

**Topic: Borders of Peace: Cross-Border Trade as a Conflict Prevention Strategy**

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**Abstract:**

This paper analyses cross border trade as one of the tools that can be used in conflict prevention and peace building in Pakistan and other neighboring countries. In the south Asian region borders have been synonymous with zones of division and conflict; the present paper will therefore highlight the point that trade can be a zone of cooperation. It will provide five points which will discuss the economic interdependence theory, give history and present-day cases of peace that has been created by trade, and then discuss both formal and informal trade as a way that can promote regional relations. The challenges that Pakistan has been encountering in utilizing trade as a tool of peace shall also be evolved in the article coupled with a few policy suggestions that can be made to Pakistan in harnessing its distinct geopolitical location to achieve stability and prosperity through cross border trade.

**Keywords:**

Cross-border trade, peacebuilding, conflict prevention, Pakistan, South Asia, economic interdependence, informal trade, regional cooperation, trade diplomacy, CPEC

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**Introduction:**

Borders have always been an important aspect to develop relationships between states. In most countries around the world, borders are perceived as dividing lines, places that separate people, cultures, and communities. Whereas the identification of borders can allay suspicion and fear. In South Asia in particular, borders are associated with animosity and jealousy. Challenges of wars, political infighting, and born-in rancor and misunderstanding are referred to in the lines of the map. Nevertheless, borders can also connote something else. Indeed, borders can become bridges, and they link us with others and enhance people and pueblos. This can be done by utilizing cross-border trade where borders will transform from points of conflict to ecosystems of cooperation and peace.

Cross-border trading of goods assumes political and economic importance. Cross-border trading is a type of engagement that establishes ties between countries, regions, and communities. Cross-border trading creates trust, reinforces communication, and consequentially diminishes violence and conflicts. Countries that trade together will cultivate common investment and opportunities for economic connection, which leads to the investment in sustainable peace and development. In a world as interconnected as ours today, borders have started to provide more than economic returns as trade is less about maximizing profits, and more about working in partnership with

fellow compatriots and the relationship it governs as well as mutual consent and stability. In Pakistan, cross-border trade is especially significant. It has great regional neighbors including India, Afghanistan, Iran and China whose relationship with Pakistan is a complicated one. Not only are such relationships typified by historical animosity and distrust, but enormous opportunities for trade and economic collaboration also exist. This article explains how cross-border trade can be used to decrease tensions in the region and can serve as a strong tool for conflict prevention and peacebuilding.

### **The Link Between Trade and Peace:**

Trading countries have increased chances of living in peace with one another. The advantage of this concept can be explained with the help of one of the theories in international relations the theory of economic interdependence according to this theory in case two nations are economically interdependent they are less likely to go to war since a belligerent action would harm both parties. The reasons are simple, war causes disruption in trade, and peace is the one that supports it. Trade nurtures communication and treating one another. As soon as countries begin interacting economically, they establish a route of communication that might be further employed to resolve a political dispute as well. Eventually, trade destroys the stereotypes because it compels the interactions of various people in the reality. It provides an opportunity to the citizens of one nation to relish the goods, ideologies and traditions of another nation. Such day-to-day exchanges cement similarity and unity of humanity in general.

The history of how trade has led to peace is numerous abroad. Post-war Europe is one of the most benign examples in doubt. The demolition after decades led nations within Europe to come up with economic coalitions which eventually led to the establishment of the European Union. The trade relations, especially that of France-Germany, ingrained in the way of coal and steel, was crucial towards shifting the negative relation to cordial collaboration. The other case scenario may be felt in East Africa whereby NAFTA has assisted in easing tensions and has propagated stability aspects across borders. Extremisms and radical ideologies can also be challenged with the help of trade. Once people have possibilities to get economically enriched and their families can afford steady incomes, they will not go to engage in violence or be part of extremist groups. Young people in business or cross-trade are in much safer positions to be invested in rebuilding the peaceful societies rather than getting involved in war.

