaty's effectiveness was not dependent on formal provisions alone, rather on the strength of Pakistan's governance continuity, enforcement consistency and trade facilitation capacity as well.

Accordingly, focus of this paper is on examining Pakistan's implementation performance of APTTA, through the analysis of customs modernization, border governance, administrative coordination and trade infrastructure. It argues that APTTA offered an institutional framework for transit cooperation, but besides the treaty design, the outcomes achieved were primarily driven by Pakistan's governance performance. The paper employs a qualitative institutional analysis combining policy review, trade and transit trend

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<sup>1</sup> Muhammad Owais, Ashfaq Ahmed and Ishaque Ahmad, "Transit Trade Agreements between Afghanistan and Pakistan: A Comparative Study of 1965 and 2010," *Pakistan Social Sciences Review* 2, no. 1 (June, 2018): 137-138, <https://pssr.org.pk/issues/v2/1/transit-trade-agreements-between-afghanistan-and-pakistan-a-comparative-study-of-1965-and-2010.pdf>.

<sup>2</sup> APTTA Sections X - XI, 2010.

<sup>3</sup> Muhammad Ajmal Khan, *Pak-Afghan Trade: Policy Proposals and Confidence-Building Measures for Institutional Arrangements* (Islamabad: PIDE, 2025), 1 and 10, <https://pide.org.pk/research/pak-afghan-trade-policy-proposals-and-confidence-building-measures-for-institutional-arrangements/>.

assessment and examination of government and international institutional reports to evaluate how Pakistan's institutional resilience and governance capacity affected the performance of APTTA during 2015-2025.

The paper is divided into six sections. Following the introduction, the literature review examines existing scholarship on trade governance, border management, and Pakistan-Afghanistan transit trade. The theoretical framework outlines the paper's modified institutional approach, emphasizing governance continuity and implementation capacity. The subsequent sections analyze APTTA's institutional architecture and evaluate Pakistan's governance performance through customs modernization, infrastructure development, border management, and security-related constraints. Finally, the paper presents key findings and concludes by assessing effectiveness of Pakistan's implementation of APTTA during 2015–2025.

## Literature Review

Research on trade governance and transit arrangements generally highlights that formal institutions play a pivotal role in structuring interstate economic relations as these reduce uncertainty, standardize procedures and facilitate cross-border cooperation. North contends that institutions define "rules of the game" that shape economic interactions<sup>4</sup>. World Trade Organization (WTO) highlights significance of institutions by stating that institutions improve trade performance by lowering transaction costs and increasing predictability in cross-border exchanges. It adds that streamlined and harmonized trade procedures strengthen legal certainty and improve efficiency of trade<sup>5</sup>. These perspectives demonstrate centrality of institutional frameworks for sustained and efficient interstate trade relations.

Evidence from border studies reveals that successful customs procedures, transparent institutional setup and harmonized border institutions are essential to support cross-border trade. Institutional weaknesses at borders, administrative failings, corruption, inconsistent enforcement and deficient infrastructure are inhibiting trade performance<sup>6</sup>. This underlines institutional resilience, governance continuity and infrastructure performance as fundamental requirements for functioning of efficient and predictable transit systems.

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<sup>4</sup> Douglass C. North, "Institutions and the Performance of Economies Over Time," in *Handbook of New Institutional Economics*, eds Claude Menard and Mary M. Shirley (Dordrecht: Springer, 2005), 22, [https://siliconflatirons.org/documents/initiatives/IRLEdaytwo/North\\_Institutions\\_and\\_the\\_Performance.pdf](https://siliconflatirons.org/documents/initiatives/IRLEdaytwo/North_Institutions_and_the_Performance.pdf).

<sup>5</sup> WTO, *World Trade Report 2015* (Geneva: WTO, 2015), 6-7, [https://www.wto.org/english/res\\_e/booksp\\_e/world\\_trade\\_report15\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/world_trade_report15_e.pdf).

<sup>6</sup> Yue Li, Gerard McLinden, and John S. Wilson, "Building a convincing business case for border management reform," in *Border Management Modernization*, eds Gerard McLinden et al. (Washington DC: The World Bank, 2011), 83-84, <https://documents1.worldbank.org/curated/en/986291468192549495/pdf/588450PUB0Bord101public10BOX353816B.pdf>.

This review indicates that while existing scholarship provides substantial insight into trade patterns, political tensions, security disruptions and Afghanistan's dependence on Pakistan's transit routes. Comparatively relatively limited attention has been given to Pakistan's implementation performance of APTTA, particularly with respect to customs enforcement, border governance, infrastructure capacity, institutional continuity, administrative resilience and governance consistency. This paper addresses this gap by evaluating Pakistan's governance performance as the principal mediating variable influencing APTTA's operational effectiveness between 2015-2025.

## **Research Methodology**

Governance consistency refers to the extent to which customs processes, border management operations and implementation mechanisms were applied in a predictable manner across different nodes of the transit network over time. To operationalize governance performance, the paper evaluates five dimensions which include customs enforcement, border governance, infrastructure capacity, inter-agency cooperation and governance consistency.

The paper employs a qualitative institutional analysis to evaluate APTTA's implementation by Pakistan over the period of 2015-2025. Qualitative analysis is particularly appropriate because the paper focuses on regulatory structures, policy implementation, administrative coordination and procedural governance rather than solely on quantitative trade volumes. However, the qualitative approach is limited in its ability to quantify the precise impact of individual governance factors on trade performance. The quantitative variables presented in the paper are mainly taken from the referred institutional sources and are used descriptively to support qualitative assessment, rather than being independent statistical analyses.

