

**THE ROLE OF TRANSIT POLICY IN AFGHANISTAN'S ECONOMIC GROWTH**

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**Abstract:** This research explores transit policy's role in Afghanistan's economic growth, emphasizing corridor diplomacy's impact on regional cooperation, connectivity, and trade. Employing a mixed-methods approach, the study analyzes transportation corridors as instruments of diplomacy, considering both economic and geopolitical advantages. It examines Afghanistan's potential as a transit hub, leveraging theories of comparative advantage, trade, and growth. The discussion highlights corridor diplomacy's role in promoting economic integration, political stability, and regional security. It also stresses the importance of the Trans-Afghan Transport Corridor for trade and development, addressing challenges like infrastructure gaps and corruption.

**Key words:** Corridor diplomacy, Transit policy, Economic growth, Regional cooperation, Connectivity, Trade, Afghanistan, Trans-Afghan Transport Corridor

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## **Introduction**

Afghanistan, situated at the crossroads of Central and South Asia, is strategically crucial. Corridor diplomacy in Afghanistan may be viewed as an attempt to influence and control transit routes across this strategic region. Countries can affect regional security dynamics and commercial flows by building and regulating transit corridors. This perspective may be used to examine corridor diplomacy, namely how transportation agreements and infrastructure investments maintain dependency or encourage economic sovereignty. Strategic corridor relationships may either strengthen Afghanistan's reliance on neighboring nations or increase its economic independence. Afghanistan has historically been an important transit route along the old Silk Road, allowing commerce between the East and West. The country's strategic position has considerable potential to become a transit center once more. However, decades of violence, political instability, and poor infrastructure have hampered its potential.

## **Methods**

The aim of this research is to explore the concept of corridor diplomacy and its implications for regional cooperation and economic development. The study seeks to analyze the strategic importance of transportation corridors and investigate how corridor diplomacy contributes to fostering connectivity, enhancing trade, and promoting peacebuilding efforts in the context of Afghanistan. This research employs a mixed-methods approach to comprehensively analyze the role of transport and logistics development in Afghanistan's economy. The research design integrates both qualitative and quantitative methods to provide a holistic understanding of the topic.

## **Theoretical framework**

### **Corridor diplomacy**

Corridor diplomacy refers to the strategic use of transportation corridors as instruments of diplomacy and international relations. It involves the negotiation, coordination, and management of transportation routes, such as highways, railways, and pipelines, to achieve political, economic, and security objectives among nations sharing common corridors. In corridor diplomacy, transportation infrastructure serves as more than mere conduits for the movement of goods and people- they become channels for diplomatic engagement, cooperation, and conflict resolution. This concept recognizes the geopolitical significance of transportation routes, particularly in regions where countries are interconnected by land or maritime corridors.

Maria Papadimitriou's work [1] lays the foundational framework for understanding corridor diplomacy as a strategic tool. She emphasizes the dual economic and geopolitical advantages that nations seek to leverage by establishing and maintaining transportation corridors. According to Papadimitriou, corridor diplomacy is not merely about physical infrastructure but also involves strategic negotiations and alliances. This conceptual framework helps delineate the multifaceted roles of corridors in contemporary international relations, highlighting how they serve as platforms for achieving broader strategic objectives, including economic growth, regional stability, and geopolitical influence.

Key aspects of Afghanistan's transit policy include:

1. **National Transit Regime:** Afghanistan has established laws like the 2012 Law on Transit Duty and the 2018 Road Transport Law to regulate transit and transport matters. These laws aim to provide non-discriminatory access and ensure smooth transit operations.
2. **International Agreements:** Afghanistan is part of agreements like the Afghanistan-Pakistan Transit Trade Agreement (APTTA) and the Chabahar Agreement, which facilitate its access to seaports and enhance regional connectivity.
3. **Challenges:** Despite its strategic location, Afghanistan faces significant obstacles, including political instability, inadequate infrastructure, and strained relations with neighboring countries. These issues often disrupt transit operations and trade.
4. **TIR System:** Afghanistan reintroduced the TIR (Transports Internationaux Routiers) system in 2010 to streamline customs transit procedures and boost trade.

The Taliban takeover in August 2021 significantly altered Afghanistan's transit policy, impacting both domestic and international trade dynamics.

1. **Centralization of Revenue Collection:** The Taliban moved quickly to centralize revenue collection from cross-border trade through the Ministry of Finance. This involved replacing senior officials at Border Crossing Points (BCPs) and enforcing government regulatory frameworks to reduce corruption.
2. **Dismantling of Checkpoints:** The Taliban dismantled roadside checkpoints that previously collected rents for powerbrokers and themselves, reducing corruption and altering the political landscape.
3. **Closure of Smuggling Routes:** Smuggling routes were closed to channel trade through official BCPs, where taxes are collected by central ministries. This has significantly reduced corruption and changed the distribution of benefits among neighboring countries.
4. **Impact on Regional Trade:** The Taliban's policies have led to a decrease in trade with Central Asian Republics and Iran, partly due to an 80% drop in fuel imports.