### **Pakistan's Geopolitical and Economic Context:**

Pakistan is in the South and Central border of Asia, the country borders China and India, Afghanistan, and Iran. As far as the commerce between this extensive geographical site, Pakistan has a chance as well as compulsion. On the first hand, Pakistan can give the region a connectivity that would enable trade. However, this potential has at some point not been realized due to the complex relationship that Pakistan shares with its neighbors. The relation of Pakistan

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with every neighboring country has possibilities and challenges and every bilateral trade relationship is unique, and it brings consequences to cross-border trade.

In the instance of Afghanistan, this has been the case because this long border with Afghanistan has been porous and has promoted trade as well as a combination of both in certain instances along the border. Afghanistan is one of the prominent trade partners of Pakistan even though there is political instability and security problems in Afghanistan literally at the doorstep at present. Food, medicine, and construction material are examples of goods that are regularly exported across the border. Residents in both countries bordering Pakistan and Afghanistan generally derive their livelihood from this trade. There are significant challenges that require management because along with legal trade, there remains the movement of illegal goods and security risks since the relative porosity of this border can result in difficulty to track various trades across the line.

The most politically contentious border has possibly been the one with India. Perhaps one of the factors that have contributed to this aspect of trade between the two countries is the Kashmir issue and the history of wars existing between them. Trade has enjoyed success in some cases. As an example, it is possible to suggest the fact that the period of the early 2000s was rather successful in the sense that bilateral commerce between Pakistan and India was very active and optimistic about rapprochement. Unfortunately the political tensions and the acts of violence have hampered that progress. The whole trade was not taken up in 2019, which has arisen as the result of the political decisions that worsened the relations. However, history demonstrates that even limited trade improved things for many people on both sides and contributed to building a more stable relationship.

Pakistan's border with Iran presents a contrary situation. There is a strong cultural and religious overlap between the two countries. There are continued trade relations between the two countries, and the trade is primarily done with energy products and food items. There are also many issues creating problems for this relationship. International sanctions affect trade with Iran, and smuggling remains an overwhelming concern. Nonetheless, if the right policies were enacted and enforced, then there might be substantial opportunities for formal trade and productive economic relationships.

Pakistan's relationship with China is stronger economically than politically. China is one of Pakistan's largest trading partners; the countries were already closely linked when the China-Pakistan Economic Corridor (CPEC) was launched and rapidly expanded in 2015. CPEC is a multi billion-dollar expansion of infrastructure, which extended roadway and port capabilities from China's Xinjiang province into Pakistan, and cemented China's commitment to renewable and fossil fuel energy development, which will develop connectivity for trade and investment across the region. So, while most of all of this is not the traditional source of cross-border trade for Pakistan and not traditional market exchange based on price, the relationship has

consolidated changing conditions for Pakistan's trading connectivity and future regional integration.

In short, Pakistan has many advantages, but it is at a crossroad. Its international position allows it to leverage important markets and routes for trade. However, on the flip side, diplomatic relationships have not allowed Pakistan to push its own potential for trade. In case Pakistan can enhance its relations with its neighbors and invest in cross-border trade, it would not only help in boosting economic opportunities but also add to the share of peace and stability.

### **Trade as a Historical Peacebuilding Tool:**

From the beginning of modern civilization up to the present, trade has been a fundamental way of connecting societies and discouraging conflict. Since ancient times, through examples of the Silk Road to the flourishing seaports of the Islamic Golden Age, people of different cultures, languages, and religions were able to trade and cooperate instead of competing. Goods traded along routes would include goods, but goods are the minor aspect of trade. What was more substantial was the trade of knowledge, ideas, and innovations. As these people connected, they became less fearful of the unknown and more aware of how to accept their differences.

The rationality has always been the same; when people rely on one another for food, tools, or revenue, they develop relationships where conflict will not enter. Instead, they want to preserve a relationship that is beneficial to both parties. Trade is founded in communication and trust, values that also create peaceful relations.

A very current and appropriate example of trade assisting in the direction of peace is the establishment of the European Union. Countries such as France and Germany started developing economic relations following centuries of conflict and especially two world wars of the 20<sup>th</sup> century. After realizing that coal and steel were both essential in war, and valuable industries in peacetime, they established a partnership. These countries formed a framework, with the understanding that any war onset would not significantly benefit one another's economy. In this situation, conflict created economic harm and clarified the path necessary to create economic partnerships and serenity throughout modern Europe.

