

## STRATEGIC SIGNIFICANCE OF THE ESTABLISHMENT OF BORDER LAND PORT AUTHORITY FOR CENTRAL ASIAN REGIONAL ECONOMIC COOPERATION (CAREC) MEMBER COUNTRIES

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**Abstract**— Trade facilitation is pivotal to economic development, social uplift, and strong trade-ties among countries in consonance with CAREC vision 2030, and the sustainable development goals (SDGs) set by UNO. The CAREC-RIBS (Central Asian Regional Economic Cooperation – Regions Improving Border Services) project is specifically designed to enhance trade, tourism, and cultural collaboration among its 11 member countries. Despite involvement of numerous ministries/departments/agencies in trade facilitation and border management, key issues are not given due diligence in evolution and implementation. The present study aims to explore the need and viability of establishing a border land port agency/authority in each CAREC member country on the model of Pakistan as a custodian of trade facilitation (TF). In depth semi-structured interviews with 25 highly knowledgeable respondents revealed that the current arrangements in each CAREC member country are inadequate for TF and there is requirement to establish a dedicated agency/authority with sufficient executive, policy making, and implementation power.

**Keywords**— Border Management, CAREC, CPEC, Customs, Land-Trade, Trade-facilitation

### I. INTRODUCTION

Trade facilitation (TF) focuses on creation of consistent and predictable environment for land trade by having transparent, simple and standardized procedures and practices, documentation, cargo operations, and trade and transport regulations and agreements [1]. In this regard, CAREC has built up enormous experience in transport policy, legal, and management processes, Customs reforms and modernization, and TF through simplification of procedures and documents [2]. Besides, there is a realization that an exclusive TF and border management (BM) agency is needed in each member country responsible to strategically handle TF at home, and act as an interface for regional and global organizations like; CAREC, UNCTAD, and WTO [3]. Presently, for TF related subjects, CAREC interacts with countries (its members) through National Focal Points (NFPs), UNCTAD through National Trade and Transport Facilitation Committees, and WTO through ministries dealing with international trade like Ministry of Commerce in Pakistan.

The need for establishing Border Land Port Authorities (BLPAs) in CAREC member countries is deeply entrenched in the region's unique economics and finance [4]. CAREC member countries that have a well-structured and consolidated BM systems are enjoying greater trade volumes which are roughly 23% higher than countries that lack such systems [5]. Moreover, Logistics Performance Index (LPI) supplied for the year 2022 offers a stark comparison showcasing that the BM efficiency in CAREC member Countries (2.5

out of 5) is significantly lower than the overall all global standard that positions at 3.5 out of 5 [6]. Rehman and Chen have also acknowledged that dedicated border land port authorities can help in decreasing border crossing time from 15% to 150% and a 30% reduction in informal payments [7]. In context to the same, Pakistan due to its division of power and authority among a number of agencies operating at the border land ports suffers from numerous inefficiencies and operational challenges which are causing an economic loss of PKR 230 billion annually [6].

The UN updated its Recommendation No. 4 of 1974 to promote the establishment of national organizations, or other suitable means, for implementing international trade procedures. The UNCTAD Commission on Enterprise, Business Facilitation and Development endorsed in its work program on TF, Transport and Logistics, establishment of suitable mechanisms by the private and public sectors for TF at country-level [8]. It is important for government agencies, enterprises and traders with a direct interest in improving border transactions that reform measures, innovations and regulations be planned, introduced and implemented in a coordinated fashion [9]. The present study aims to explore the need and viability of establishing a TF and BM agency/authority in each CAREC member country for TF and BM. There are three research questions guiding this study: RQ1 – What are the inefficiencies and major issues hampering TF and BM which require a dedicated agency to address them? RQ2 – What are the impacts of different hurdles in TF and BM faced by CAREC member countries? RQ3 – How will the proposed TF and BM agency/authority generate positive effects and fit in the current land trade eco-system? The study has extracted major inefficiencies and negative factors along with their influence on TF and BM in comparison with the CAREC Framework 2030. This study has collected insights from business leaders, policymakers, government officials, and trade experts to understand the role of a centralized TF and BM agency/authority that can enhance business competitiveness, reduce trade transaction costs, and optimize supply chain efficiency.

## II. LITERATURE REVIEW

### A. CAREC and its Regional Trade Environment

Central Asian Regional Economic Cooperation (CAREC) Program was an outcome of commitment of 11 countries to cooperate and collaborate with each other for development, economic growth, and poverty alleviation. The CAREC Program is one of Asian Development Bank's initiatives to foster regional cooperation and trade [10]. The guiding principle for the program is based on the vision of "Good Neighbours, Good Partners, and Good Prospects." The program commenced in 2001 and has come a long way to develop the member countries in establishment of multimodal transportation networks, increased energy trade and security, free movement of people and goods, and poised to develop an economic corridor [11]. The countries in the program are Afghanistan, Azerbaijan, the People's Republic of China (PRC), Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. In Asia, the CAREC region is the least integrated and has the lowest level of trade between the member countries (average integration score of CAREC 0.373 as compared to the Asia and the Pacific's regional average 0.474). However, the situation is improving in many countries and future of cooperation is quite bright [6]. There are enormous opportunities for economic cooperation and collaboration for raising the standard of living of the citizens of CAREC countries [12]. Major latest studies on the CAREC program are listed in Table-1.