The APTTA agreement text, FBR annual reports, Pakistan Business Council (PBC) reports, policy documents, trade and transit trend assessments and government publications form the basis of the analysis. These are supplemented by reports and assessments of international organizations such as the World Bank, Asian Development Bank, WTO and CAREC, which provide broader assessments of transit governance, border management and regional trade facilitation.

Pakistan's institutional arrangements were analyzed through a governance-performance perspective to determine how well they enabled the country to support a stable, predictable and efficient trade and transit cooperation throughout the period covered.

## **Theoretical Framework**

The paper uses a hybrid institutional framework, synthesizing assumptions of Liberal Institutionalism and Neofunctionalism with the governance constraints posed by fragile interstate environments. Liberal Institutionalism posits that institutions enhance cooperation by reducing uncertainty, establishing expectations of continuity and structuring repeated interstate interaction. According to Keohane and Martin, institutions foster cooperation by enhancing transparency, reducing uncertainty and transaction costs associated with them. This helps in

preventing escalation of disputes and supports peaceful dispute resolution and reduces the fear of cheating and opportunism<sup>7</sup>.

Neofunctionalism, the intellectual foundation of which was laid by Ernst B. Haas in 1958<sup>8</sup>, further complements this framework. It emphasizes technical cooperation and potential for incremental spillover of economic cooperation into broader spheres of institutional governance; 'Spillover' is perceived as central assumption of the theory which means that cooperation in one sector generates pressure for integration in related sectors<sup>9</sup>.

This paper adopts a more conditional analytical stance by emphasizing that even if institutions create frameworks for cooperation, their effectiveness is dependent not merely on formal agreements, but equally on governance continuity, sustained implementation and administrative resilience and infrastructure capacity. Thus, institutional performance is not only determined by the treaty design, but is also dependent on the capacity of governance systems.

In Pakistan's context, implementation of APTTA is therefore understood not merely as a formal institutional arrangement but a governance framework with institutional expectation of procedural continuity whose effectiveness is dependent on Pakistan's customs enforcement systems, border governance capacity, trade infrastructure and administrative coordination under recurring political and security pressures.

Thus, this paper adopts a modified conditional framework, which is based on the Liberal Institutionalism perspective and informed by the assumptions of Neofunctionalism, focusing on governance continuity as the primary determinant of institutional effectiveness.

### **APTTA Institutional Architecture and Pakistan's Governance Role**

This section analyzes APTTA's institutional structure through examination of its legal transition, governance mechanisms and operational provisions. It evaluates how design of the formal treaty sought to reform transit governance while emphasizing on the significance of implementation continuity.

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<sup>7</sup> Ibid, 87-88, 100-107 and Robert O. Keohane and Lisa L. Martin, "The Promise of Institutional Theory," *International Security* 20, no. 1 (Summer 1995): 45-46, [https://www.researchgate.net/publication/236794989\\_The\\_Promise\\_of\\_Institutional\\_Theory](https://www.researchgate.net/publication/236794989_The_Promise_of_Institutional_Theory).

<sup>8</sup> Walter Mattli, *The Logic of Regional Integration: Europe and Beyond* (Cambridge: Cambridge University, 1990), 23, [https://books.google.com.pk/books?id=\\_I-4em3Q8Q8C&printsec=copyright&redir\\_esc=y#v=onepage&q&f=false](https://books.google.com.pk/books?id=_I-4em3Q8Q8C&printsec=copyright&redir_esc=y#v=onepage&q&f=false).

<sup>9</sup> John McCormick, *Understanding the European Union: A Concise Introduction* (New York: Palgrave, 2002), 15.

## Transition from ATTA to APTTA

Before formal transit governance, Pakistan-Afghanistan transit trade was largely conducted under informal arrangements and remained unstable due to political tensions and smuggling concerns. Persistent border closures and disruptions of trade which became common between 1950 and 1963, highlighted the importance of a structured governance framework, that was formalized through ATTA in 1965<sup>10</sup>.

ATTA established formal procedures for Afghan transit trade and recognized Afghanistan's duty exempted access rights via specific routes mainly Torkham and Chaman, thus conforming to international norms for landlocked countries as was spelt out in Article V of GATT. Initially, cargo was to be transported through Pakistan Railway only<sup>11</sup>; in 2005, road movement was also allowed<sup>12</sup>. The agreement embodied geopolitical and economic realities of that time, however, its limited enforcement mechanisms and weak compliance structures allowed widespread smuggling<sup>13</sup>. With the passage of time, enhanced trade volumes, smuggling concerns and slow modernization of procedures exposed significant gaps in ATTA's operational capacity<sup>14</sup>. These structural gaps demanded the development of a more comprehensive and modernized transit governance structure, paving the way for APTTA.