The prospects for peace via trade in South Asia have not been fruitful, but they have at least been promising. One of the attempts was conceptualizing the South Asian Association for Regional Cooperation (SAARC). The SAARC Preferential Trading Arrangement and the South Asian Free Trade Area (SAFTA) were created to enhance trade and create fewer economic impediments between members that include Pakistan, India, Bangladesh, Sri Lanka, and more.

Though the political situation, especially between Pakistan and India, has hindered progress, steps have been made that use trade as an opportunity to reduce tensions, even in periods of tension. This can be experienced in trades across Wagah, Punjab as well as in the setting up of common chambers of commerce, with slightly encouraging results. These experiences refer to

trade, not per se, but as the means of providing the space where dialogue and collaboration could become possible.

### **The Role of Informal Trade in Regional Stability:**

Informal trade is the movement of goods across international borders with no interactions with a customs department. In the category of cross-border trade, informal trade is the often-overlooked dimension amidst discussions on formal trade treaties and official exports. Most of the informal trade will see small traders—migrants or local businesspeople—or sometimes involve families. In border towns, informal trade can be a primary source of income.

In Pakistan, informal trade occurs frequently across borders with Afghanistan and with Iran, with traders moving all manner of products including fuels, groceries, textiles, and consumables each day. Despite the information above and the fact that informal trade is often illegal, it is also a livable wage for people in borderland communities.

Informal trade in border contexts helps alleviate poverty and provides the means of livelihood, as typically, the only opportunity for those living in border communities to make an income comes through informal trade. This makes the difference for a community with limited jobs and very few government programs—a community where informal trade is the only source of income, which in many cases means the difference between living and suffering. Informal trade does connect people across borders. They are people making economic exchanges. This exchange can take first place in between all levels if grounded in trust, repeated exchanges, and local needs. These first steps of informal exchange as a basis may also be indicators of peacebuilding from the bottom up.

Like all illicit markets, informal trading both creates complexity and complication. Informal trade means unbounded informal trade; it may be used to conduct illicit and harmful goods, avoid taxation, and avoid health, safety, and environmental checks. Furthermore, informal trade is sometimes connected with financial support for illicit activities or armed groups, which is why governments generally aim to limit informal trade.

The aim should not be to impose a complete prohibition on informal trade, but foster ways to bring informal trade into a formal economy. For instance, leveraging small traders by providing small trader licenses, simplifying customs for small amounts of goods, and creating legal border markets that are safe to trade in and offer traders an open space for trade. In turn, the government shares revenue from anything being traded and can continue to support the local economy. This formalization of informal trade would certainly improve trust between national borders. It would give signal to communities living along the borders that their value is appreciated and the government foresees some investment into their future. In doing so, it is proposed that this influence would lessen any built resentment towards the government, and enhance relations within the state-citizen relationship, and hence contribute to regional peace.

## **Economic Interdependence as a Peace Strategy:**

The concept of economic interdependence is simple yet profound. Economic dependence between two or more countries is a powerful tool for cooperation because if two countries are economically interdependent, they both have more to gain by cooperating than they do by being confrontational. In that sense, war or acute political tension is costly for both sides. As a result, a mutual economic interest provides cause to pressure the parties to resolve tensions without conflict.

This idea is particularly pertinent to Pakistan and its neighboring states. While political concerns are a sizable hurdle for the countries in the region, many of those economies have the potential to complement each other. For example, both Pakistan and India have relatively advanced textile and agriculture industries. If trade were opened, both countries could efficiently move raw materials and final products, lower prices, and ultimately create value for the economies.

In terms of Afghanistan, trade is not simply about the profit. A stable Afghanistan sustains Pakistan, and to that end, one way to facilitate a newfound peace is by rebuilding the Afghan economy through trade. Pakistan can supply food, medicines, machinery, and many other necessities, and in return Pakistan can import fruits, carpets, minerals, and labor from Afghanistan. More Afghans who work and get paid will diminish the allure of extremist organizations.