Ahmed Khan [2] explores corridor diplomacy in Central Asia, emphasising on its potential to improve regional economic and political connections. Khan's research highlights the transformative power of transport infrastructure on regional wealth, connection, and peace. He contends that corridor diplomacy's success stems from its capacity to convert infrastructural expenditures into broader socioeconomic benefits such as improved regional commerce networks, more political discourse, and long-term peace efforts. Khan's research provides a thorough examination of various corridor projects in Central Asia, highlighting their importance in fostering regional growth and integration.[3]

Prof. Emily Chen's [4] research delves into the delicate balance required in corridor diplomacy between national interests, regional collaboration, and international alliances to achieve sustainable development goals. Her work provides a comprehensive analysis of the intricacies and challenges involved in maintaining such corridors, addressing geopolitical rivalry, economic disparities, and governance issues. Chen's research also explores the opportunities that corridor diplomacy offers, such as fostering inclusive economic growth, enhancing regional connectivity, and promoting sustainable development. Her study offers a thorough understanding of the strategic and practical problems that governments encounter while undertaking corridor diplomacy projects. Chen highlights the need for successful corridor diplomacy to balance national interests with regional cooperation and international partnerships, while addressing geopolitical rivalries that can hinder the development and maintenance of transportation corridors. Chen's research highlights the impact of economic disparities on corridor diplomacy, highlighting the need to address governance issues like corruption and lack of transparency. Despite these challenges, well-planned transportation corridors can support inclusive economic growth by providing access to new markets, creating jobs, and stimulating investment. Corridor diplomacy also enhances regional connectivity by improving transportation infrastructure, reducing travel times, lowering costs, and increasing trade efficiency, benefiting all involved countries.

Prof. Jane Smith's [5] study looks at the peacebuilding possibilities of corridor diplomacy. She believes that transportation corridors may promote multilateral cooperation by offering shared venues for conversation, negotiation, and conflict resolution amongst neighbouring nations. Smith's study is essential because it demonstrates how infrastructure projects, which are frequently seen only in economic terms, may also serve important diplomatic and peacebuilding tasks. Her case studies show how shared transit initiatives have helped to alleviate tensions and create trust in conflict-prone areas, changing problematic boundaries into zones of collaboration and engagement. Among the researchers in this topic, Suhrob Buranov's paper presents an in-depth analysis of Afghanistan's transit policy framework, focusing on both the country's issues and prospects. According to Buranov [6], Afghanistan's strategic location as a landlocked country between Central Asia, South Asia, and the Middle East makes it an ideal transportation centre. His research looks at the delicate balance required to use this position for economic growth while navigating complex regional dynamics and internal problems. Buranov's work underscores the importance of regional cooperation and transit agreements with neighboring countries like Pakistan, Iran, and the Central Asian republics. He analyzes existing agreements and proposes frameworks for new ones that could streamline transit procedures and reduce bureaucratic hurdles.

The theoretical framework for comprehending the impact of transit policy in economic growth incorporates fundamental concepts from comparative advantage, new trade theory, endogenous growth theory, and big push theory. Empirical research backs up these arguments by proving the benefits of effective transit policy and infrastructure for trade facilitation, regional integration, and

economic growth. Leveraging these theoretical insights can help Afghanistan establish successful transportation strategies that will foster economic growth and development.

#### Discussion

Corridor diplomacy can play a vital role in promoting economic integration in Afghanistan and the wider region. By establishing trade corridors through Afghanistan, neighboring countries can gain access to new markets and reduce their dependence on traditional trade routes. This can foster economic growth and create new opportunities for businesses and entrepreneurs. Corridor diplomacy can also contribute to political stability in Afghanistan and the region. By creating shared economic interests and interdependencies, corridors can reduce tensions between states and encourage cooperation. This can help to build trust and create a more stable political environment. Afghanistan is located at a strategic crossroads connecting regions with vast natural resources, including oil, gas, uranium, and other strategic materials. This makes Afghanistan a crucial hub for trade and transportation corridors. Major powers such as the United States, Russia, China, and India have significant geo-economic interests in the country due to its potential for economic development. Apart from that, Afghanistan plays a vital role in regional and international security. Its strategic location makes it a key link for military and security issues. Influential organizations such as NATO, CSTO, SCO, and CIS have identified Afghanistan as a priority for their security and military-strategic objectives.