By the mid-2000s, ATTA had become increasingly outdated. Negotiations between the two states were held between 2006 and 2008, which included a series of bilateral consultations on trade liberalization. Pakistan sought to modernize transit governance by strengthening customs enforcement, reducing smuggling back and diversion of transit goods into domestic markets, and expanding trade access to Central Asia; on the other side Afghanistan wanted overland access to India and trade facilitation measures for Afghan traders<sup>15</sup>. These efforts first led to a

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<sup>10</sup> Wolfgang-Peter Zingel, "The Economics of Pakistan-Afghanistan Relations: Implications for the Region," *India Quarterly* 70, no. 1 (2014): 6-7, [https://www.jstor.org/stable/45072839?read-now=1&seq=1#page\\_scan\\_tab\\_contents](https://www.jstor.org/stable/45072839?read-now=1&seq=1#page_scan_tab_contents), and Yasin Shayan, "Are alternative routes to Pakistan viable for Afghanistan's trade?," *AMU*, December 8, 2025, <https://amu.tv/214911/>.

<sup>11</sup> Amin, Awan and Raheem, "Critical Analyses of Pak-Afghan Transit Trade Agreement,"": 420.

<sup>12</sup> "Afghan Transit Trade: NLC permitted to transport commercial cargo," *Business Recorder*, March 16, 2005, <https://www.brecorder.com/news/amp/3139476>.

<sup>13</sup> Wolfgang-Peter Zingel, "The Economics of Pakistan-Afghanistan Relations,"": 7.

<sup>14</sup> Rooh Ul Amin, Dr. Ghulam Muhammad Awan and Dr. Faryal Raheem, "Critical Analyses of Pak-Afghan Transit Trade Agreement: Pakistan's Perspective," *Research Journal of Social Sciences & Economics Review* 1, no. 4 (2020): 420, DOI: [https://doi.org/10.36902/rjsser-vol1-iss4-2020\(418-426\)](https://doi.org/10.36902/rjsser-vol1-iss4-2020(418-426)).

<sup>15</sup> Owais, Ahmed and Ahmad, "Transit Trade Agreements between Afghanistan and Pakistan,"": 134.

Memorandum of Understanding in 2009 and then to APTTA signing in 2010<sup>16</sup>, as a comprehensive framework for regulating contemporary bilateral trade governance.

Transition from ATTA to APTTA was a significant change from a relatively narrow and outdated transit regime to a comprehensive institutional framework. This change highlighted the growing recognition that transit cooperation needed not only institutionalized access provisions but also better regulations, reciprocal mechanisms and sustained governance capacity.

### APTTA's Objectives and Provisions

The primary objective of APTTA was to facilitate movement of goods between the two countries by introducing more transparent and more coordinated mechanisms<sup>17</sup>. The agreement, which included several articles, annexures and protocols, was a comprehensive trade and transit governance mechanism designed to safeguard the interest of both states<sup>18</sup>. It broadened transit rights by including routes, entry/exit points and transportation modes<sup>19</sup>. In line with international treaties like Law of the Sea (1982), GATT Article V and WTO Trade Facilitation Agreement (TFA), Pakistan allowed Afghanistan's access to Karachi, Qasim and Gwadar ports<sup>20</sup>, thus reducing its dependence on limited transit corridors and enhancing access to global markets.

APTTA allowed transit cargo movement toward regional borders, to enhance connectivity among neighbouring markets; entry to China was permitted through Sost, a dry port located near Pakistan-China border<sup>21</sup>, Afghanistan's overland access to India through Wagah (for export only) and transit rights to Pakistan for reaching CARs through Afghanistan<sup>22</sup>. Ghulam Khan BCP was to be included with mutual agreement after operationalization<sup>23</sup>. These provisions reflect broader regional connectivity objectives and a more balanced framework.

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<sup>16</sup> Huma Qayum, Syed Ali Shah and Zubaria Andlib, "Implications of Pak-Afghan Transit Trade for Regional Security," *Global Regional Review (GRR)* I, no. 1 (2016): 170, [http://dx.doi.org/10.31703/grr.2016\(I-I\).13](http://dx.doi.org/10.31703/grr.2016(I-I).13)

<sup>17</sup> Owais, Ahmed and Ahmad, "Transit Trade Agreements between Afghanistan and Pakistan," 137.

<sup>18</sup> Shoaib A. Rahim, *Afghanistan Pakistan Transit Trade* (New Delhi: Vivekananda International Foundation, 2017), 14, <https://www.vifindia.org/sites/default/files/Afghanistan-Pakistan-Transit-Trade.pdf>.

<sup>19</sup> Government of Pakistan, *Section III, Article 4 and Annex 1 of APTTA Text*, 2010.

<sup>20</sup> Shoaib Rahim, "Afghanistan's Dependence on Pakistan - Trade, Transit and the Cost of Being Landlocked," *Kardan Journal of Economics and Management Sciences* 1, no. 4 (October 2018): 45, DOI:10.31841/KJEMS.2021.68 and Government of Pakistan, *Section III, Article 4 and Annex 1 of APTTA Text*, 2010.

<sup>21</sup> APTTA, Annex 1, 2010.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

The agreement introduced detailed customs procedures, cargo inspection protocols, streamlined documentation requirements and clarified rules on duties and payments. Issues of smuggling and diversion of goods were addressed through measures such as installation of tracking devices, vehicle sealing, bank guarantees<sup>24</sup> and bonded carrier arrangements<sup>25</sup>. These provisions were aimed at strengthening regulatory enforcement and improving monitoring capacity.

Border regulation constituted a significant component of APTTA's governance architecture through instituting formal procedural controls over transit routes, border stations, vehicle movement and inspections. The agreement defined transit corridors, entry and exit points and approved transport modalities<sup>26</sup>. It also established harmonized border management through structured terminal operations, coordinated inspection systems and streamlined documentation requirements<sup>27</sup>. These measures were intended to improve clearance efficiency, enhance procedural predictability, reduce transaction cost and ensure smooth transit flow across Pakistan's border infrastructure.