TABLE I  
MAJOR LATEST STUDIES ON CAREC PROGRAM

| Ser | Topic of the Study   | Type          | Author |
|-----|--|---------------|--------|
| 1.  | Natural resources, a curse or blessing for international trade? Empirical evidence from CAREC nations. In Natural Resources Forum. Oxford, UK: Blackwell Publishing Ltd.   | Quantitative  | [10]   |
| 2.  | Assessing Environmental Sustainability in Dry Ports Within the Central Asia Regional Economic Cooperation (CAREC) Framework: A Case Study of Pakistan. PONTE International Journal of Science and Research, 80(3). | Mixed Methods | [6]    |
| 3.  | Sustainable transport infrastructure: Road asset management in the CAREC region (No. 1437). ADBI Working Paper.  | Mixed Method  | [12]   |
| 4.  | Impact of fintech readiness, natural resources, and business freedom on economic growth in the CAREC region. Resources Policy, 90, 104846.   | Quantitative  | [13]   |
| 5.  | Digital and sustainable TF in the Central Asia Regional Economic Cooperation (CAREC).  | Quantitative  | [14]   |
| 6.  | Logistic infrastructure, tax revenue and economic activities: how to finance economic corridors. International Journal of Logistics Economics and Globalization, 11(1), 21-48.                                     | Quantitative  | [11]   |

Source: Authors computation.

#### B. Trade Facilitation and Border Management – Gaps and Inefficiencies

Extant studies have been found taking narrow approaches to TF and are either focused on infrastructure development or on process re-engineering of Customs procedures [15]. TF and BM are multifaced and suffer from numerous inefficiencies and gaps. Longer times spent in customs clearance increases illegal rent-seeking and trade-linked bribery, and discourage exports [1]. Delays in the transportation of perishable and electronics parts negatively impact their exports, while better TF leads to smoother mobility of parts and components [16]. Trade-linked tariff costs are significantly higher in CAREC economies than in other Asian countries [17]. The repetition of documentation, cargo clearance and inefficient handling at borders delay consignments [16]. Un-rationalized and unregulated service charges are levied by service providers (out sourced services) and terminal operators are found incurring additions to the cost of doing business [16]. Slow and manual operations without much automation and hesitation to the use of modern concepts of one stop clearance is another inefficiency [17]. Lack of connectivity and virtual interaction between stakeholders creates an environment of uncertainty and there is no entity acting as a community manager for providing an effective single interaction platform [18]. Different agencies operating at the land ports are observed working in isolation without an overall sense of urgency and mutual coordination.

At most of the BCPs/land ports, there is a limited ability to operate at night posing a considerable limitation mainly due to security related issues [18]. Land ports/BCPs have low competitiveness due to lower rating at different logistic performance index (LPI) and trade across border index (TABI) etc[19]. Over-congestion on the approach roads to land ports and within the perimeter of land ports causes traffic jams and delays [18]. Difficulties with regard to identification of trucks due to different number plates used by all countries, cause delays and congestion at the entry points and exit [16]. Non availability of

essential infrastructure for cargo handling like Ramp, lifters and other equipment; even minor items like ladders to climb on the oversized trucks for inspections/examinations have been found at the border crossing points [17]. There is no monitoring mechanism for the efficiency and competitiveness of the land ports on the basis of internationally laid down standards [1]. Occasional blockade of roads and suspension of traffic by local population as an easy way to attract attention of the Government for solution of their administrative issues causes disruption of land trade, at times, extending to weeks and months [1]. Poor infrastructure in the hinterland and lack of strategic planning for meeting impending requirements of CAREC and CPEC has been observed. Table-2 lists major studies mentioning the inefficiencies in TF and BM.

**TABLE III**  
**INEFFICIENCIES IN TRADE FACILITATION AND BORDER MANAGEMENT**

| <b>Ser</b> | <b>Topic of the Study</b>  | <b>Type</b>  | <b>Author</b> |
|------------|--|--------------|---------------|
| 1.         | Impact of TF indicators on trade flows in transport corridors of CAREC region and policy implications (No. 1435). ADBI Working Paper.  | Quantitative | [1]           |
| 2.         | Benefits of Interregional Cooperation and Regional Development. In The Failure of a Pseudo-Democratic State in Afghanistan: Misunderstandings and Challenges (pp. 265-293). Cham: Springer Nature Switzerland. | Qualitative  | [26]          |
| 3.         | Mapping trade opportunities in Central and South Asia: an exploration through trade indices and metrics. Competitiveness Review: An International Business Journal.  | Quantitative | [19]          |
| 4.         | Infrastructural development under CPEC and its impact on Pakistan’s agricultural landscape. 21st Century Landscape Sustainability, Development and Transformations: Geographical Perceptions, 238.             | Qualitative  | [18]          |
| 5.         | Filling Asia’s Infrastructure Investment Gap: The Role of Mega Infrastructure Initiatives. Journal of Asian Economic Integration, 6(2), 135-153.   | Qualitative  | [17]          |
| 6.         | The optimized development of China’s service industry in the “Belt and Road” regional value chain: A social network analysis. American Journal of Economics and Sociology, 83(1), 293-323.                     | Qualitative  | [16]          |

*Source: Authors computation.*

**C. The Institutional Vacuum – Requirement to Establish an Agency/Authority for TF and Border Management**

An informed and coordinated approach to TF activities requires regular input from business operators and public policymakers directly involved in international trade transactions and policymaking [18]. The special requirements of traders and the appropriate policy response to shortcomings and problems in the transaction chain of cross-border movement of goods are best served in a permanent institutional set-up supported by government and the business community [17]. The sharp decline in tariffs and barriers to trade, the deregulation of the transport industry, a surge in world trade and multimodal transport all have contributed to the growing need for close cooperation between traders and regulators in order to make international trade more efficient and less costly [20]. TF agencies/authorities need to be

permanent non-profit public/private sector organizations and have to provide a forum to all stakeholders. Their overall objective must be set to increase business and investment by simplifying and automating procedures and information exchange in administration, commerce and transport [17]. Increasingly, developing countries are using a similar method for ensuring a coherent approach to ameliorating their trade and transport operations. The formation, structure, composition and functioning of TF agencies/authorities may differ according to a country's needs and institutional capacity [16]. An agency/authority may be a single body, or it can be a multi-tiered organization with divided responsibilities and issues-oriented working groups. Government may give the agency/authority implementing capacity or leave it to represented agencies to expedite measures [18].

