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CENTRAL ASIAN TRADE, QTTA AND TIR CONVENTION

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Executive Summary

Central Asia is a region of immense importance for Pakistan concerning transit trade. If routes are compared which provide access to Central Asian Republics through Iran and Afghanistan, the route through China is comparatively shorter and politically stable. Therefore, Pakistan signed the Quadrilateral Traffic in Transit Agreement with China, Kyrgyzstan, and Kazakhstan (QTTA). However, there are significant issues regarding logistics, customs, cargo – handling, language barriers and politics. In such a scenario, using the standards under the Customs Convention on the International Transport of Goods (TIR) 1975 is a plausible solution which can provide a smooth functioning of the transit trade.

Policy Recommendations

- A mechanism under QTTA with China can be established that provides security clearance to the drivers and transporters before the issuance of a visa. This mechanism shall also establish facilitation desks to remove language barriers.
- An amendment is required to incorporate the TIR Convention to govern the transit relations between the four countries under QTTA and any other country that incorporates itself in the QTTA.
- Pakistan and China must discuss the arbitration mechanism with Kazakhstan and Kyrgyzstan to pursue incorporating the TIR Convention in QTTA.
- For a smooth process of TIR trucks, green lanes need to be introduced at all checkpoints of the border crossing under QTTA. There is also a need to introduce dedicated processing booths at the borders.
- In addition, there needs to be rapid digitalization of TIR procedures especially regarding customs data exchanges and with the e-TIRs.
- China and Pakistan shall also establish a clear policy that irons any friction in their respective bureaucracy in terms of coordination for handling TIR trucks.

INTRODUCTION

Central Asian Republics ('CARs') face the geographical challenge of not being able to access the sea. On the Eastern side of CARs, China dominates the limelight of the region with its economic might. On the Northern side, mammoth Russia with its geopolitical power, overshadows CARs. In this context, the region was not able to gather enough seriousness from the policymakers in Pakistan in terms of transit trade. However, with the signing of the Quadrilateral Traffic in Transit Agreement ('QTTA'), there is a ray of hope that Pakistan shall be able to access CARs through China. QTTA is a quadrilateral transit agreement with China, Kazakhstan, and Kyrgyzstan.¹ However, there is significant logistical friction in the implementation of QTTA. All parties to the QTTA are also signatories to The Customs Convention on the International Transport of Goods ('TIR Convention'). If QTTA is implemented in line with the TIR Convention, significant potential exists for Pakistan concerning trade with CARs seamlessly.²

IMPORTANCE OF QTTA

Pakistan faces a turbulent relationship with Afghanistan. Even after the fall of the American regime in Afghanistan, the security situation in Afghanistan is not good. In this situation, accessing CARs through the passage of Afghanistan shall not be the best route. Pakistan's relationship with Iran is marred by trust deficit and Iran is also a potential competitor of Pakistan in terms of access to CARs to warm waters of Indian Oceans.³ Iran also has a direct border linkage with CARs and *Chahbahar* port provides access to the Indian Ocean. In this context, accessing CARs via China is probably the best and shortest route for Pakistan. In access to CARs through Afghanistan, the biggest challenge for Pakistan is passing trucks through *Salang* Pass which is at an altitude of 3,878 m. These weather-related issues increase the journey from Karachi to Tashkent from eight days to twelve days. In such conditions, non-TIR trucks are far more susceptible to damage or theft.⁴

¹ Umar Khan, 'Pakistan's Road to Central Asia: A Perspective through the Prism of Transit Trade Treaties' (2023) XXIII IPRI Journal 137, 151

² United Nation Treaties, 'Customs Convention on the International Transport of Goods under Cover of TIR Carnets TIR Convention' <https://treaties.un.org/PAGES/ViewDetails.aspx?src=TREATY&mtdsg_no=XI-A-16&chapter=11&clang=en> accessed 30th June 2024

³ Ibid (n.1) pp.149

⁴ 'Connecting South and Central Asia with TIR' (IRU 20TH June 2022) <https://www.iru.org/news-resources/newsroom/connecting-south-and-central-asia-tir> accessed 30th June 2024

ISSUES WITH QTTA

QTTA uses the Karakoram Highway and enters China through *Kashgar*. It further transcends into Kyrgyzstan through *Torugart* and then into Kazakhstan via *Kordai*.⁵ After 2015, the route is open for trade. However, the route is generally ineffective due to numerous issues. One of the issues with the route in QTTA is also that the geography and weather are of an extreme nature which unnecessarily disrupts the entire trade route under the QTTA.⁶ The harsh weather makes the route closed for four months a year. However, it is pertinent to mention that weather is an issue present also en - route through Afghanistan and the route through Afghanistan is far longer.