A formal authority known as Afghanistan-Pakistan Transit Trade Coordination Authority (APTTCA) was institutionalized under the agreement for monitoring, facilitating and effective implementation. It was the central institutional forum of implementation monitoring, procedural dispute resolution and bilateral administrative coordination. Besides this, provisions for settlement of disputes, concerning the Agreement's interpretation/ implementation were also provided<sup>28</sup>. Major role of these mechanisms was to strengthen implementation, reduce operational bottlenecks and provide a platform for institutional coordination.

Governance structures were central to institutional architecture of APTTA, which reflected the assumptions of Liberal Institutionalism about the significance of formal mechanisms in sustaining cooperation. However, Pakistan's subsequent implementation challenges demonstrated that formal design of the treaty was insufficient without sustained enforcement, infrastructural capacity, administrative and policy consistency.

### **Pakistan's Governance Performance and Institutional Constraints**

For implementation of APTTA, Pakistan designed a multi-layered institutional governance structure, including customs governance, administrative coordination, cargo regulation and border management systems. This section will analyze Pakistan's efforts to improve the performance of these institutions along with various constraints that influenced implementation outcomes during 2015-2025, thereby assessing the gap between formal treaty design and operational governance. The purpose of this section is not to evaluate governance performance and institutional constraints as competing explanations, but to assess how

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<sup>24</sup> APTTA, Sections VII-IX, Protocols One, Two and Three, 2010.

<sup>25</sup> Owais, Ahmed and Ahmad, "Transit Trade Agreements between Afghanistan and Pakistan," 137-138.

<sup>26</sup> APTTA, Section III, 2010.

<sup>27</sup> Ibid, Sections VII, VIII and Protocol III, 2010.

<sup>28</sup> Ibid, Section X-XI, 2010.

institutional improvements interacted with the persistent operational constraints to shape implementation outcomes.

### **Pakistan Customs**

In this institutional governance regime, Federal Board of Revenue (FBR) was the principal authority responsible for customs and transit governance and revenue collection. Through Pakistan Customs, being its primary operational arm, FBR supervised implementation of transit procedures at ports, inland depots, customs checkpoints and BCPs. Pakistan Customs was responsible for enforcing customs documentation, anti-smuggling measures, cargo inspections, bonded carrier procedures and APTTA procedural rules<sup>29</sup>. This institutional architecture provided administrative support to operationalizing APTTA.

Customs enforcement proved one of the key determinants of Pakistan's performance under APTTA, as the treaty's effectiveness depended on Pakistan's ability to regulate transit cargo, implement documentation requirements, ensure customs revenue collection and prevent smuggling. Pakistan undertook various customs modernization initiatives for improving trade facilitation and regulatory enforcement between 2015 and 2025. WeBOC, a digital clearance system, was launched in 2011<sup>30</sup> and further upgraded as "WeBOC-Glo" in May 2019<sup>31</sup>, for speedy clearance of goods. Pakistan Single Window (PSW) was formally launched in June 2022<sup>32</sup> and Faceless Customs Assessment (FCA) in 2024<sup>33</sup>, for trade facilitation and making the goods clearance procedure transparent.

Moreover, a technology-driven tracking system, aimed at monitoring transit trade operations, was rolled out for strengthening trade corridor management through satellite and automated reporting digital dashboards<sup>34</sup>. Presently, implementation of Integrated Transit Trade Management System (ITTMS) is in the process of deployment at the BCPs of Torkham, Chaman and Wagah, under the

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<sup>29</sup> APTTA, Sections VII-IX and Protocols One-Three, 2010

<sup>30</sup> Jamil Nasir, "Computerized Customs Clearance," *SSRN* (January 11, 2026), <http://dx.doi.org/10.2139/ssrn.6707478>

<sup>31</sup> "WeBOC-Glo clearance system launched," *Dawn*, May 14, 2019, <https://www.dawn.com/news/1482191#:~:text=The%20Newspaper's%20Staff%20Reporter%20Published,reduce%20dwell%20time%20at%20ports.>

<sup>32</sup> FBR, *Annual Performance Report FY 2022-23* (Islamabad: FBR, 2023), 62-63, <https://download1.fbr.gov.pk/Docs/2023121818121423230Annualreport2022-23published18Dec2023.pdf>.

<sup>33</sup> "PAKISTAN: Faceless Customs Assessment System Introduced," HKTDC Research, January 10, 2025, <https://research.hktdc.com/en/article/MTkwMDI0MjM3MA.>

<sup>34</sup> "Pakistan Customs, Falcon-i roll out advanced cargo tracking system for transit trade," *Profit*, December 12, 2025, <https://profit.pakistantoday.com.pk/2025/12/15/pakistan-customs-falcon-i-roll-out-advanced-cargo-tracking-system-for-transit-trade/#:~:text=26/02/2026-,Headlines,where%20conventional%20networks%20are%20limited.>

CAREC Regional Improvement of Border Services programme. These measures demonstrate institutional attempts to enhance trade efficiency.

| Indicator                                 | Performance (%) in 2015 | Performance (%) in 2019 | Performance (%) in 2025 |
|-------------------------------------------|-------------------------|-------------------------|-------------------------|
| Transparency                              | 53.33                   | 66.67                   | 80                      |
| Formalities                               | 41.67                   | 62.50                   | 66.67                   |
| Institutional Arrangement and Cooperation | 55.56                   | 77.78                   | 77.78                   |
| Paperless Trade                           | 40.74                   | 59.26                   | 88.89                   |
| Cross Border Paperless Trade              | 11.11                   | 22.22                   | 55.56                   |

Table 1: Comparison of Trade Facilitation and Paperless Trade in Pakistan: 2015-2025<sup>35</sup>

These technological advancements significantly improved Pakistan Customs administration by reducing manual processing, improving data integration, accelerating clearance times and enhancing customs oversight. Table 1 shows improvement in various indicators linked with trade facilitation.