### III.METHODOLOGY

This study has adopted a qualitative exploratory approach to investigate the requirement to establish a dedicated agency for TF to address the existing issues and inefficiencies in the current land trade systems in CAREC member countries. Considering the intricate aspects of land trade and BM, utilizing qualitative research, was the most suitable approach for grasping the comprehensive and context-dependent factors that affect operational efficiency and the decision-making processes [21]. The respondents were selected based on their expertise on the subject matter, job experience, their involvement in TF, logistics and BM. The respondents were affiliated with different government departments and private sector. The following Table-3 presents the demographic details of respondents.

TABLE III  
RESPONDENTS' PROFILE

| Respondent ID | Basic Pay Scale | Ministry/Organization        | Gender | Service (Years) |
|---------------|-----------------|------------------------------|--------|-----------------|
| 1             | 21              | Ministry of Finance          | Male   | 32              |
| 2             | 17              | Federal Investigation Agency | Female | 10              |
| 3             | 20              | Pakistan Customs             | Female | 18              |
| 4             | 19              | Federal Investigation Agency | Male   | 12              |
| 5             | -               | Exporter/Importer            | Female | 24              |
| 6             | 20              | Ministry of Commerce         | Male   | 23              |
| 7             | -               | Exporter/Importer            | Female | 20              |
| 8             | -               | Clearance Agent              | Male   | 14              |
| 9             | -               | Exporter/Importer            | Female | 24              |
| 10            | 21              | Ministry of Commerce         | Female | 33              |
| 11            | -               | Exporter/Importer            | Female | 22              |
| 12            | -               | Clearance Agent              | Male   | 10              |
| 13            | -               | Transporter Association      | Male   | 13              |
| 14            | -               | Terminal Operator            | Male   | 25              |
| 15            | 21              | Ministry of Law and Justice  | Female | 32              |
| 16            | -               | Transporter Association      | Male   | 19              |
| 17            | -               | Exporter/Importer            | Male   | 10              |
| 18            | -               | Pakistan Customs             | Female | 15              |

|    |    |                        |        |    |
|----|----|------------------------|--------|----|
| 19 | 17 | Planning & Development | Female | 10 |
| 20 | -  | Terminal Operator      | Male   | 26 |
| 21 | 17 | Ministry of Interior   | Female | 10 |
| 22 | -  | Chamber of Commerce    | Male   | 21 |
| 23 | -  | Terminal Operator      | Male   | 14 |
| 24 | -  | Chamber of Commerce    | Male   | 16 |
| 25 | 20 | Ministry of Interior   | Male   | 24 |

The data was collected from 25 respondents using semi-structured interviews conducted face to face as well as online lasting between 30 to 60 minutes. The semi-structured format aided a more flexible approach to investigate the essential themes [22]. Thematic analysis was applied using NVivo software to identify the recurrent themes and patterns associated to TF and BM challenges [21]. The data were coded by employing the deductive and inductive methods. Notably, as argued by [22] the coding framework was guided by the literature on the key constructs that are land TF, BM, and challenges. Lastly, all ethical considerations were ensured for the present research as all respondents were approached to provided prior consent for conducting their interviews, confirming that they clearly understand the aims and objectives of the current research. The entire data was anonymized to ensure the confidentiality of the respondents. And all transcriptions were shared and endorsed by the respondents to ensure that it was accurate and that there are no misinformation or confusion in understanding the responses.

#### IV. FINDINGS OF THE STUDY

The present research offers significant findings about the challenges of TF and BM in CAREC countries influencing port efficiency, land trade flow, and developments in border areas. As stated earlier, a qualitative approach was employed by using in-depth interview technique to collect data from 25 respondents from land trade stakeholders having enormous experience and knowledge by virtue of their involvement in international trade. The thematic analysis showcased a number of challenges being faced by the TF and BM that directly affected the overall performance in the land trade in CAREC regions. The input from respondents was sorted to find answer to the research questions of this study. The key themes that emerged answering the research questions are: Inefficiencies in Current TF and BM; Impact of lack of TF and poor BM; Operational inefficiency and inappropriate allocation of resources; Transparency and performance evaluation; Gaps in policies and regulations; TF and economic competitiveness; Benefits of establishing a border land port authority/agency. The themes have been briefly explained in the ensuing paragraphs.

##### A. Theme 1: Inefficiencies in Current TF and Border Management

Based on the thematic analysis, it became evident that the prevailing systems were fragmented, causing significant delays and increasing costs for import/export businesses. These were the key issues that hindered the effective TF and BM in CAREC countries. Based on their experience, all respondents highlighted that inefficiencies/issues in TF and BM were due to absence of a dedicated organization responsible for policy formulation, implementation, infrastructure development, bilateral and multilateral collaboration for border related issues. This lack of centralized TF framework is aiding in creation of silos where agencies are operating at their own without an integrated approach. The resultant severe inefficiencies, operational delays, and conflicting decision-making are causing major adverse impact on the overall performance of the ports and TF.

Respondent 5, 6, 7, 14, 21, and 24 indicated that border-crossing times were lengthy due to excessive delays, with cargo trucks taking 11-12 hours on average to complete crossings in CAREC countries. Trains had even longer crossing-times, averaging 20-25 hours. Costs of export/import and transit trade

were quite high and border-crossing fees ranged from \$150-\$200 for a cargo truck/container, but these costs were observed to surge due to factors like different restrictions and increased congestion, as stated by Respondents 2, 8, 13, 14, 19, 22, and 25. The absence of central TF and BM agency/authority was contributing to operational inefficiencies and bottlenecks, as different border agencies followed their own priorities without alignment with the other agencies. Unfortunately, these inefficiencies hindered the ability of the Border Crossing Points (BCPs) to rationalize the overall processes and respond accordingly to the increasing demands of cross-border trade especially in the context of CAREC and CPEC frameworks. Respondents 5, 9, 15, 18, 19, 23, and 25 said that corruption at border crossings led to additional delays and costs, undermining the efficiency of TF efforts. With regard to the costs of border trade transactions, Respondent 8 stated:

