

Geo-economic and Geo-political Significance of QTTA in the Context of Regional Connectivity

Policy Brief

Introduction

Regional connectivity has become an increasingly significant phenomenon, especially after the initiation of Belt and Road Initiative (BRI). The project covers more than 70 nations, comprises six major corridors, and aims at interconnecting many regions of the world. China-Pakistan Economic Corridor (CPEC), as the flagship project of BRI, has become synonymous with regional connectivity since it aims to integrate all adjacent regions. CPEC's objective of connecting landlocked Central Asian states to the Arabian Sea through Pakistani ports lends it tremendous importance. The security situation in Afghanistan and the country's refusal to grant Pakistani goods access to Central Asian states unless Pakistan allows the same to India put the whole regional connectivity scheme in jeopardy and created an obstacle in the successful implementation of CPEC.

In a broader perspective, CPEC is not only designed to provide advantages of connectivity to China and Pakistan, it is meant for the whole region. However, Pakistan's unique geographical position presents an important alternate route through China. Long before CPEC, Pakistan, China, Kazakhstan and Kyrgyzstan signed Quadrilateral Traffic in Transit Agreement (QTTA) in 1995 to create a regional trade corridor between Pakistan and Central Asia through Chinese territory. Unfortunately, this project has not played any significant role in enhancing regional connectivity so far. Recently, the member states have shown some

enthusiasm to develop this corridor and extend it to more Central Asian states.

This study is an effort to make the Government of Pakistan realize the importance of this route. CPEC could prove to be the backbone of Pakistan's growing economy and its future depends on the success of this megaproject. Pakistan must not waste more time and energy to wait for Afghan consent and a better security situation there to forge closer contacts with Central Asia. Current security situation, Indian influence, and historical experiences, all prove that Afghanistan is always vulnerable to security dilemmas. Therefore, it is in the best interest of all regional states to operationalize the alternate options without further delay.

QTTA was signed by Pakistan, China and two Central Asian states, Kazakhstan and Kyrgyzstan, in Islamabad back in 1995. The allied protocols to the QTTA signed in 1996 include 'Protocol on custom procedures for traffic in transit' and 'Visa regime'. Furthermore, 'Protocol on establishing system of international road transit permit for traffic in transit among the contracting parties' and 'Regulations for implementation of agreement on traffic in transit among contracting parties' were signed in November 1998.¹

Some other important trade and transit protocols signed by Pakistan would further enhance Pakistan's transit potential. Pakistan joined TIR – Transports Internationaux Routiers 1975 (International Road Transports) – in July 2015. TIR is a system that grants

¹ Muhammad Shoaib, "Progress on Re-Bootting Quadrilateral Agreement on Traffic in Transit," Director (Road Transport) Ministry of Communications, Government of Pakistan, <https://www.carecprogram.org/uploads/03-Rebootting-QTTA.pdf>

international transit without border check to customs-sealed vehicles and freight containers to transit countries. Pakistan's accession to TIR will boost its efforts in the implementation of QTTA and exploit Pakistan's immense transit potential through increased traffic and trade at regional level.² Pakistan's inclusion in a number of regional connectivity projects like ECO, Transit Transport Framework Agreement (TFFA) and CPEC are aimed at enhancing connectivity at inter-regional level by expanding transit trade.

Besides these initiatives, another alternative route with great potential of connectivity is emerging at regional level between Pakistan, Central Asia and China (Xinjiang Uygur Autonomous Region, XUAR) with the implementation of automobile road construction/rehabilitation projects of the Bishkek-Naryn-Torugart road (an automobile road which is part of Central Asia Regional Economic Cooperation [CAREC] transport corridor development agenda). This project has dramatically improved transport access to/from Kyrgyzstan from/to XUAR, China. The development of intra-XUAR roads coupled with the works on CPEC, part of which is the Karakoram Highway, makes it the shortest possible unimodal route so far from Pakistan to Kyrgyzstan via the territory of China. Prior to this, trucks from Pakistan and Kyrgyzstan were unable to legally transit through Chinese territory.