Median clearance time at Karachi terminals reduced from 4-5 days to 2.2-2.6 days by 2024<sup>36</sup>, while at Torkham BCP, it remained over 33 hours<sup>37</sup>. Similarly, the time of documentary compliance to effect imports has been brought down from six days to one day<sup>38</sup>. UN Global Survey on Digital and Sustainable Trade Facilitation has increased Pakistan's score in trade facilitation from 38.71% in 2015 to 74.19% in 2025<sup>39</sup>, a substantial increase over a period of ten years.

<sup>35</sup> "Trade Facilitation and Paperless Trade in Pakistan," UN Global Survey on Digital and Sustainable Trade Facilitation, accessed May 2, 2026, <https://www.untfsurvey.org/economy?id=PAK>.

<sup>36</sup> Syed Adeel Ali Bukhari and Dr. Syed Shahid Zaheer Zaidi, "An Analysis of the Challenges Faced by Customs for Trade Facilitation in Pakistan," *Contemporary Journal of Social Science Review*, 3, no. 3 (2025): 1545, <https://contemporaryjournal.com/index.php/14/article/view/1140/975>.

<sup>37</sup> CAREC, *CAREC Corridor Performance Measurement and Monitoring Annual Report 2023* (Urumqi: CAREC, 2023), 29-30, [https://cpmm.carecprogram.org/uploads/CPMM-Annual-Report-2023\\_4th.pdf](https://cpmm.carecprogram.org/uploads/CPMM-Annual-Report-2023_4th.pdf).

<sup>38</sup> "FBR's ongoing reforms lead to huge improvement in trading across borders index," Federal Board of Revenue, accessed October 3, 2025, [https://fbr.gov.pk/fbrs-ongoing-reforms-lead-to-huge-improvement-in-trading-across-borders-index/152819?utm\\_source=chatgpt.com](https://fbr.gov.pk/fbrs-ongoing-reforms-lead-to-huge-improvement-in-trading-across-borders-index/152819?utm_source=chatgpt.com).

<sup>39</sup> "Trade Facilitation and Paperless Trade in Pakistan," UN Global Survey on Digital and Sustainable Trade Facilitation.

However, the automation drive moderately impacted overall efficiency. Despite the efforts of modernizing customs procedures, customs clearance processes continue to face inefficiencies due to bureaucratic obstacles, requirement of manual documentation and outdated infrastructural systems<sup>40</sup>. Moreover, the degree of implementation of modernization reforms varies among various entities involved in trade and transit. For example, overall, 89% of declarations processed electronically whereas at BCPs, the share of paperless trade was almost 56% as of 2025 (see Table 1). In the risk management domain, 40-45% cargo goes through manual inspection at Karachi Port and Port Qasim, which surges to 85 percent at Torkham BCP; this percentage is far higher than what is recommended by international best-practice, which is below 20% of shipment<sup>41</sup>. Although partly driven by security concerns, such intensity of inspection continued to hamper smooth trade flows.

Pakistan Customs made significant progress through modernization and digital reforms, improving trade facilitation and regulatory capacity under APTTA. However, bureaucratic inefficiencies, infrastructural gaps and uneven implementation, particularly at BCPs, continued to constrain operational effectiveness. Thus, customs modernization enhanced governance capacity but remained limited without sustained enforcement consistency and infrastructural resilience.

### **Fragmentation and Governance Constraints**

Inter-agency coordination is essential for effective border management. Lack of such coordination can slow border clearance and substantially increase transaction costs. Trade facilitation literature consistently emphasizes that fragmented border management structures reduce operational efficiency and create procedural duplication<sup>42</sup>. Inter-agency coordination in Pakistan remained uneven during 2015–2025 despite reforms and automation initiatives.

Incomplete institutional integration among various agencies continued to constrain seamless implementation, particularly at dry ports and land BCPs. A case study argues that several border agencies operate at the Torkham BCP, each possessing overlapping responsibilities and exhibiting limited coordination. The absence of a centralized border authority or designated lead agency leads to procedural duplication in border trade, inconsistent regulatory enforcement and

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<sup>40</sup> M. J. Hussain et al., “Evaluating the Impact of Custom Procedures on Trade Facilitation in Pakistan,” *Open Journal of Business and Management* 13, no. 6 (2025): 4126 and 4149, [https://content.scrip.org/pdf/ojbm\\_1534892.pdf](https://content.scrip.org/pdf/ojbm_1534892.pdf).

<sup>41</sup> Bukhari and Dr. Zaidi, “An Analysis of the Challenges Faced by Customs for Trade Facilitation in Pakistan,”: 1546-47.