*[...] the costs of border land trade do not include the costs of informal charges levied by different officials enroute and rent seeking attitude of security elements in the name of 'speed money' which if refused by traders may lead to enormous holding time in the name of security inspection.*

The physical barriers to land trade were particularly mentioned by Respondents 1, 3, 9, 11, 15, 18, 20, 23, and 24. The landlocked CAREC member countries lacked economic diversification and needed assistance/cooperation with other countries for cheaper modes of trade. In the opinion of Respondents 2, 6, 9, 11, 15, 19, 20, 22, and 24, the constraints at seaports and inland waterways also caused indirect delays and increases costs due to internal inefficiencies and poor connectivity with BCPs. Indicating railway limitations, Respondents 4, 6, 8, 10, 14, 17, and 23 argued that the change of gauge and cargo transshipment remained key cost components. Similarly, Respondents 1, 6, 7, 8, 12, and 15 argued that institutional barriers included unharmonized standards and high documentation requirements and costs which contributed to inefficiencies. In view of Respondents 3, 6, 8, 15, 17, 19, 22 and 25, resilience was another challenge which became evident when the COVID-19 pandemic caused significant disruptions, including ad-hoc border-crossing point closures and increased congestion frequently experienced.

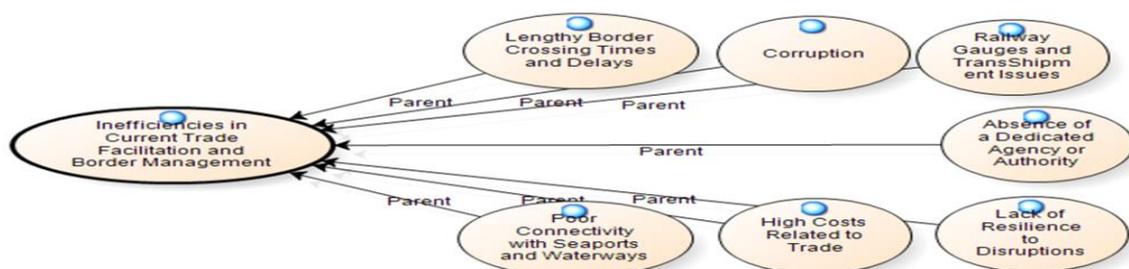


Fig. 1 Theme-1 – Node Tree (Inefficiencies in Current Trade Facilitation and Border Management)

B. *Theme 2: Impacts of Lack of Trade Facilitation and Poor Border Management*

The lack of TF and poor BM in CAREC (Central Asia Regional Economic Cooperation) member countries had numerous economic and social impacts, causing disruptions in supply chain and hindering optimal flow of cargo across borders. Respondents 1, 3, 7, 11, 17, and 23 pointed out that economic impacts included increased costs of land trade and diminished competitiveness of land ports. Delays and inefficiencies at border crossings led to higher transportation and logistics costs, which were passed on to exporters/importers in the form of higher prices for goods and services. Respondents 2, 5, 8, 12, 16, and 24 stated that uncertainties and longer transit times made products from CAREC countries lesser competitive in international markets, affecting export potential and economic growth.

Talking about the supply chain disruptions, Respondents 4, 9, 14, 16, 19, 22, and 23 pointed out that frequent law and order incidents, political unrest, and natural hazards were the main reasons. They stressed

that a dedicated TF and BM agency/authority in every country was necessary to manage the stakeholders to prevent the trade activities from such disruptions in the supply chain. Another cause of slow-down of trade activities, identified by Respondents 6, 8, 11, 12, 16, 20, and 25, was congestion both at border crossing points and inland. Poor BM was unanimously assessed as a cause of congestion at border crossings, leading to delays in the movement of goods and materials. This was observed to disrupt supply chains and affected the availability of essential goods in destination-localities of a country. Respondents 2, 5, 9, 13, 15, 19, and 21 were of the opinion that high transportation costs coupled with supply chain disruptions affected the overall economic stability of the region.

Lack of TF and poor BM created different trade barriers as mentioned by respondents. Lack of standardized procedures and documentation requirements created complexities for trader, making it difficult for businesses to operate across borders efficiently. Respondents 2, 7, 12, 13, 17, 21, and 25 stated that duplication of inspections by departments of neighbouring countries without any mutually agreed-upon common integrated procedure, which was the one of the main causes of delay and prolonged clearance time at the border crossing points. To Respondents 1, 4, 9, 10, 14, 19, 22, and 24, corruption at border crossings was another issue leading to additional delays and costs, undermining the efficiency of TF endeavours by different agencies. The officials from government departments were observed to exhibit rent seeking behaviours and forcing delays to get bribe from the cargo vehicles.

The social impacts of lack of TF and BM included enhanced smuggling and human/drug trafficking in the border areas. Respondents 4, 6, 10, 15, 16, 20, and 24 shared their observation that poor BM and TF created delays in the movement of food and agricultural products which led to shortages, affecting food security and nutrition in the border region. Similarly, Respondents 5, 8, 11, 14, 18, 20, and 21 declared that small and medium-sized enterprises (SMEs) were particularly vulnerable to supply chain disruptions and increased costs, which affected their ability to compete and grow. Figure-2 depicts node tree for Theme-2.

