

**CONFLICT TRANSFORMATION AND REGIONAL INTEGRATION:  
A CASE FOR CREATION OF A PAK-AFGHAN CUSTOMS UNION\***Manzoor Ahmad Naazer<sup>1</sup>**Abstract:**

This paper elucidates the importance of economic interdependence and regional integration for conflict transformation between Afghanistan and Pakistan. People of both states are bound together by geographical proximity, common religion, history, culture and close economic and political ties. Their bilateral ties, however, characterize mistrust, hostility, blame game, proxy wars, tensions, coercion and occasional border skirmishes. Both states pursued realist course of action and tit-for-tat strategies towards each other that plunged the entire region into instability, religious extremism, ethnic separatism, insurgencies, terrorism, and unending wars. It left millions of people dead, wounded, incapacitated, widowed and orphaned and many more are relegated to poverty, backwardness and underdevelopment. Both states need to seriously consider liberal remedies of their problems and pursue economic interdependence and regional integration as a mean for conflict transformation. They can create a customs union or even a common market that would be quite useful for both states. Before starting market integration, both states need to accept each other's existence wholeheartedly and respect each other's territorial integrity including their existing common border. They must agree to forgo use or threat of use of force in their bilateral relations and to not let any other state or non-state actor to use their soil against each other.

**Key Words:** Pakistan, Afghanistan, Pakhtunistan, Durand line, federation, regional integration.

**INTRODUCTION**

The people of Pakistan and Afghanistan are bound together by geographical proximity, and common religion, history and culture. Parts of them share common racial, linguistic and tribal affinities. Besides, Pakhtunes, Baloch and a small number of Hazaras live in both states. Many other ethnic groups living in parts of Pakistan believe that their ancestors had come either from Afghanistan or Central Asia besides Arabia and they feel themselves attached to people of Afghanistan. In fact, Islam came to the most parts of Pakistan through Afghanistan after 10<sup>th</sup> century AC. People of most parts of both states and even Iran and Kashmir lived under the same rule over different occasions during the last one thousand years (Dupree 1963, 383). For instance, the conquerors who came either from Afghanistan or Central Asia, based their governments in northern India and ruled over several parts of present day India, Pakistan and Afghanistan. Several rulers beginning from the Slave dynasty to Mughal Empire, ruled over this mass land, though the borders kept on changing over the time. However, different historical and political factors, mainly wars, divided the people into different states, since downfall of the Mughal Empire.

The present day Afghanistan was established in 1747. Before this period, its areas were either part of Mughal Empire or Persian Empire. Exactly two centuries after establishment of Afghanistan, Pakistan came into being. Not only the border between Afghanistan and Pakistan but also the Afghan borders with its other neighbours, including Iran and former Russia (and now Central Asian

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Republics) were actually drawn, negotiated or imposed by mighty British Indian Empire. Nonetheless, people of this great region are now divided into two different states which lived in an unfriendly manner for the last 73 years or so.

The paper briefly explores the root causes of tense relations between Afghanistan and Pakistan and its impact on the lives of people living on their shared border. It also analyzes the approaches the both states pursued in the past to address their differences. Finally, it presents an alternative approach to resolve bilateral problems of both states that can ensure lasting peace and usher into an era of progress and development for the region. It identifies various models and levels of regional integration and ultimately builds a case for economic integration starting from a custom union and moving towards a common market of the two states.

### **GENESIS OF PAK-AFGHAN TENSE RELATIONS**

The root cause of occasional tensions and generally hostile relations between the two states is non-recognition of their mutual border, the so call Durand Line, on the part of Afghan government and latter's efforts to raise Pakhtunistan issue after 1947. Afghan government opposed Pakistan's admission to the United Nations Organization (UNO) on the same plea and raised Pakhtunistan issue at international forums, supported by India, to embarrass newly created state of Pakistan (Khan 2017, 23-6; Khan & Wagner 2013; Naazer 2019).