The lack of synchronised customs operations between the countries of QTTA is a major issue under the QTTA regime. There are also reports that Chinese officials have caused unnecessary bureaucratic hurdles. QTTA operates under the permit system. There is a provision of 200 permits. There are also no restrictions on the paperwork conducted by Customs, as well as the offloading and inspection of heavy cargo. Moreover, there are lengthy administrative processes and additional costs incurred in the process.⁷ Pakistani truck drivers face several issues with experts reporting that TIR trucks are even opened at the entry of China on *Sust*. Chinese Customs need clearance from Beijing when the truck enters China which causes excessive delays from a logistical point of view. Sometimes, the visa is issued for 10 days while the truck inspection takes 15 days.⁸

TIR CONVENTION AND THE BENEFITS

One of the solutions to the smooth working of QTTA is adherence to the TIR Convention. In 1975, the TIR Convention was recognized as an international treaty under the efforts of the United Nations Economic Commission for Europe (UNECE). In 2015, Pakistan acceded to the TIR Convention.⁹ In February 2002, the PNC-ICC hosted a conference with all stakeholders. One of the recommendations of the conference was to ratify and implement the TIR Convention. The first step that the Government of Pakistan initiated was to implement the

⁵ Ibid (n.1) pp.151

⁶ Mubarak Zeb Khan, 'Trade through Land Routes' (*Dawn*, August 24, 2015)

⁷ Dr. Faisal Javed and Uzma Siraj, 'Geo – Economic and Geo – Political Significance of QTTA in the context of the Regional Connectivity' Policy Brief (*IPS*, September 2021)

⁸ Interview, Tariq Hayat (Trade Expert), 22nd October 2024

⁹ 'USAID Facilitates Trade Between Pakistan and Central Asia' (*US Embassy Uzbekistan*, May 6, 2021 < <https://uz.usembassy.gov/usaids-facilitates-trade-between-pakistan-and-central-asia/> > accessed 2nd July 2024

Istanbul Convention as the Convention was a good step to ‘familiarise the government, its regulatory authorities and the Customs with rules which the more the extensive TIR Convention requires.’¹⁰ Pakistan is successful in running many trial shipments under the TIR Convention such as the one from Karachi – Kabul – Termez.¹¹

One of the main benefits of the TIR Convention for Pakistan is to provide a strategic pathway between different regions. For this purpose, the country is ideally situated between Western Asia, Central Asia, and South Asia. TIR Convention provides an international guarantee for the goods; an electronic guarantee; TIR Carnet; a symbiotic recognition, of Customs, and TIR Electronic Pre – Pre-Declaration.¹² It shall require customs inspection at the origin. Afterwards, trucks shall be sealed and shall only be opened when they reach the final destination.¹³

Under the TIR Convention, there can be a focus on high-risk IT risk management tools such as Real Time Safe TIRs. Furthermore, Article 9 of the TIR Convention further allows goods to move inside the territory for the management under the customs office. There can be an acceptance of paper or e-copies at the entry and no conditions of fees or charges shall be about transit. There shall be reciprocal recognition of the custom controls under the TIR Conventions.¹⁴

EXPERIENCE OF OTHER COUNTRIES WITH TIR

Other regions of the world are also acutely realizing the benefits of the TIR Convention. Gulf Cooperation Council (‘GCC’) has expanded TIR from Oman to Qatar. There are now dedicated lanes in Saudi Arabia for TIR trucks with better infrastructure for handling TIR trucks. Similarly, China is also now facilitating the TIR Convention with the opening of 15 new routes. China has opened eleven new customs points for TIR trucks. TIR has connected China with 30 countries in Eurasia.¹⁵

¹⁰ Babar Badat, ‘The Status of TIR Convention in Pakistan’ Report (*PIFFA*)

¹¹ ‘United States and Pakistan Launch Pilot Project to Increase Regional Trade’ (*US Embassy Pakistan*, May 7 2021) <<https://pk.usembassy.gov/united-states-and-pakistan-launch-pilot-project-to-increase-regional-trade/>> accessed 2nd July 2024

¹² ‘The TIR System and its Benefits’ (*ICC Pakistan*) <<https://iccpakistan.com.pk/tir-convention-and-its-benefits/>> accessed 2nd July 2024

¹³ ‘New horizons: 10 TIR system developments from 2023’ (IRU, 20TH December 2023) <<https://www.iru.org/news-resources/newsroom/new-horizons-10-tir-system-developments-2023>> accessed 2nd July 2023

¹⁴ ‘Benefits of the TIR Convention for the Implementation of the BBIN Motor Vehicles Agreement’ (*UNESCAP*) <https://www.unescap.org/sites/default/files/Surendar_Singh_6feb2018_bangkok.pdf> accessed 2nd July 2024

¹⁵ *Ibid* (n.12)

RESERVATIONS ON TIR CONVENTION

China and Pakistan place reservations on Article 57, paragraphs 2 - 6, of the TIR Convention. These conventions allow the disputes to be referred to an arbitration panel of experts. However, such a reservation shall be a major obstacle in convincing other relevant members of the TIR convention who might be interested in joining QTTA. In addition, both Kazakhstan and Kyrgyzstan have no reservations about the TIR convention, and such a reservation can cause a 'chilling effect' in terms of the motivation of other parties about inculcating TIR within the QTTA.¹⁶

POLITICAL ISSUES

Language barriers exist between countries of QTTA, especially for truck drivers.¹⁷ China also is especially sceptical about the country's Muslim neighbours considering the resurgence of Islamic separatism.¹⁸ There are also issues with visa issuance between the countries of QTTA.