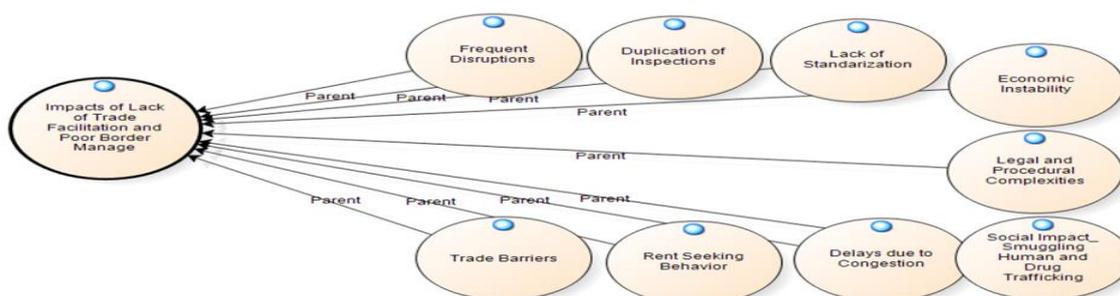


Fig. 2 Theme-2 – Node Tree (Impacts of Lack of Trade Facilitation and Poor Border Management)

C. *Theme 3: Operational Inefficiency and Inappropriate Allocation of Resources*

Based on the data collected through the interviews, all respondents affirmed that inappropriate allocation of resources was one of the major factors contributing to operational inefficiencies in TF and BM. Respondents 2, 7, 12, 13, 17, 21, and 25 highlighted that inept use of manpower, technology, and low investment in modern infrastructure and human capacity development were severely contributing inefficient and ineffective TF and BM. This aspect diluted the response to the growing demands of TF and operational management at borders under the CAREC and CPEC frameworks. Respondents 4, 9, 11, 15, 18, 20, and 21 argued that these inefficiencies contributed to higher trade costs, operational bottle necks and prolonged delays in processing export/import goods. Further, lack of modern IT infrastructure which was required by the agencies to operate on the border crossing points slowed down the operational flow as it entailed extra time for passengers and cargo clearance negatively impacting the border land port performance. Similarly, Respondents 5, 10, 15, 16, 19, 23, and 24 emphasized that lack of skilled

workforce further increased the likelihood of procedural errors which in turn led to operational inefficiencies and wastage of additional resources on supervision, detection of errors, and correcting/re-doing the erroneous outputs. Therefore, these inefficiencies not only disrupted trade flow and increased cost of doing business, but also impacted Pakistan’s competitiveness in the CAREC and CPEC.

Lastly, Respondents 1, 4, 8, 11, 15, 17, 20, and 25 affirmed that it was evident to observe a major disconnect between policy maker at government departments and day to day managerial activities at the BCPs which clearly reflected the underlying issues of operational inefficiency and inappropriate allocation of resources. Respondents 3, 4, 9, 13, 19, 22, 23, and 25 suggested that capitalizing in institutional reforms, establishing a centralized agency/authority, investing in modern technology, and human resource capacity building were key necessities for improving land trade and BM efficiency. And without addressing these critical resource allocation challenges the overall TF and BM would remain unsatisfactory.

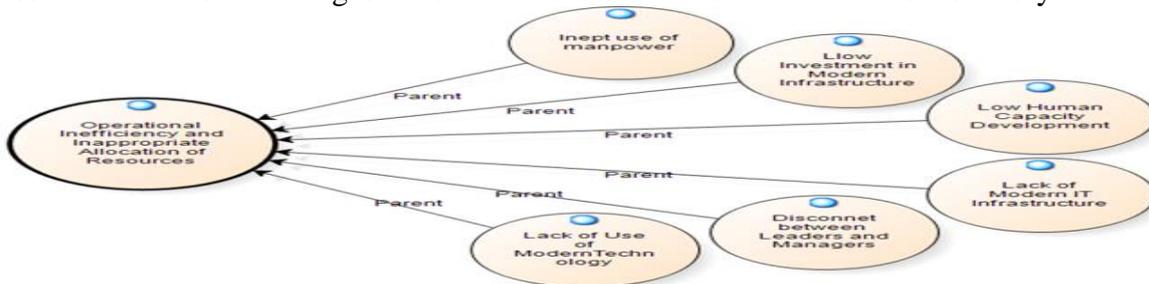


Fig. 3 Theme-3 – Node Tree (Operational Inefficiency and Inappropriate Allocation of Resources)

*D. Theme 4: Transparency and Performance Feedback*

All respondents stressed that the lack of transparency and performance feedback framework were critical impediments to high TF efficiency and effective BM in CAREC countries. Respondents 3, 4, 11, 15, 19, 21, and 24 stressed that without a well-defined mechanism to hold people accountable for their actions or outcomes, the TF would remain ineffective and unresponsive to the needs of traders and stakeholders. It was affirmed by the Respondents 4, 6, 10, 12, 18, 22, and 23, that a lack of a central agency/authority in every country to oversee all the land trade operations contributed to the failure of developing key performance indicators (KPIs) that could accurately gauge and monitor land trade, as well as, staff outputs at the BCPs. Hence, the absence of key performance indicators regrettably made it challenging to assess how good the land trade operations were running or resolved inconsistencies in managing trade flow. In brief, all respondents had advocated the immediate need of leadership and institutional reforms to ensure establishment of accountability mechanisms and key performance measures. It was important to note that these reforms would not only improve overall transparency but would also allow the BCPs to align their long-term objectives with the international TF framework as cited by CAREC and CPEC.

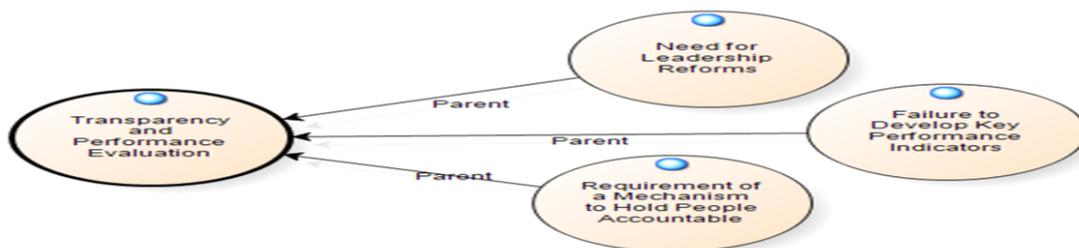


Fig. 4 Theme-4 – Node Tree (Transparency and Performance Evaluation)

*E. Theme 5: Gaps in Policies and Regulations*

The thematic analysis clarified that policy and regulatory gaps were a significant factor impacting the land trade and BM. Respondent 1,2,4,7,8,15, and 22 highlighted that there were still a number of outdated policies and conflicting regulations being practiced by agencies operating at the BCPs which were contributing to the operational inefficiencies. These discrepancies and divergent protocols often led to serious procedural overlaps, confusions, bottlenecks and poor coordination. It was further asserted by respondent 7,19, 11, 12,13,17 and 22 that the deficits in policy and regulations led to unwarranted complication in TF which not only increased the trade costs but also increased the overall cargo clearance/dwell time. Other Respondents affirmed that policy disarray amongst customs, immigration, and security agencies aggravated the operational inefficiencies and the border crossing points reputation.