Moreover, China's accession to international customs transit and guarantee system and the International Road Transport Union with its TIR in 2017,³ creates opportunities for the fastest possible automobile transit on the way between Central and South Asia. Pakistan and Kyrgyzstan have already joined this system. The opportunities emanating from these projects will show promising results when all border crossing points in all three countries have been equipped with all necessary information systems. These include setting up of smooth customs clearance practices, and the efforts of all three governments and business communities to resolve the remaining

technical issues in transit and making it economically feasible.⁴

Recent Developments in QTTA Implementation

In April 2015, China and Pakistan, under CPEC, agreed to construct various infrastructure projects worth approximately \$46 billion. These projects include road infrastructure improvement through the construction of motorways and upgradation of roads from Karachi and Gwadar on the Arabian Sea all the way to Khunjerab at the China-Pakistan border and onwards to Kashgar city in Xinjiang province of China. An upgraded transport link has already been established beyond this point connecting Kyrgyzstan and Kazakhstan, while Tajikistan is also provided a seasonal access to this route through Pamir Highway. It is extremely important for Pakistan to upgrade its road transport infrastructure rapidly to realize this connectivity dream as an alternate to the Afghan route as soon as possible.

Expansion of QTTA

Afghanistan's continuous refusal to grant access to Pakistani traders to Central Asia has caused disappointment in Pakistan. Afghanistan demands a reciprocal access for Indian goods to Afghanistan, despite knowing the prevailing tense situation between Pakistan and India and its security vulnerabilities. Despite implementation of CPEC-related project with the help of China, Pakistan was unable to access Central Asia. Disappointment caused by Afghanistan's attitude led the Pakistani government, in February 2016, to revive QTTA while bypassing the Afghan route in its efforts to connect Central Asia to Pakistan's deep-water ports on the Arabian Sea without relying on a vulnerable Afghanistan as a transit corridor. Despite the fact that this route is not accessible 12 months a year and is open for seven months only, it is the only alternate which must be made operational for regional connectivity.

² Ibid.

³ "China's accession to the United Nations TIR Convention opens prospects for new international trade routes," United Nations Economic Commission for Europe, <https://unece.org/press/chinas-accession-united-nations-tir-convention-opens-prospects-new-international-trade-routes>.

⁴ Zehra Waheed, Roman Mogilevskii, Zalina Enikeeva, Mariia Iamshchikova, and Fizzah Malik, "Opportunities And Challenges For Agrifood Trade Between Kyrgyzstan And Pakistan," Food and Agriculture Organization of the United Nations, *Trade Policy Review in Europe and Central Asia*, Quarterly Bulletin No. 2, April-June 2020.

Despite Kabul's reluctant attitude towards regional connectivity, Central Asian states are poised to join QTTA to connect with Pakistan and its warm water ports. Tajikistan has formally applied for its membership. All the member states have given their consent for Tajikistan's participation in the project.⁵ After finalizing the transit route and formal approval of competent authority and parliament in Tajikistan, it will become a member state of QTTA and Pakistan's deep-sea port of Gwadar will be accessible to Tajikistan thus reducing its reliance on Afghan route. This secure passage will boost trade between Pakistan and Tajikistan, and it is expected to increase the bilateral trade volume between the two countries up to \$500 million,⁶ which was only \$15 million at the start of the previous decade and saw a meager rise, reaching \$125 million in 2020.⁷

Similarly, Uzbekistan formally sought Pakistan's support for its accession to QTTA in a virtual meeting between the top officials of both states. After the meeting, Uzbekistan officially requested Pakistan's support in its quest to join QTTA. Uzbekistan also desires Pakistan to share its valuable experience in achieving the Generalized System of Preferences Plus status. Both states showed their resolve to improve bilateral economic relations by increasing trade and initiating various joint ventures in agriculture, textile, pharmaceuticals, tourism and construction sectors. Their bilateral trade has seen a steady increase in recent years. Pakistan exported goods worth \$13.190 million to Uzbekistan during financial year 2019 as compared to \$9.254 million in 2018. Similarly, Pakistan's imports from Uzbekistan remain insignificant and stood at \$5.449 million in financial year 2019, up from \$3.640 million in 2018.⁸

Pakistan's current trade with Kazakhstan, which is only \$25 million,⁹ and Pakistan's insignificant trade

volume to Kyrgyzstan is not commensurate with the existing potential of Pakistan as an exporter as well as a transit state.