A way in which transit trade via QTTA can be facilitated is through the e-visa facilitation desk. Truck drivers and transporters should be issued multiple entry visas through electronic means. They should be within the time frame of a minimum of 6 months. Before the first issuance, there can be extensive security checks. However, once the requisite visas are granted first time, the process must be made excessively easy.¹⁹

RECOMMENDATIONS

- The linchpin of the resolution of the issue shall always remain diplomacy. Therefore, China must be persuaded effectively by the implementation of QTTA and the symbiotic positive impact that such transit trade shall have on the China–Pakistan Economic Corridor.²⁰ A mechanism under QTTA can be established that provides security clearance to the drivers and transporters under QTTA before the issuance of a long-

¹⁶ 'Customs Convention on the International Transport of Goods under Cover of TIR Carnets TIR Convention' (*United Nation Treaties*) <https://treaties.un.org/PAGES/ViewDetails.aspx?src=TREATY&mtdsg_no=XI-A-16&chapter=11&clang=en#EndDec > accessed 30th June 2024

¹⁷ Ibid (n.7)

¹⁸ Ibid (n.1)

¹⁹ Ibid (n.1)

²⁰ Ibid (n.7)

term visa. This mechanism shall also establish facilitation desks to remove language barriers.

- Pakistan and China need to agree that China shall establish a consulate in Gilgit Baltistan to facilitate Pakistani traders concerning any local and visa issues.²¹ China and Pakistan shall also establish a clear policy that irons any friction in their respective bureaucracy in terms of coordination for handling TIR trucks. Both countries shall also need to agree that an urgent direct liaison official link is established at a higher level which can remedy any potential issue or complaint.
- In the QTTA, an amendment is required to incorporate the TIR Convention to govern the transit relations between the four countries under QTTA and any other country that incorporates itself in the QTTA. Furthermore, Pakistan and China must discuss the arbitration mechanism with Kazakhstan and Kyrgyzstan to pursue incorporating the TIR Convention in QTTA.
- For a smooth process of TIR trucks, green lanes need to be introduced at all checkpoints of the border crossing under QTTA. There is also a need to introduce dedicated processing booths at the borders. In addition, there needs to be rapid digitalization of TIR procedures especially regarding customs data exchanges and with the e-TIRs. A joint national consulting associations need to be established which constantly works to improve any potential issues that arise about 'TIR Green Lanes, intelligent queuing and e-queuing mechanisms, and simplified visa and permit procedures.'²²

²¹ 'Strategy to Promote and Facilitate Trade Between Pakistan And China through Khunjerab Border', *TDAP, GoP* (TDAP-GLT/G.Admin/2021)

²² *Ibid* (n.12)

Recommendations and Action Matrix

Legal Options for Government

Recommendations	Pathways to Solution	Implementation of Solution	Actors Responsible	Implementation Timelines
Political Solutions	China must be persuaded effectively for the implementation of QTTA and the positive impact on the China–Pakistan Economic Corridor.	Security clearance to the drivers and transporters under QTTA before the issuance of a visa. This mechanism shall also establish facilitation desks to remove language barriers. Establishment of the Chinese Consulate and a direct liaison link at a higher level of each country to remedy issues at an urgent level.	<ol style="list-style-type: none"> 1. Ministry of Foreign Affairs 2. Ministry of Law 3. Ministry of Interior 	<p>1-2 Months for the Diplomacy</p> <p>6-8 Months for the Implementation</p>
Legal Mechanisms	An amendment is required to incorporate the TIR Convention and arbitration mechanism to govern the transit relations between the four countries under QTTA and any other country that incorporates itself in the QTTA.	Pakistan and China must discuss the arbitration mechanism and the process of incorporation of TIR with Kazakhstan and Kyrgyzstan to pursue incorporating the TIR Convention in QTTA.	<ol style="list-style-type: none"> 1. Ministry of Foreign Affairs 2. Ministry of Law and Justice 3. Ministry of Interior 	6 months to formulate the Amendments.
Logistical Measures	Green lanes need to be introduced at all checkpoints of the border crossing under QTTA. There is also a need to introduce dedicated processing booths at the borders.	A joint national consulting associations need to be established which constantly works to improve any potential issues.	<ol style="list-style-type: none"> 1. Ministry of Foreign Affairs 2. Ministry of Law 3. Ministry of Communication 4. Ministry of Commerce 	6 Months tentatively for the implementation.