All respondents concurred that alignment of policies and regulations was the key for enhancing the performance of the BCPs. Notably, there was a dire need for a leadership framework or a central authority that could play a critical role in updating and modernizing the regulatory structures that were in line with the international best practices as guided by CAREC and CPEC framework. As these improvements would augment the border operations and enhance trade competitiveness of Pakistan by warranting a coherent regulatory and TF-oriented environment cross all border agencies.

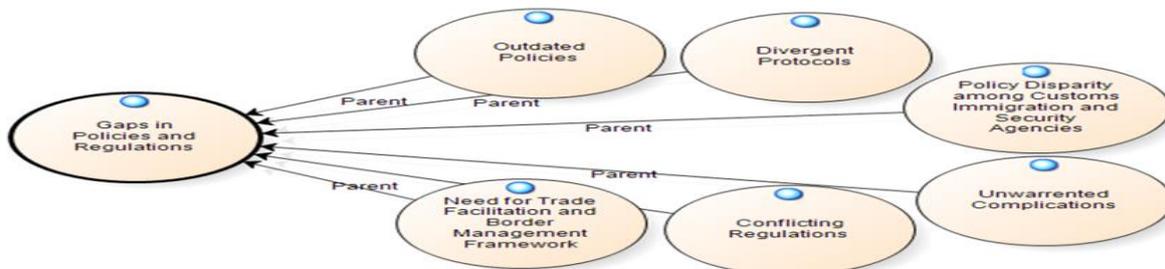


Fig. 5 Theme-5 – Node Tree (Gaps in Policies and Regulations)

*F. Theme 6: Lack of Focus on Trade facilitation and Economic Competitiveness*

All respondents affirmed that inefficiencies like cargo delays, lack of interagency coordination, and higher costs of doing business significantly limited the potential of CAREC countries to take full advantage of the CAREC and CPEC programs. Respondents 7, 16, 10, 14, 19, 20, and 22 stressed that inconsistent processes, meagre BCP facilities, outdated IT infrastructure, and weak interagency coordination were leading to increased dwell time which was ultimately increasing the costs of doing business for traders. This all had a massive negative impact as it made denied the CAREC region from becoming a trade hub. With all the efforts being made by Customs to improve port efficiency and ease of doing business other border agencies working in silos restricted the overall efforts of TF. Respondents 1, 8, 10, 12, 15, 17, 23, and 24 advocated that it was highly critical and urgent to address lack of focus on TF through national reforms that could improve economic competitiveness. As it would help CAREC countries to boost land trade and economic collaboration in the region. Lastly, it was important that the operation at BCPs must be aligned with the global TF standards so that Pakistan could fully capitalize its strategic position.

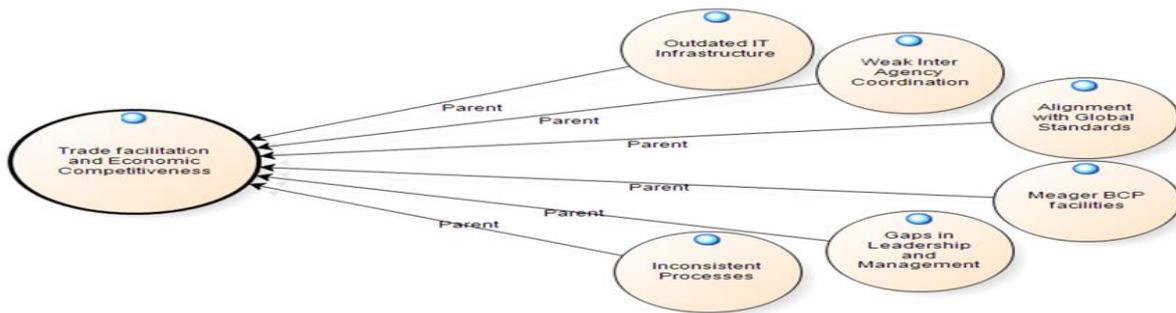


Fig. 6 Theme-6 – Node Tree (Lack of Focus on Trade facilitation and Economic competitiveness)

G. Theme 7: Benefits of Establishing a Trade Facilitation and Border Management Authority

This theme focused on the key benefits that experts believed a TF and BM Agency/Authority would bring to CAREC member nations, emphasizing improved business operations, trade and border efficiency, and competitiveness. The analysis of the responses, categorization, and condensation revealed that this theme comprised seven sub-themes as explained in the following paragraphs. Figure-7 depicts the thematic map of Theme-7 with its seven sub-themes.

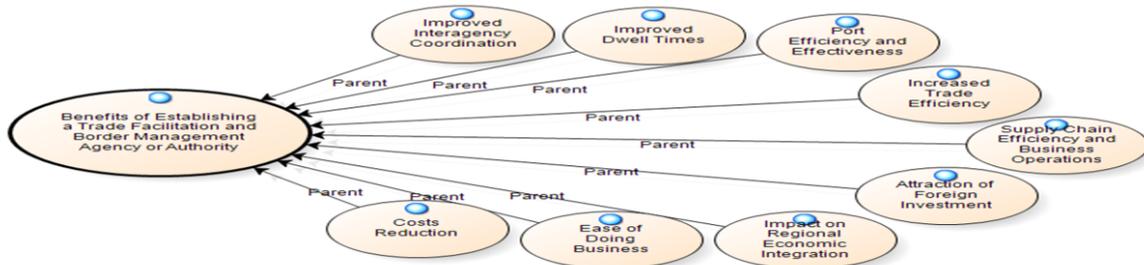


Fig. 7 Theme-7 – Node Tree (Lack of Focus on Trade facilitation and Economic competitiveness)

1) *Sub-Theme 7a: Improved Dwell Times:* Respondents 2,9, 13, 15,16,17 and 20 opined that a centralized authority would significantly reduce the time goods spend at border crossings, leading to faster and more reliable trade flows. Respondent-4 highlighted the importance of reducing dwell times and said, “By reducing the dwell times for goods at the border, a centralized authority would allow businesses to operate with much greater efficiency.” In the views of Respondents 3, 6, 10, 13, 18, 19 and 24, the proposed TF and BM authority could ensure better cargo traffic management at the border crossing point and resolve bilateral and multilateral issues for reducing dwell times.