Trade with Iran is also full of possibilities. For Pakistan, energy shortages are common—particularly in the winter—but Iran's abundant resources of oil and gas can, given some form of international exemption, bring some small-scale energy cooperation to both countries. While little is done consistently between them on energy, if the political will is there, who says that small-scale cross-border projects on energy in, say, the interconnectedness of regions or joint investment in energy infrastructure is impossible?

When Pakistan and China began their trade, they were somewhat behind their other immediate neighbors. Despite differences as with other regions, most of the trade between the countries was focused on larger corporations and state actors, rather than more direct transactions between businesses or communities. Trade on the ground can work given CPEC has paved the way with roads and physical infrastructure; it is now a question of making business linkages and cutting through regulatory limitations, and it seems there is space to do this.

Economic dependency creates interdependency. Countries that are economically linked become invested interested parties when it comes to each other's stability and prosperity. They also have the interdependency power over each other, if only peacefully; they do not need to use threats or military force, but rather a big trade and investment block, prospectively using positive reinforcement that gives a stronger scope and scale for behavior structure. There are limits to foreign-market action, and stable dependence is way better than guilty dependency as part of sustained economic engagement.

## **Challenges to Cross-Border Trade in Pakistan:**

The benefits of trade are evident, but there are many impediments that make it difficult for Pakistan to leverage cross-border trade as a peacekeeping tactic. These impediments can exist in the forms of political, economic, social, and infrastructural challenges.

The first major impediment is political conflict—especially with India. Persistent issues like the Kashmir conflict and cross-border attacks combined with a complete lack of dialogue have developed a situation where economic trade is held hostage to politics. Even when trade begins to grow, it is often severed when political incidents occur. The inconsistency of trade creates hesitancy from businesses for long-term plans and discourages investors who may be interested in cross-border opportunities.

Another major problem is security at the border. Pakistan's western border with Afghanistan, and part of Balochistan bordering Iran, are known to be volatile and sometimes dangerous. Armed groups, smuggling networks, and illegal trade routes create fear and mistrust which is harmful to trade. On occasion, transport trucks may be delayed due to lack of security, and sometimes border closures stop the flow of trade for significant lengths of time. As long as safety cannot be ensured both traders and consumers are reluctant to engage in cross-border trade.

Rural infrastructure challenges also affect trade. In many border areas, roads are in poor condition, border checkpoints are antiquated, and customs processes are slow. Traders note long delays, sometimes inconsistency between public officials regulating trade, and high costs for transport and storage. Many traders have issues with modern storage and logistical systems, which increases the probability of damaged goods and losses.

To complicate matters, bureaucracy and corruption pose a further hurdle. Traders are subject to multiple layers of approval, are not provided clear explanations of the required documentation, and are subject to unwritten fees. These delays constraining trade increase the cost of trade but can also restrict smaller-scale business developments or small trades. There are small traders who inevitably cannot deal directly with trade across multiple borders and simply stop doing business or turn to informal trade—diminishing the overall established trade system.

Moreover, the existence of international sanctions and trade restrictions generate additional barriers. Trade with Iran is restricted due to trade sanctions, while the state of commerce with Afghanistan is uncertain due to the internal situation. Thus, these external barriers further limit Pakistan's ability to use trade as a tool for peacebuilding.

Lastly, there is a deficit of political will and public support. It is challenging to create a public mindset that is conducive to trade with former or current rivals, as many people have been impacted by conflict or anti-neighbor narratives. The media and education institutions do not

necessarily encourage regional cooperation, and in some cases, may even contravene the very idea of being able to sustain peaceful trade relationships.

### **Opportunities for Trade-Based Peacebuilding:**

Despite all these challenges, there are many unexplored opportunities to work out the cross-border trade as a precedent to the peace in Pakistan. In fact, some of these possibilities stem from Pakistan's location and the evolving economic and social environment.

Pakistan has a great advantage in its location. Pakistan is located at the nexus of South Asia and Central Asia and the Middle East. Therefore, if Pakistan can invest in its transport infrastructure in terms of roads and railways, together with investment in customs procedures, Pakistan could potentially become a hub of transit connectivity between countries and reduce travel times and costs for goods movement across Asia.