Afghanistan is geographically an integral part of Central Asia. In our perspective, it is scientifically logical to call it an alternative to the term AfSouthAsia with the term AfCentAsia. This concept is a term that defines Afghanistan and Central Asia as a single region. Central Asia could create and negotiate a number of transit routes, including such important pipelines for the export of energy through Russian for 10 years. Moreover, for transit transportation by rail and road, they can use the territory of China and the Islamic Republic Iran. Ferry crossings across the Caspian Sea allow transit by rail and road, and to the south through China to Pakistan and India by road. These main transport corridors have already created good opportunities for the development of trade for landlocked Central Asian countries, although much remains to be done, especially in terms of maintaining, modernizing and restoring infrastructure, which is a top priority for numerous transport assistance projects in transport development implemented by the support of international agencies.[7] It is necessary to accelerate the construction and implementation of the Trans-Afghan Transport Corridor, which is one of the most important factors in expanding rapprochement and cooperation in Central and South Asia. The Afghanistan Government has emphasized the importance of regional cooperation to its reconstruction efforts, private sector development, and peace building. The opening of Afghanistan's borders and reconstruction efforts provide new opportunities for the region, with the country potentially forming a land bridge connecting South and Central Asia. However, trade is limited to imports to, and exports from, third countries via ports in Pakistan or Iran, as well as to a lesser degree via the Central Asian republics. There is therefore almost no transit trade through Afghanistan. Afghanistan faces several constraints to boosting trade, including customs issues, trade policies, permits, visa regulations, and endemic corruption. Physical infrastructure such as link roads, ports, and border crossings are inadequate and their operation inefficient. There are also wider considerations holding the country back, such as Afghanistan's distance from world markets, weak investment laws, lack of private sector investment, and absence of key services such as banking, finance, and telecommunications. The Trans-Afghan Railway project, which aims to connect Uzbekistan and Pakistan via Afghanistan, has recently received interest and discussion. This railway line will be an expansion of the currently existing and functioning Termez-Mazar-i-Sharif railway line connecting Uzbekistan and



Afghanistan. The Trans-Afghan Railway is a proposed railway line that would connect Afghanistan to its neighboring countries, Pakistan, Iran, and Turkmenistan. The project has been discussed for decades, but its implementation has been hindered by conflict and instability in Afghanistan. After the fall of the Taliban regime in 2001, there was renewed interest in the Trans-Afghan Railway project. The Afghan government, with the support of international donors, began to explore the feasibility of the project and conduct preliminary studies. In 2010, Afghanistan signed a memorandum of understanding with Turkmenistan to construct a railway line connecting the two countries. In 2011, Uzbekistan completed a 75-kilometer rail link between Hairatan on the Uzbekistan-Afghanistan border and Mazar-e-Sharif in northern Afghanistan. However, because of high costs and operational concerns, the segment from Hairatan to Mazar-e-Sharif is underutilised. Instead, most rail freight from Uzbekistan to Afghanistan is now shifted to road transit near the border at Termez or Hairatan. The railway would have a planned capacity of up to 20 million tons of cargo per annum, and once operational it would slice the travel time for goods transiting from Uzbekistan to Pakistan from 35 days to just 3 to 5 days. The railway line is planned to be 573 km and will be built with a 1,520 mm Russian gauge at an estimated cost of \$4.8 billion. The time frame for the construction is approximately five years. “Trans-Afghan will become the economic corridor between Central Asia and South Asia,” said Mohammad Shafiq Mahmood, head of the Balkh railway authority in Mazar-i-Sharif. In 2013, Afghanistan and Uzbekistan signed a similar agreement to build a railway line between Mazar-e-Sharif and Termez. In September 2021, Uzbekistan announced that it was suspending work on the Mazar-e-Sharif to Termez railway line due to the political situation in Afghanistan. In October 2021, Pakistan’s foreign minister stated that the Trans-Afghan Railway project was still under consideration, but that it would depend on the security situation in Afghanistan. In March 2022, the Taliban announced that they had signed an agreement with a Chinese company to build a railway line from Kabul to Peshawar, Pakistan. However, there have been no further updates on this project. The Trans-Afghan railway project has enormous potential to boost trade, facilitate the flow of goods and people, and develop regional collaboration. The railway, which would run across Afghanistan, is intended to connect significant towns and act as an important artery for regional economic growth. Furthermore, it is expected to provide a much-needed lifeline for landlocked Afghanistan, allowing access to global markets while reducing reliance on existing transportation routes. The Trans-Afghan railway is valued at \$5 billion and has a transit capacity of up to 20 million tons of cargo, according to preliminary estimates. Its implementation is crucial for advancing transportation and trade relations in both Central Asia and South Asia.[8]

In February 2023, Uzbekistan and Pakistan announced plans to speed up the building of the Trans-Afghan railway, demonstrating a shared commitment to improving regional connectivity. Uzbekistan’s “Boshtransloyiha” institute estimated the cost of road construction at \$4.6 billion, Pakistan – at \$8.2 billion. According to media reports, the project is estimated at \$4.8 billion to \$6 billion. It envisages the construction of a highway with a length of 573 km and a capacity of up to 20 million tons of cargo per year. The new transport corridor should connect the European Union, Russia, Uzbekistan, Afghanistan, Pakistan, India and further Southeast Asian countries.[9]