2) *Sub-Theme 7b: Improved Interagency Coordination:* Enhanced cooperation between customs, security, and regulatory agencies would ensure smoother operations at the border, reducing bottlenecks and delays. Respondents 2, 4, 7, 12, 16, 20 and 25 argued that the proposed TF and BM authority would be able to create the desired level of interagency coordination at the border crossing point. Integration of procedures and joint inspection of different agencies could improve the interagency coordination issues, as described by Respondents 5, 8, 11, 13, 18, 19, 21 and 22.

3) *Sub-Theme 7c: Ease of Doing Business:* As per the views of Respondents 2, 7, 12, 14, 16, 18, 21 and 23, the simplified, standardized procedures across borders would reduce the complexity for businesses, making cross-border trade easier and more predictable. Respondent-5 stated, “A unified system would make the process of doing business across borders much smoother, reducing paperwork and making operations more predictable.”

4) *Sub-Theme 7d: Cost Reduction:* By eliminating unnecessary delays and improving efficiency, businesses would see significant reductions in operational and transaction costs. Respondents 3, 5, 7, 10,

12, 16, 18, 20 and 24 emphasized that the cost related to land trade were the main consideration behind the choice of a particular land port for operations. Respondents 1, 3, 6, 9, 11, 12, 15, 19, and 20 highlighted that costs of land trade included transportation, services at land ports, government taxes and duty, insurance, documentation, and charges of clearance agents. With lower transaction costs and fewer delays, businesses would be able to trade more profitably and efficiently across the region. The costs of land trade needed to be regulated in line with local as well as international competitors.

5) *Sub-Theme 7e. Increased Trade Efficiency:* Faster customs processing and more consistent procedures would lead to more efficient cross-border trade, allowing businesses to expand their operations. Respondents 2, 4, 5, 8, 13, 16, 17, 18, and 22 declared that the main event in clearance of cargo trucks at the land ports was the customs inspection and clearance. Being the main stay of clearance procedures in land trade, Respondents 2, 3, 7, 9, 10, 13, 16, 18, and 23 emphasized that the proposed TF agency needed to have a sizable representation from the department of Customs. Respondent-4 stated, "Streamlined processes would allow us to move larger volumes of goods faster, helping businesses to meet demand more effectively."

6) *Sub-Theme 7f. Port Efficiency and Effectiveness:* In the views of Respondents 4, 8, 10, 13, 14, 16, 18, 21, and 24, centralized management of land ports would increase the efficiency and effectiveness of border crossings, improving throughput, and ensuring smoother logistics. The result would be a more seamless flow of goods through key land ports, leading to higher capacity utilization and more effective resource management. Respondents 1, 3, 6, 9, 11, 12, 15, 19, and 20 responded to the question on ingredients of port efficiency and effectiveness and said that, with centralized control, ports would operate far more efficiently, increasing throughput and reducing the overall cost and time for goods to cross borders.

7) *Sub-Theme 7g: Supply Chain Efficiency and Business Operations:* A border land port authority could improve supply chain efficiency by reducing delays and improving predictability in cross-border operations. Respondents 1, 3, 6, 9, 11, 12, 15, 19, and 20 argued that increasing the supply chain efficiency and business operation would enable businesses to plan better and optimize their logistics operations. Respondent-22 said, "Predictable border operations would allow us to manage our supply chains much more effectively, reducing lead times and uncertainty."

8) *Sub-Theme 7h: Impact on Regional Economic Integration:* Respondents 1, 3, 6, 9, 11, 12, 15, 19, and 20 opined that establishment of a border land port authority could enhance regional economic integration by facilitating smoother and more predictable trade flows across CAREC member countries. Respondents 2, 5, 8, 10, 11, 16, 17, 19, and 25 clarified that the current arrangement of TF through a trade and transport coordination committee established by CAREC is insufficient and cannot perform the gigantic task of TF and BM. Giving reasons of inefficiency of current arrangement of TF, Respondent-14 narrated that the present arrangements of executing TF and BM through trade and transport coordination committees were inefficient because they did not have sufficient legal and executive powers, capacity to work, and were seldom consulted by other ministries for an input.

9) *Sub-Theme 7i: Attraction of Foreign Investment:* In the view of Respondents 1, 3, 6, 9, 11, 12, 15, 19, and 20, more efficient BM could make the CAREC region more attractive to foreign investors by reducing the risks and uncertainties associated with cross-border trade. Respondents 4, 8, 10, 13, 14, 16, 18, 21, and 24 argued that border regions are among the least developed in almost every CAREC member country and the proposed TF and BM authority/agency could play a vital role in their development through planning and social development uplift programs. Each land port was considered to provide innumerable investment opportunities to the investors in port development, provision of services, and establishment of supportive businesses enroute and at the land ports. Respondent-10 said, "Foreign investors are more

likely to engage in trade with CAREC countries if they know that border operations are efficient, transparent, and predictable.”