Pakistan strongly believed that Afghan stance on Durand Line was just an emotional and prompted by India, and actually had no historical, legal and logical basis. Afghanistan based its claim on a selected and brief period of history while ignoring the other and longer instances of the past. This fact was highlighted by former President Ayub Khan in these words: "if the Afghan interest is based on the historical fact that Afghanistan at one time in history ruled over some parts now constituting Pakistan, then they should not forget that there were also times of much longer duration when Delhi's sovereignty extended up to Kabul and beyond" (Jillani 1993, 35). Occasionally, Afghan government also claimed the right of self-determination for Pakhtuns living in Pakistan analogous to Pakistan's demand of this right for Kashmiris. However, Pakistan did not take Afghan call seriously and instead put forward a counter demand. For instance, in 1959, Pakistan's foreign minister Manzur Qadir told the visiting Afghan foreign minister Sardar Naim that "it is reasonable to assume that Pakhtuns whether they live in Pakistan or Afghanistan belong generally to the same stock and that they want to be together and under the same flag of Afghanistan and Pakistan. Since a referendum had already been held among the Pakhtuns of Pakistan, it is logical that we should ask the Pakhtuns in Afghanistan what their wishes are" (Cited by Jillani 1993, 36). The Foreign Office officials present on this occasion told that at that point, "the Afghan Foreign Minister went red." Pakistani government claimed that Afghan government was not ready to grant the right of self-determination to people living within its own state (Jillani 1993, 36).

Afghanistan motivated by internal and external factors raised Pakhtunistan issue. For instance, Rubin and Siddique asserted that by raising Pakhtunistan issue, ruling family of Afghanistan sought to consolidate its position and grip on power in Kabul. The Afghan rulers used the issue to attract political support among people particularly Pashtuns for the state (Rubin & Siddique 2006, 7). This issue was more popular among the tribes living on the both sides of Pak-Afghan border which had the feelings that Durand Line had unjustly divided them into two states. It had badly affected their

socio-economic lives. The regime in Kabul sought to get support among such tribes as well as those sympathetic to their cause. Another commentator viewed this move in the context of personal or family attachment of Afghan monarch. It is worth mentioning that the Afghan ruling family belonged to the Yahya Khel sub tribe of the Durranis that had ruled Peshawar during the Sikh period. Being “the direct descendants of the Peshawar Sardars,” for the Afghan rulers the “lure of Peshawar” was a “passion deep in their hearts” (Hasan 1964, 56).

Moreover, the Afghan rulers in ethnically diverse Afghanistan intended to bring more Pakhtunes under their rule in order to increase Pakhtunes numerical strength against other ethnic groups. It is to be noted that non-Pakhtunes make roughly one-half of Afghanistan’s population. Yet another perspective is that the royal family also intended to use this issue to consolidate its position through appeasing Moscow and seeking Soviet support for the regime (Hasan 1964, 56). Moscow used the Pakhtunistan issue to prevent Kabul from coming closer to Islamabad or the Western alliance and to increase its own influence in the state. However, it also alienated non-Pakhtun population. A CIA reports suggested the India too had covertly influenced Afghanistan to raise this issue (Kent 1954). Another study suggests that India had “instigated” this issue and in fact, it was All India National Congress along with its allies in NWFP had put forth the demand of Pakhtunistan (Hasan 1964, 56).

Yet there was another reason that prompted Afghanistan to raise the issue of Pakhtunistan. In 1944, the Afghan government had made a representation to the British government that Afghanistan should be given a corridor to the Arabian Sea through Balochistan. The British government, however, turn down this demand. This demand was even articulated by the Afghan government later on also. After its opposition to Pakistan’s membership in the UNO, Afghan government sent Najib Khan as its representative to Karachi for talks with Pakistani leadership. Besides other demands, he also demanded Pakistan to give Kabul access to the Arabian Sea “either by the creation of an Afghan corridor in West Baluchistan or by allotting a free Afghan Zone in Karachi” (Chopra 1974, 312).

Afghanistan supported armed tribes including those led by “Faqir of Ipi in their fight for creation of an independent Pakhtunistan” (Chopra 1974, 310) and encouraged the elements that celebrated Pakhtunistan day, held demonstrations against Pakistan and even attacked its embassy in Afghanistan (Omran 2009, 188-9). The Afghan moves occasionally annoyed Pakistan that led to severing of relations and closure of their mutual borders. For instance, by 1961 both states’ diplomatic relations had been severed twice (Jillani 1993, 38). Meanwhile, Pakistan was forced to close its border and suspend transit trade with Afghanistan for three month in 1950, five months in 1955 and for twenty months in 1961. It not only badly damaged Afghan economy but also forced Kabul to search for alternate routes for its transit and trade. Due to closure of border by Pakistan, Kabul signed a trade agreement with Moscow in 1950 and transit agreement in 1955. In 1962, Kabul signed a transit agreement with Iran to let American relief goods come to Afghanistan. After a special agreement with Kabul, signed in January 1962, Pakistan had also allowed transportation of American relief goods from Peshawar to Afghanistan for eight weeks. Earlier, both states had concluded a transit agreement in 1958 (Hasan 1964, 50-1).