Pakistan's Strategy for Access to Regional Markets

Pakistan and Afghanistan remained unsuccessful in concluding a transit and trade agreement due to Afghanistan's insistence for Indian inclusion in the transit agreement. Despite knowing the tension in Indo-Pak relations, and inherent security threats for Pakistan in this kind of arrangement, Kabul's threat to prevent Pakistan's access to Central Asia has raised suspicion in Pakistan and overall disappointment in the region. In this scenario, revival of QTTA has become obligatory for reaping the benefits of CPEC. QTTA will connect Pakistan's strategic route of Karakoram Highway from Gilgit-Baltistan region to Xinjiang, China, thus creating a gateway for Pakistan to enter Central Asia. This has become unavoidable for Pakistan whose exports trend is seeing a rise in FY2020-2021 and stood at \$25.3 billion¹⁰ after experiencing a decline of \$4 billion over the previous decade. It is imperative to look for new export markets in the vicinity, especially in Central Asia and beyond in Russia. Kyrgyzstan has shown its willingness to provide Pakistani traders a route to Russia. At the same time, Pakistani ports provide landlocked Central Asian states the closest maritime facilities for trade. Central Asian states mostly depend on seaports of China, Russia, Turkey, Iran and the Baltic states for their trade needs.¹¹

Barriers/Challenges

With the conclusion of QTTA between Pakistan, China, Kazakhstan and Kyrgyzstan in 1995, a legal framework for transit had already been established.

⁵ Shahbaz Latif (Deputy Director, Ministry of Communication), personal interview, July 8, 2021, Islamabad.

⁶ "Tajikistan wants to take bilateral trade with Pakistan to \$500m," *The Express Tribune*, March 19, 2019, <https://tribune.com.pk/story/1932248/2-tajikistan-wants-take-bilateral-trade-pakistan-500m>

⁷ "Foreign trade turnover data Republic of Tajikistan with the Islamic Republic of Pakistan," Embassy of Tajikistan in Pakistan, August 14, 2021, <https://mfa.tj/en/islamabad/relations/goods-turnover>

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

⁹ Muhammad Rafiq, "Pakistan-Kazakhstan Bilateral Relations," *Daily Times*, December 28, 2020, <https://dailytimes.com.pk/706882/pakistan-kazakhstan-bilateral-relations/>

¹⁰ Ali Ahmad, "Pakistan records highest export of goods in FY21," *Business Recorder*, July 21, 2021, <https://www.brecorder.com/news/40104313>

¹¹ Zafar Bhutta, "Tajikistan to join Pakistan road link bypassing Afghanistan," *The Express Tribune*, February 24, 2017. <https://tribune.com.pk/story/1337274/tajikistan-join-pakistan-road-link-bypassing-afghanistan>.



Some additional protocols were signed later to facilitate the implementation process.¹²

The security of the link is well ensured by the transport authorization system, which is non-transferable and is limited to 200 quotas per contracting party. Only vehicles with valid documents, including authorization, certificates of accreditation and fitness and driver's license, may enter and carry transit traffic into the territory of the contracting parties. Approval per vehicle is granted for certain dates. Approval applies to vehicles for travel, including return loading.

The study identified following challenges of QTTA:

- The route map decided under QTTA is not functional for the whole year for trade. There are climatic and topographical barriers like heavy snowfall and high mountainous area vulnerable to landslides that cause a major challenge in smooth operation all year. Pakistan's access to China through Karakorum Highway is affected during extreme weather, mostly from December to April. Similarly, the Chinese border with Kyrgyzstan under QTTA route map through Torugart Pass also faces such impediments during extreme weather from October to April.
- The 200 permits is quite a low number; however, the insignificant level of trade makes this number even more than enough. Unless this route is given full attention, the number of permits cannot be increased.
- Another challenge faced by traders is that trucks cannot cross 24/7 the border area between Pakistan and China, and China and Kyrgyzstan.
- Time wastage at crossing points due to a lot of paperwork, custom inspections and offloading and reloading of heavy cargos which is required to cross the border areas and check posts in this route plan.
- There are a lot of problems in issuing visas and permits required under this agreement for trucks drivers.