<sup>42</sup> Gordon Wilmsmeier et al., “Port governance and the implications of institutional fragmentation: Lessons from Colombia,” *Research in Transportation Business & Management* 56 (2024): 10, 1-14, [https://www.sciencedirect.com/science/article/pii/S2210539524000816?ref=pdf\\_download&fr=RR-2&rr=9fe53de58bf74b55](https://www.sciencedirect.com/science/article/pii/S2210539524000816?ref=pdf_download&fr=RR-2&rr=9fe53de58bf74b55).

avoidable delays in cargo clearance<sup>43</sup>. This has often resulted in repetitive documentation requirements, multiple inspections and administrative delays.

Recognition of this fragmentation eventually led to the establishment of the Pakistan Land Port Authority (PLPA) in August 2025<sup>44</sup>. Besides other functions, the authority was mandated with improving coordination among multiple border management agencies and streamlining trade facilitation mechanisms<sup>45</sup>. Overall, institutional fragmentation and weak inter-agency coordination remained important governance constraints which constrained smooth implementation of APTTA.

### **Trade Infrastructure and Physical Connectivity**

Infrastructure is an essential component of APTTA implementation governance. The agreement mandates provision of transit infrastructure, transit routes and border facilities<sup>46</sup> for smooth flow and timely clearance of consignments.

Gwadar Port was operationalized in 2016 while in January 2020, first ship carrying goods of Afghan transit trade anchored Gwadar Port<sup>47</sup>. This expanded options for Afghan transit trade and reduced the concentration of transit flows through Karachi Port and Port Qasim. Besides this, substantial improvement was made in road infrastructure under the flagship of China Pakistan Economic Corridor (CPEC) from which transit trade under APTTA was also benefitted.

Similarly, the BCP of Ghulam Khan (North Waziristan) with district Gurbaz of Afghanistan's Khost province, became the third BCP for Afghan transit trade. The BCP was made completely operational in 2019; in 2021, it was also opened for transit trade<sup>48</sup>. Capacity of the two main BCPs, Torkham and Chaman, were expanded to deal with 5000 trucks per day (import + export) with enhanced road infrastructure of five and six lanes respectively<sup>49</sup>. Moreover, infrastructure for the deployment of ITTMS has also been completed at the BCPs<sup>50</sup>. These

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<sup>43</sup> CAREC Corridor Performance Measurement and Monitoring Annual Report 2023 (Urumqi: CAREC, 2025), 41,

[https://cpmm.carecprogram.org/uploads/CPMM-Annual-Report-2023\\_4th.pdf](https://cpmm.carecprogram.org/uploads/CPMM-Annual-Report-2023_4th.pdf).

<sup>44</sup> "President Assents to Pakistan Land Port Authority Bill, 2025," The President of Pakistan, August 30, 2025, <https://president.gov.pk/president-assents-to-pakistan-land-port-authority-bill-2025-2>.

<sup>45</sup> Pakistan Land Port Authority Act 2025, Chapter III, Article 14,

[https://www.na.gov.pk/uploads/documents/68998aab3e1fc\\_782.pdf](https://www.na.gov.pk/uploads/documents/68998aab3e1fc_782.pdf).

<sup>46</sup> APTTA, Section IV, 2010.

<sup>47</sup> Mir Sherbaz Khetrani, "Gwadar Port Opens Up for Transit Trade with Afghanistan," ISSI Brief, Institute of Strategic Studies Islamabad, April 5, 2020.

<sup>48</sup> Malik, "Exploring the Issues and Prospects of Pakistan's Cross-Border Trade with Afghanistan," 3.

<sup>49</sup> FBR, *Annual Performance Report FY 2023-24* (Islamabad: FBR, 2024), 79, <https://download1.fbr.gov.pk/Docs/2024123118124139401Annualreport2023-24-31Dec2024.pdf>.

<sup>50</sup> Ibid, 78.

developments demonstrate institutional efforts to make the transit trade governance more efficient under APTTA.

To be optimally benefitted from formal transit arrangements, it is essential that these should be supported by efficient transport corridors and logistics infrastructure. Congestion is a major constraint, especially on the most trafficked routes and at the main nodes such as the areas adjacent to seaports, dry ports, BCPs and urban areas. This especially holds good for accessing the maritime ports at Karachi. Though planning for linking Karachi Port through Port Qasim and Pipri Marshalling Yard, with ML 1 railway corridor is being done<sup>51</sup>, which may address this issue in the ports area, presently, congestion is negatively impacting the cargo movement in the vicinity of ports<sup>52</sup>. Plying of large number of trucks combined with lack of parking or staging facilities, often causes delays that end up increasing transit time and costs.

Given the limited rail connectivity, primary mode of transportation from ports to BCPs is largely truck-based; approximately 94 percent freight is moved by road<sup>53</sup>. This indicates overreliance on road transport which is an inefficient mode of transportation. As per the Pakistan Business Council report in 2025, 300,649 registered trucks ply on Pakistan's roads; a significant portion of which is aging, leading to low speed, consumption of more fuel, more chances of accidents<sup>54</sup> and becoming a source of congestion. These figures show the centrality of road transportation means.

Pakistan continues to face shortage in modern inland container depots and urban-adjacent warehousing infrastructure. This contributes to delay in the timely move contributes to delays in movement of goods, congestion at seaports, increase costs and reduce competitiveness<sup>55</sup>. Moreover, the already held dry ports are also surrounded by population centres, which contributes to road congestion, impacting speed of heavy loaded trucks and ultimately reducing their operational efficiency and utility.