Pakistan’s decision to support Islamist guerillas in response to Afghan efforts to arm Baloch and Pakhtun separatists after 1973 opened a new era in their bilateral history. Since then, Pak Afghan

border has become a hub of militant activities of various sorts as different states supported proxies of one or another type against each other. Nonetheless, it paralyzed the normal life of people living on both sides of the border. The hostility between the two states led to intermittent insurgencies in both states, as well as a civil war and two foreign interventions in Afghanistan, while Pakistan had to face severe problems of ethnic separatism, religious extremism, sectarianism and terrorism. This series of problems together took lives of millions of peoples, and left many more wounded, incapacitated, widowed or orphaned on both sides, more so in Afghanistan. In the post 9/11 era, both states suffered a lot due to mutual distrust, political tension and blame game as both Islamabad and Kabul pursued “tit for tat” policies against each other (M. A. Naazer 2013).

Pakistan’s recourse to border closures time and again in the recent past not only increased economic miseries of people of Afghanistan but also badly affected their bilateral trade. Kabul in turn increased its trade with Iran and India that undermined economic interdependence between Pakistan and Afghanistan (Shakil 2018; Shalmani 2018). The occasional closure of border and suspension of transit and trade severely damaged economic activities in Afghanistan and paralyzed the normal lives of people living on their mutual border.

Pak-Afghan border and the relations between the two states are plagued with transnational crimes such as militancy, smuggling, arms trade, narco-trade, human-trafficking, kidnapping for ransom besides other reasons, trans border activities of sectarian and terrorist groups of various sorts, military operations on both sides of the Durand Line, drone strikes and alike. The common people are the real victim of this state of affairs, as they face death, destruction, poverty, unemployment, illiteracy and lack of basic amenities of life. However, this state of affairs is no longer desirable. It is not to say that the governments of both states did nothing to ameliorate the sufferings of the people on their common border. In fact, they tried different strategies to address their mutual problems but most of them were inadequate and generally based on realist thinking. The application of realist approach mainly involved security and military means which proved counterproductive. Now there is a need to explore some alternative approach.

### **ALTERNATIVE TO REALIST APPROACH: REGIONAL INTEGRATION**

The liberal approach to international relations provide comprehensive framework to deal with conflict and war and to ensure peace within and among nations. The most promising among them is regional integration, which includes both political and economic integration. The political integration may involve creation of a federation or confederation of two or more than two states. In fact, various quarters from within and outside the region, have considered or presented the idea of creation of a federation or confederation of Afghanistan and Pakistan. For instance, the United States (US) National Security Council in its meeting held on December 9, 1954 comprehensively discussed the probability of a confederation or a federation between Afghanistan and Pakistan (Malik 1993, 319-22). This meeting was held after Afghan Foreign Minister Naim Khan had requested the American ambassador Lodge in New You, on October 9, 1954 that Washington must support and play its role in merger of or confederation between Afghanistan and Pakistan in order to secure Afghanistan independence from Soviet threat. The CIA report had ruled out the possibility of Soviet attack on Afghanistan in the near future but Naim’s concerns proved true after about a quarter of century, i.e.in 1979. However, Pakistan’s then Prime Minister Muhammad Ali was apprehensive towards the proposal of merger with Afghanistan. Reportedly, Afghan Foreign

Minister appealed the US after both states had secretly discussed the proposal for about a year though both governments had officially denied such reports. Earlier, in February 1954, Agha Khan had also put forth such a proposal in a letter to the Pakistan's Governor General Ghulam Muhammad. The report also suggested that Moscow and New Delhi besides certain elements within the two states would certainly oppose and try sabotage the proposal (Kent 1954; US State Department, 1983). The then American Vice-President Richard Nixon (who later on also became the US President) along with Chairman of the Joint Chiefs of Staff were the "strong proponents of confederation or federation" of the two states. Nixon, however, feared that opposition to such proposal was "concentrated in the small oligarchy which ran Afghanistan" (Malik 1993, 221). In 1958, Feroze Khan Noon, the then prime minister of Pakistan proposed creation of a federation of Pakistan, Afghanistan and Iran (Glassner 1971, 211). Such proposals also surfaced later on. In 1960s and 1970s, Pakistani leaders including President Ayub Khan, Prime Minister Bhutto and General Zia proposed or discussed the idea of creation of a federation or confederation of Pakistan, (Iran) and Afghanistan (Sufi 2018).