## V. DISCUSSION ON FINDINGS

The enhanced connectivity of CAREC member countries demands a parallel expansion of infrastructure and an enhanced focus on TF and BM. For optimal benefits of CAREC-RIBS project, a paradigm shift is required in both public and private sector trade partners and service providers [6]. Modernizing border-crossing points and automating cargo clearance procedures can help reduce delays and costs. However, such activities and interventions cannot take place without a close supervision by an organization which is specifically mandated for TF and BM. It seemed that the respondents of this study were fully convinced for the establishment of a centralized authority in each CAREC country that could provide leadership and a communication or a coordination platform to improve the lack of harmonization amongst the agencies at the BCPs. The agencies can easily have a coordinated and harmonized method of cargo clearance but mostly they are unable to reach consensus which results in unnecessary processes, delays in operations, and occasionally conflicting decisions [1].

This lack of coordination and synchronization in processes and timelines affects the overall performance of the BCPs, which in turn negatively impacts TF as affirmed by all the respondents [3]. The process of interagency coordination could be started from land port level moving up the ladder for highlighting issues being faced at the land ports. Through improved inter-agency coordination, it is expected that the dwell time can be reduced by 15% to 20% [4]. Currently, the insistence of agencies on discreet inspection, absence of concerned representatives and manual entry systems are the major causes of long dwell time [7]. The findings of this study are in consonance with the extant literature and assessment reports by international institutions like IMF, WTO, ADB, and WCO [3]. The proposed TF and BM agency, through stakeholder consensus, can standardize the charges for different services which may be different for each land port keeping in view the minimum essential charges to prevent loss to the service provider/terminal operator [8]. Rationalization of the charges is likely to attract domestic as well as international customers due to reduction in cost of doing business. Competitive charges (reduced by 10%) may result in an overall increase in land trade by 25% due to enhanced profit margins of traders [23].

The proposed agency/authority will have to constantly monitor smooth flow of traffic and on noticing any of the issues will immediately report the matter to the concerned agency/terminal operator. If the solution to the problem is not sought and delays are likely, the propose agency will suggest diversion of traffic as assessed appropriate to prevent suspension of the cargo clearance process. Determining the specific requirements of CAREC and CPEC precisely for effective integration of land ports is not mandated to any department/organization [20]. The propose agency/authority can act as a centre for excellence in conceptualization and preparation of master plan for necessary steps to integrate land ports in the network of global supply chain. It can propose a comprehensive road map of connected projects to enable instant integration. In the absence of such a road map, a considerable time is likely to be wasted and market share of the transit trade will be captured by competitors offering better alternatives [17]. Integrated BM is an advanced concept being implemented in many countries and need to be gradually implemented [16].

Currently there is no dedicated entity that is consistently representing Pakistan at the National and International forums on the subjects of TF. The establishment of a TF and BM agency/authority is likely to change the outcomes of such conferences/sessions and maximum benefit will be drawn by converting the proceedings into actionable points and pursuing relevant departments for their execution [24]. The proposed agency/authority will become highly relevant and its presently defined scope may have to be

expanded and aligned with future requirements based on the experiences in peculiar context of each CAREC member country [25]. The present study attempts to understand the challenges related to land trade specifically in the CAREC regions. The thematic analysis showcases that the inefficiencies, inconsistent and fragmented decision making, and ineffective inter agency coordination are some of the major factors hindering the smooth flow of cargo across borders. These key factors have a direct impact on the TF and economic competitiveness, making CAREC less attractive as a regional trade corridor [16]. These factors have been identified by other studies also declaring them causing significant adverse effects on the competitiveness and efficiency of BCPs [24],[6],[25].

## VI. CONCLUSION

There are numerous gaps, issues and difficulties in quick and smooth clearance of cargo at the land ports and almost all aspects of TF and BM need improvement. Unusually longer dwell times, delays, inefficiencies and comparatively higher cost of doing business borne by traders make land ports in the CAREC region lesser competitive than the alternatives available to traders. Uncertainty and security related risks further complicate the operations of land ports forcing the traders to explore and utilize other alternatives [16]. Main cause of performance below the potential of the land ports is lack of modernization and institutional support for TF. The past trend, future projections of land trade, and visualization based on future impact of CAREC and CPEC, exports/imports and transit trade will increase. This necessitates establishment of a TF and BM agency/authority to take care of land trade all levels and fill the gaps in land port efficiencies and competitiveness.

### A. *Limitations of the Study*

This study had the limitations in terms of experts who belonged to Pakistan and their views could have been biased and confined to the issues being faced by the country in land trade. To address this limitation, it was endeavoured that the respondents had an experience of working with CAREC, WTO, CPEC and other international ventures. Time and resources pose another limitation which inhibited a bigger respondent sample that could have been interviewed for more diverse insights. This limitation was addressed to some extent by selecting the respondents at senior levels and considerable experience of land trade.

### B. *Contributions of the Study*

This study has identified major inefficiencies and factors adversely affecting TF in CAREC member countries highlighting impact of the said hurdles in TF and BM. For improving operational efficiency, TF, and interagency coordination TF oriented institutional reforms are essential and establishment of a central agency/authority that could play a critical leadership role is vital for enhancing the coordination amongst all the agencies operating at the BCPs. With the increased support across border agencies, policy harmonization, and meeting international standards, every country will surely improve the border land port procedural and operational efficiency. The study also identified that focused investment in institutional capacity building and fostering a culture of change and innovation were critical factors for improving operational effectiveness of the BCPs and the land trade in CAREC region. Establishment of a TF and BM agency/authority coupled with regional and international policy alignment would enhance trade and reinforce regional trade networks, specifically within the CAREC and CPEC framework.

### C. *Direction for Future Research*

In the backdrop of CAREC, the issues of land trade are likely to accentuate if not each member state left them to the current state of handling and uncoordinated efforts at national level. This study advocates an analysis of the country specific challenges faced in land trade enhancement and affirmation or refutation of the issues identified by this study. In addition, the solution presented by this study stays open to the

researchers to explore whether establishment of a TF and BM agency/authority with sufficient powers can be a solution or some other measure is required to address the issues and their impact. The future researchers are also suggested to explore the organizational hierarchy and the domains in which the propose agency/authority should be given powers through legislation. Similarly, the distribution of members of the proposed agency/authority between public and private sectors to effectively perform its functions of TF and BM.

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