Moreover, the developments made under the China-Pakistan Economic Corridor (CPEC) should present several possibilities for Pakistan. The new highways within the CPEC program, energy, and logistics systems could be used to involve China, but also be used to realize regional trade with Central Asian states, Iran, and Afghanistan. These developments provide a strong platform for future development of cross-border trade.

An additional important opportunity comes in the form of Pakistan's youth population. A majority of the population is under the age of thirty. This youth population can be trained in skill sets that involve fresh and modern skills that pertain to new trade, digital platforms, logistics, and supply chain management. Digital tools like e-commerce and digital banking will allow border area traders to transact via the internet with customers and suppliers anywhere in their border region, allowing for economic activity to take place outside of traditional methods.

In addition to being able to develop a youthful workforce, Pakistan has an opportunity to develop, strengthen, and bolster local economies by establishing border markets. These markets are small-scale, informal trading areas with resellers from both sides of the border trading basic goods, agricultural products, and artisanal handmade objects of value. They are low-cost, useful to local communities that have historically been ignored or underserved, and simple to implement.

Finally, there is renewed interest in regional cooperation and collaboration in the wake of the disruptions of the COVID-19 pandemic related to food security, health, and climate. Regional approaches to cooperation are upon us, and they have arisen out of an enlightened recognition that international cooperation is key during these crises. Lack of food, health care crises and other eliminated supply chains have shown the importance of the local interdependence. Pakistan should take this as a chance to push toward new trade routes, and also common programs that enhance health, food security and climate.



## **Recommendations to make in Policy towards Pakistan:**

To optimally enjoy the cross-border trade and to ensure that there is peace throughout the region, Pakistan has the option of doing the following:

**1. Promote the regional discourse through trade diplomacy:**

Pakistan needs to consider opening negotiations on trade with its neighbors even when there are no cordial political lines. Trade diplomacy deals with economic collaboration and can create narrower possibilities of wider peacetime negotiations sometime in the future. We can initiate such discussions by non-sensitive areas like agriculture, medicine and small industries.

**2. Modernize borders, upgrading a border infrastructure and customs systems:**

Better border structure and customs should also complement wall and other border security. It is also possible to invest into roads, railways, crossings border as well as digital customs and overcoming delays and cost. Speeding up the transit of goods as well as doing it more efficiently will instill greater confidence in traders and let them know that the government is serious about regional cooperation and integration.

**3. Promote legal channels of small and informal traders:**

To reduce the possibility of abuse instead of closing the informal trades, the government needs to establish an easy system for small traders to register, pay small taxes, and trade securely. This benefits the local communities and does away with illegal trade.

**4. Promote human-to-human interaction:**

Mistrust could be reduced through exchange programs, trade fairs, and cultural events that can foster better understanding. Personal relationships will create peace because when students, artists, professionals, and families interact with people in other countries that are neighbors, they will develop personal relationships.

**5. Amend trade rules and lower non-tariff barriers:**

Most trade issues are neither caused by high tariffs but by rules, inspections, or unintelligible documents. Pakistan can simplify these procedures so that it will be easy to trade between countries.

**6. Collaborate on solutions between organizations regionally:**

Pakistan can be more active within SAARC and the Economic Cooperation Organization (ECO). Those organizations can assist in trading conflicts resolution, developing rule uniformity, and aligning a shared vision of regional development.

## **Conclusion:**

There is a feeling that trade is a means to develop economies. There are regions like South Asia where it must be considered much more than that; trade is an instrument of survival, understanding, and peace. Cross-border trade, if done well and fairly, can alleviate tensions, prevent conflicts, and develop prosperity on both sides of a border. Trade connects communities,

builds trust in one another, and makes war less interesting as it raises violence costs while providing opportunities for cooperation and benefits.

It is evident that for Pakistan, the question is simple: decades of conflict and mistrust and repeatedly lost opportunities have prevented this country from actualizing its position as a regional connector. The future, however, does not need to be the same as the past. With the application of correct strategies, policies, and public perspective, Pakistan can have borders characterized by peace rather than division.

This road will not be simple. It requires the practice of convincing leadership, public support, and simplicity of cooperation in the region. Regardless, the benefits of doing this are significant: A peaceful Pakistan that is connected to its neighbors through its trade and in mutual respect is not only a possibility, but also a necessity for the future of the region.

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