Because of these infrastructure deficiencies and the governance issues like inspection procedures, documentation requirements and digitalization, Pakistan was

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<sup>51</sup> World Bank, *Pakistan Karachi Ports Supply and Demand Assessment* (Washington D.C.: World Bank, 2021), 32, <https://documents1.worldbank.org/curated/en/568641635829707091/pdf/Pakistan-Karachi-Ports-Supply-and-Demand-Assessment.pdf>.

<sup>52</sup> Usman Khan, Gulalai Khan, Hamed Yaqoob Sheikh and Ahmed Gulzar, *Pakistan's Road Logistics Sector: Challenges, Opportunities, and Policy Response* (Karachi: PBC, 2025), 11, <https://www.pbc.org.pk/wp-content/uploads/Pakistans-Road-Logistics-Challenges-Opportunities-and-Policy-Response.pdf>.

<sup>53</sup> Ibid, 4.

<sup>54</sup> Samad Raza Jaffry, "Maritime Trade Facilitation at Seaports in Pakistan," (MPhil thesis, Pakistan Institute of Development Economics Islamabad, 2024), 33, <https://file-thesis.pide.org.pk/pdf/mphil-economics-2021-samad-raza-jaffry-maritime-trade-facilitation-at-seaports-in-pakistan.pdf>.

<sup>55</sup> Khan, Gulalai, Sheikh and Gulzar, *Pakistan's Road Logistics Sector: Challenges, Opportunities, and Policy Response*, 30.

ranked 122 out of 160 states included in the World Bank's Logistics Performance Index (LPI) 2018; Pakistan was excluded from the LPI 2023 due to insufficient responses to survey by the logistics service provider<sup>56</sup>. Similarly, in CAREC Corridor Performance Measurement and Monitoring (CPMM) Annual Report 2023, inefficiencies in Pakistan-Afghanistan segment, such as delays in cargo flows and relatively high trade costs, have been partly attributable to logistical constraints, fragmented regulations and overlapping institutional mandates. The report reveal that Pakistan's corridor has the highest border crossing time and slowest speed; in terms of cost, it is less expensive than China but matching with other member states (see Figure 1).

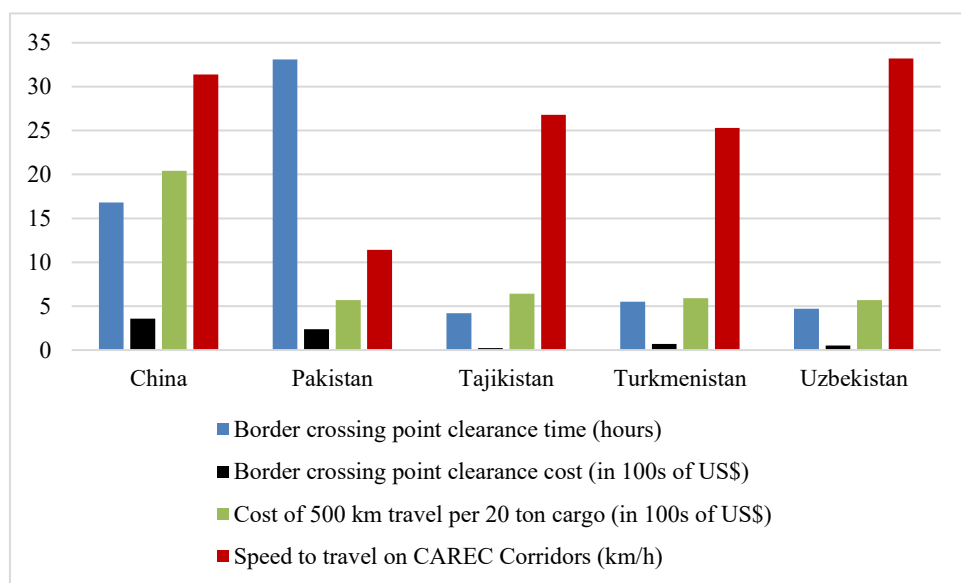


Figure 1: Trade Facilitation Indicators of Pakistan 2023<sup>57</sup>

Overall, transit efficiency has been significantly constrained by the infrastructural bottlenecks in Pakistan's logistics networks. This highlights that physical connectivity remained a critical limiting factor despite existence of formal institutional framework.

### Security Considerations and Trade Governance

Security considerations remained significant factor influencing the implementation of APTTA in 2015-2025. Security concerns actually started to determine customs procedures, border management practices and the regulatory

<sup>56</sup> FPCCI, *A Policy Brief on Pakistan's Logistics Performance and Its Impact on Trade Competitiveness* (Karachi: FPCCI, 2025), 10, <https://fpcci.org.pk/wp-content/uploads/2025/10/A-Policy-Brief-on-Pakistans-Logistics-Performance-and-Its-Impact-on-Trade-Competitiveness.pdf>.

<sup>57</sup> CAREC *Corridor Performance Measurement and Monitoring Annual Report 2023*, 29-30.

controls that governed cross-border trade. Thus, implementation of the transit arrangements was frequently conditioned by evolving security assessments along with economic and administrative considerations.

Militant infiltration, cross-border violence as well as irregular movement of people<sup>58</sup> were some of the issues that led to stricter border control and an increase in the monitoring activities during these years. The measures adopted mostly comprised requirements for tighter documentation, increased inspections<sup>59</sup> and expanded surveillance.