- Another challenge in this transit agreement is language. Those truck drivers who are working on this route do not speak and understand local languages. All paperwork in Central Asian states is in local languages or Russian and in Pakistan it is in Urdu or English. Only limited Central Asian and Pakistani businessmen know each other's language and they do not know each other's visa and transit rules and economic system.
- There is no business facilitation center for traders to boost imports and exports by QTTA member states.
- Traders and transporters have to pay additional costs, high duties on goods and have to face lengthy administrative process which cause a barrier to smooth operation.
- Railway plays an important role in land-based trade. Absence of railway network in Pakistan's norther areas is a major infrastructural challenge. Moreover, existing railway network in the plain areas of Pakistan has an outdated railway line and signal system and is not even contributing significantly to domestic trade and thus increasing the burden on road transport.

Recommendations

The following suggestions will be helpful for the enhancement of QTTA:

- QTTA is important for increasing the regional trade and for Pakistan to become the transit state for landlocked countries. Pakistan should implement this agreement enthusiastically to harness its transit potential. This is important as Pakistan would be the main beneficiary of a successful QTTA and ultimate success of CPEC at a regional level in the absence of Afghan route which is unlikely to be operational in near future.
- Transporters face several hurdles to get visa under this agreement. All member states should implement uniform visa policies for truck drivers and crew members in QTTA spirit and should

¹² Zehra Waheed, Roman Mogilevskii, Zalina Enikeeva, Mariia Iamshchikova, and Fizzah Malik, "Opportunities And Challenges For Agrifood Trade Between Kyrgyzstan And Pakistan," Food and Agriculture Organization of the United Nations, *Trade Policy Review in Europe and Central Asia*, Quarterly Bulletin No. 2, April-June 2020.

adopt more liberal visa policies, which will be helpful in increasing trade.

- If member states establish trade houses in each other's country, it would be helpful to regional connectivity and increase bilateral trade.
- Pakistan should propagate and facilitate business opportunities, market knowledge and route plan and cost under this agreement for Pakistani traders in Central Asian states.
- Pakistan should enhance capacity building of business community and transporters regarding language and other states' laws and facilitate them in visa and border crossing issues.
- Business community of Pakistan mostly has experience of Western markets; they do not have experience of former Soviet states where Russian is the business language. So, the government of Pakistan should facilitate them to learn regional languages, especially Chinese and Russian, and to know societal and business model.
- All member states should establish logistic points at crossing areas which will be helpful in increasing trade and assisting exporters.
- Members should revisit the custom duties on goods and other charges which will help to increase the trade volume.

- Member states should simplify the whole process of permit issuance.
- Member countries should devise a strategy to keep open the QTTA route in all weather conditions.
- Member states should adopt several steps to enhance QTTA such as customs transit guarantee system, cross-border process management and trade facilitation initiatives to improve regional connectivity.
- Pakistan can appoint commercial counsellors in Central Asia's main commercial cities.

The realization of impediments and above-mentioned recommendations will help in tapping Pakistan's transit potential. We must realize that Pakistan is not a major exporter so the government must work to increase the export volume. However, Pakistan's geographical location makes it an all-time significant transit route for the landlocked states. Uncertainty in Afghanistan should not cause more delay in the successful implementation of CPEC and in achieving the development goals. Therefore, QTTA must be made operational and should be given full attention. Pakistan must launch aggressive diplomacy to make the member states realize its potential benefit for regional development and work together for resolving all problems in its successful execution.

Prepared by:

Dr. Faisal Javaid

Assistant Professor at Department of International Relations,
Federal Urdu University of Arts, Sciences & Technology (FUUAST) Karachi,
and non-resident fellow at Institute of Policy Studies.

Dr. Uzma Siraj

Assistant Professor at Department of Pakistan Studies,
Federal Urdu University of Arts, Sciences & Technology (FUUAST) Islamabad.

For queries:

Naufil Shahrukh

General Manager Operations
Institute of Policy Studies, Islamabad.

naufil@ips.net.pk | www.ips.org.pk