It is worth mentioned that such proposals were not easy to materialize in the context of internal and external opposition to such plans. It can be reflected from the fact that King Zahir Shah had been overthrown by Soviet trained military officers and political leaders backed by Moscow in 1973. He had refused to consider Soviet advice to "follow a more pro-Indian policy" during Indo-Pakistan war of 1971. His government generally pursued normal relations with Pakistan after resignation of Prime Minister Daoud Khan in 1963 and Kabul had pursued policy of "strict neutrality" during 1965 and 1971 wars (Jillani 1993, 38). Similarly, Daoud Khan was brutally murdered along with his family member in a coup led by People's Democratic Party of Afghanistan (PDPA) and backed by Moscow in April 1978 after he had started normalizing relations with Pakistan. His talks with Zulfikar Ali Bhutto during his visit in 1976 and then General Zia ul Haq in 1978 were quite fruitful. In March 1978, during his visit to Pakistan, Daoud Khan and Zia had come closer to "an agreement that could settle the states' fundamental disagreements. According to this pact, Afghanistan would accept the Durand Line and also stop support to the Pashtuns and Baluch and in return Pakistan promised to give more autonomy to its Baloch and Pashtun regions." He was, however, killed and the "agreement could not be finalized" (Pande 2011, 72).

Apparently ideas of any possible federation or confederation between Pakistan and Afghanistan or any two states in the World seem unattainable. It is improbable and unrealistic keeping in view that modern state represents national identity and sovereignty which state leaders jealously guard and cannot be expected to surrender suddenly and easily (Mitrany 1948, 359-60; Mitrany 1971, 538-9). However, the goal of unification of states can be achieved in an incremental manner through a long process involving "gradual transfer of national sovereignty." It may pass through various "distinct stages" of regional integration before reaching to its terminal point (Hashmi 1979, 23).

### **Stages of Regional Integration**

The regional integration is a "dynamic" but complex and slow process. Nowadays, as Hashmir noted, nation-states can neither be united by use of force "under the hegemonic leadership of a single nation" (Hashmi 1979, 23) nor integrated into federation or even confederation voluntarily and peacefully in a "single long leap" (Puchala 1968, 41). It is only possible through a long process involving "gradual transfer of national sovereignty." It has been asserted that that regional

integration approach is a “response to new needs and new demands,” and is influenced and determined not only by the national ruling elites, but also by “those segments of society who are capable of articulating new needs and new demands” (Hashmi 1979, 23-4). The regional integration can be achieved in several phases or stages.

Hashmi identified four such stages. He used Deutsch’s classification of two types of security communities – “pluralistic” and “amalgamated” – as two levels or “ends of regional integration process” and added two more stages between them, i.e. the intergovernmental arrangements and the supra-national organizations. Both of them, he maintained, are the essential stages to create an “amalgamated security community.” The regional system at each stage can be differentiated from one another on the basis of “four indicators:”

first, non-violent resolution of conflict within the system; second; volume of ‘social interactions’ affected by the system; third, degree of centralization of decision making authority over the economic and political sectors of the member nations; fourth, shifting exclusive ‘expectations of benefits’ from the national institutions to the regional institutions and thereby creating new ‘loci of identification’ of the population of several national units (Hashmi 1979, 25).

#### **a. Regional Pluralistic Security Community**

It is the first stage or “lowest level of integration,” which is achieved when political units in a regional system “forego the use of violence” between them and “they are sufficiently favorably oriented toward each other to make possible a pacific settlement of their conflicts” (Hashmi 1979, 25). It is an essential condition of regionalism upon which further growth of the process depends. Until states in a region “accept tacitly or explicitly the principle of non-violent resolution of mutual conflicts,” neither they can expect “mutual cooperation” nor conceive the higher level of integration among them. The progress of European integration in the post war period was the result of the members’ readiness and mutual understanding to not use force against each other. This stage involves “we feeling” or sense of oneness as well as that of amity and friendship among members which in turn promotes mutual responsiveness, appreciation of each other’s needs and problems and increase social and economic transactions among them (Hashmi 1979, 26-9). Such a behaviour was witnessed by the members of Association of Southeast Asian Nations (ASEAN) that put the process of regional integration on the solid foundation.