This concept gathered traction, culminating in a quadrilateral meeting on December 7, 2024, where transport ministries from Uzbekistan, Afghanistan, Pakistan, and Qatar met with railway administration authorities to discuss strategies for implementing the railway construction project. Further strengthening their bilateral relations, on December 27, Uzbekistan’s Minister of Transport, Ilhom Mahkamov, engaged in talks with a delegation headed by Hamidullah Akhundzada, the acting Minister of Transport and Civil Aviation of Afghanistan. Various aspects of collaboration in transportation and logistics were addressed, including toll collection mechanisms, transit

development through Afghanistan, and tariff concessions for railway transportation. Additionally, both sides explored strategies to expedite the construction of the Uzbekistan-Afghanistan-Pakistan railway project.

Corridor diplomacy, as represented by the Trans-Afghan Railway project, provides considerable advantages to Afghanistan. This type of diplomacy uses geographic and infrastructure corridors to promote international collaboration, economic development, and political stability. Here are some significant benefits specifically for Afghanistan. The Trans-Afghan Railway would connect Central Asia and South Asia, improving trade lines and opening up new markets for Afghan goods. This can lead to higher exports and imports, so strengthening the national economy. The railway's construction and maintenance will provide jobs for Afghans, both directly and indirectly, in associated businesses such as construction, logistics, and services. Investment Attraction: Improved infrastructure may attract foreign direct investment (FDI) into Afghanistan, as companies seek to capitalise on increased connectivity and trade possibilities. The railway would improve connectivity between Afghanistan and other countries, leading to greater regional integration. This can result in better political ties and regional stability. Infrastructure Development: Developing such a large infrastructure project can lead to advances in other sectors such as transportation, energy, and telecommunications, so contributing to overall development.

Afghanistan may exploit its strategic location as a transit hub to achieve political clout in regional and international affairs, therefore improving its diplomatic status. violence Reduction: The railway's economic connectivity can help to regional stability and lower the chance of violence as countries become more involved in mutual success.

#### Social Development

1. **Community Benefits:** Improved transportation infrastructure can enhance access to education, healthcare, and other social services for Afghan communities along the railway route.
2. **Cultural Exchange:** Increased movement of people and goods can lead to greater cultural exchange and understanding, fostering a more cohesive and informed society.

#### Security Enhancements

1. **Security Infrastructure:** The need to protect the railway infrastructure can lead to improved security measures and capabilities in the region, benefiting overall national security.
2. **Counter-Narcotics:** Enhanced transportation infrastructure can help in more efficient monitoring and control of illicit activities, including drug trafficking, which is a significant issue in Afghanistan.
3. **Bilateral and multilateral cooperation:** The Trans-Afghan Railway project necessitates collaboration with several nations and international organisations, assisting Afghanistan in forging stronger ties and partnerships.

Corridor diplomacy, through initiatives such as the Trans-Afghan Railway, has the potential to transform Afghanistan by boosting economic growth, improving regional integration, promoting political stability, fostering social development, increasing security, and encouraging environmental sustainability. This multifaceted strategy can assist Afghanistan in leveraging its geographical location to achieve long-term peace and development.

In summary, corridor diplomacy holds transformative potential for Afghanistan. By fostering economic growth, improving regional integration, and promoting political stability, Afghanistan

can leverage its strategic location to achieve sustainable development. The effective completion of the Trans-Afghan Railway project and other corridor efforts is critical to developing Afghanistan's transport and commerce links. Recent promises by Uzbekistan and Pakistan to hasten railway projects show a common commitment to boosting regional connectivity. These initiatives have the potential to greatly increase Afghanistan's position as a transit hub, enabling the flow of commodities and people while also boosting regional collaboration. Corridor diplomacy encourages similar economic interests and interdependence among neighbouring nations, lowering geopolitical tensions and encouraging collaboration. By establishing similar economic goals, these corridors help foster trust and a more stable political climate in the region. This stability is bolstered by improved regional integration, which draws countries together via mutually beneficial initiatives and cooperative efforts.

**Conclusion.** To sum up, transit policy plays a crucial role in Afghanistan's economic growth by enhancing regional cooperation, connectivity, and trade. Corridor diplomacy, leveraging Afghanistan's strategic location, fosters economic integration and political stability. The Trans-Afghan Transport Corridor is particularly important for trade and development, though challenges such as infrastructure gaps and corruption must be addressed. Overcoming these obstacles and capitalizing on regional cooperation will unlock Afghanistan's potential as a key transit hub, promoting economic growth and stability in the region.

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