Security concerns also led to the formation of a complex and multi-agency border management structure involving customs authorities, immigration services and security agencies<sup>60</sup>. Though the intention was to enhance control, the problem of overlapping responsibilities and additional clearance procedures resulted in increased complexity, both administratively and operationally. With the political change in Afghanistan in August 2021, the security concerns have played a major role in decisions regarding mobility controls, documentation requirements and cross-border regulatory practices.

Tensions of political and security nature between Pakistan and Afghanistan have led to occasional disruptions of major BCPs, particularly Torkham and Chaman<sup>61</sup>. Border closure, restrictions on movement and intensification of inspection procedures not only disrupted the commercial activities but also increased transaction costs for the traders. According to the CAREC Corridor Performance Measurement and Monitoring (CPMM) Annual Report 2023, inefficiencies in Pakistan-Afghanistan segment, such as delays in cargo flows and relatively high trade costs, are attributable to logistical constraints and physical inspection linked with security<sup>62</sup>.

Security issues remained closely linked with trade governance throughout the period under review. Even though APTTA continued to provide formal framework for transit cooperation, the security-oriented regulatory measures

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<sup>58</sup> Amina Khan, "Pak-Afghan Border: A Case Study of Border Management," *Strategic Studies*, no. 3 (2017): 27-31, [https://issi.org.pk/wp-content/uploads/2017/10/2-SS\\_Amina\\_Khan\\_No-3\\_2017.pdf](https://issi.org.pk/wp-content/uploads/2017/10/2-SS_Amina_Khan_No-3_2017.pdf).

<sup>59</sup> Bukhari and Zaidi, "An Analysis of the Challenges Faced by Customs for Trade Facilitation in Pakistan," 1543-48.

<sup>60</sup> Ibid, 39-41.

<sup>61</sup> Amina Khan and Faria Pitafi, *Pakistan-Afghan Border* (Islamabad: ISSI, 2017), 3 and PRAC, *Implications of Disrupted Trade Corridors on Pakistan's Agri-Food Trade with Afghanistan* (Islamabad: PRAC, 2025), 1-2, <https://prac.org.pk/uploads/implications-of-disrupted-trade-corridors-on-pakistans-agri-food-trade-with-afghanistan.pdf>.

<sup>62</sup> CAREC, *CAREC Corridor Performance Measurement and Monitoring Annual Report 2023*, (Urumqi: CAREC Institute, 2025), 29-37, [https://cpmm.carecprogram.org/uploads/CPMM-Annual-Report-2023\\_4th.pdf](https://cpmm.carecprogram.org/uploads/CPMM-Annual-Report-2023_4th.pdf).

determined the implementation outcome, demonstrating that trade facilitation and border management operated in a broader security environment.

### **Analysis and Findings**

Findings of this paper suggest that Pakistan achieved a partial operationalization of the provisions of APTTA during 2015-2025. In addition to the agreement's provisions, implementation outcomes were dependent on governance continuity and administrative coordination. With the introduction of customs modernization, development of transit corridors and modernization of border infrastructure, Pakistan was able to build a relatively effective governance architecture under APTTA.

Reforms in Pakistan Customs like WeBOC digitalization, PSW, FCA and cargo tracking systems significantly improved customs enforcement capacity, documentation transparency, and regulatory oversight. Trade facilitation indicators improved substantially and customs clearance time at Karachi terminals was considerably reduced during the decade. These developments indicate meaningful institutional progress in Pakistan's implementation performance.

However, these achievements were uneven at different nodes of the trade and transit network. Customs modernization and computerization demonstrated better performance at major ports, as compared to the BCPs like Torkham and Chaman, where bureaucratic duplication, extensive inspections and fragmented inter-agency coordination hampered smooth operations at BCPs. Thus, governance continuity remained inconsistent across the full transit network.

While Pakistan increased connectivity infrastructure with operationalization of Gwadar Port, opening of Ghulam Khan BCP and expansion of road network under CPEC, excessive dependence on road freight, poor rail network, insufficient dry ports, congestion around ports and BCPs and weak logistics development curtailed trade performance. However, improvement in physical connectivity did not translate proportionately into governance performance.

Overall, Pakistan's implementation of APTTA was neither governance failure nor full institutional success. The findings, therefore, reinforce the broader theoretical argument that formal institutional design alone cannot ensure stable and predictable trade cooperation without governance continuity, sustained implementation, administrative resilience and infrastructural capacity.

### **Conclusion**

Pakistan's implementation of APTTA reflected a mixed governance experience. Pakistan's strengthening in managing Afghan transit trade in a more systematic manner was a result of multiple initiatives like customs digitalization, cargo tracking, port diversification and expansion of border infrastructure. Yet, these advancements were hampered by uneven implementation at ports and BCPs, together with other issues like logistics inefficiencies, lack of rail integration, the scarce availability of dry-ports and the increased consideration of security factors in trade regulation. It can be demonstrated that Pakistan laid down significant

institutional and infrastructural supports for APTTA, but these were not always able to facilitate transit without interruptions. The core takeaway is that good transit governance goes beyond just formal agreements and modernization. It also needs coordinated institutions, reliable infrastructures, predictable procedures and trade administration continuity across the entire trade corridor.

**Table and Figure**

- Table 1: Comparison of Trade Facilitation and Paperless Trade in Pakistan: 2015-2025
- Figure 1: Trade Facilitation Indicators of Pakistan 2023.

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