A pluralistic security community is different from a security organization – a defence pact or alliance (Hashmi 1979, 27). It does not need any “regional institutional framework” because it is based on “psychological factors” and also provides “a psychological infrastructure for further integration.” It transforms the regional system as well as the “pattern of relationship” from that characterized by competition to that of cooperation among member states (Puchala 1968, 57). Its success depends on three conditions: “the compatibility of major values relevant to political decision making; the capacity of the participating political units to respond to each other’s needs, messages and actions quickly; and mutual predictability of behavior” (Hashmi 1979, 28-9).

#### **b. Intergovernmental Regional Arrangements**

This is a second stage or higher level of integration than pluralistic one. It results from a feeling of interdependence and “a desire for cooperation beyond the boundaries of the nation-states.” It

transforms the prevailing nature of relationship among members, and creates “new institutions” which facilitate member states to communicate, and cooperate with each other as well as coordinate their decisions. It promotes the “social transactions among the members” and contributes enormously to the growth of regionalism. Hashmi believed that it was “the most crucial” stage of integration because it “determines the integrative potential” of the region (Hashmi 1979, 29).

This stage requires members to transform their verbal commitments for mutual cooperation into practice. It tests the members’ capabilities to communicate with each other as well as their mutual responsiveness and readiness to resolve mutual problems through “splitting the difference.” Hashmi claimed that the intergovernmental regional arrangements develop “the habit of working together, thinking together” to address common problems. They help create “new regional elite groups” whose interactions construct regional awareness, create a “new bureaucratic language” and help enhance understanding among members. It is an important stage of integration because its success provides an “institutional infrastructure” for higher level of integration (Hashmi 1979, 31-2).

### **c. Supranational Regional Organizations**

Supranational regional organizations represent further higher stage of integration containing supranational institutions empowered to make binding decisions for member states in specific sectors. It involves “a partial transfer” of sovereignty from national institutions to regional ones though member states preserve their “identity” as independent political units (Hashmi 1979, 32). “The quality of supranational decisions,” Haas claimed, “differs sharply from the federal and the intergovernmental norms.” He maintained:

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In intergovernmental negotiations differing initial positions are usually compromised on the level of the lowest common denominator. That is, the least cooperative participant defines the limits of the compromise ... supranational systems feature a bargaining process which I call ‘upgrading common interests.’ It occurs when the participants have great difficulty in arriving at a common policy; yet they do agree that they should have some common stand in order to safeguard other aspects of interdependence among them (Haas 1963, 63).

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The supranational institutions can be created to deal with one or more sectors. The integration can “spill-over” from one sector to another, as the successful working of European Coal and Steel Community (ECSC) spilled-over into creation of European Economic Community (EEC) in 1957. Various sectors have different “spill-over” potentials. According to Amitai Etzioni, integration in economic sector has the “greatest” potential for “spill over” because it “affects all societal groups,” i.e. producers, labour, management, consumers, small businessmen and farmers etc. Thus, it can produce “extensive political repercussions” (Etzioni, 1963; Hashmi 1979, 34).

These organizations also have the potential of political “spill-over” which takes place when people and regional actors partially shift their loyalties and expectations from national to regional institutions. The more a supranational institution proves its usefulness, “the more it attracts the loyalties of the people.” It, however, does not mean the complete destruction of,

loyalty towards nation-states (Hashmi 1979, 34). In fact, loyalty in the words of Harold Guetzkow, “is not a single entity once used up, then exhausted. It is, rather an expandable quantity which can be generated in increasing amounts toward a variety of objects” (Guetzkow 1955, 61).

#### **d. Amalgamated Security Community**

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An “amalgamated security–community” is formed after “formal merger of two or more previously independent units into a single larger unit, with some type of common government after amalgamation.” A regional integration to this level means full economic and political union of two or more previously sovereign states. It is the formation of a larger political unit – a federal or unitary state (Hashmi 1979, 35). The formation of modern states such as Germany, the US, the United Kingdom, and Switzerland are its examples.

The description of the various level of integration does not imply that the process must necessarily “go through each of these four stages.” Rather it only points out “certain regularities” in the process and suggests that formation of a pluralistic security community “is a necessary stage” or a “launching pad” for any meaningful further integration. Once the first stage is attained, the integration process can move from the first stage to the third one or from second to the fourth and final stage skipping the intermediate one. However, if it passes through all “stages” the possibilities of a stable regional union become great (Hashmi 1979, 35-6).

#### **Lessons for Pakistan and Afghanistan**

In order to put their bilateral relations on solid foundations, both Afghanistan and Pakistan need to create a pluralistic security community which requires them to agree on non-use of force in their mutual dealings and to settle their differences and disputes through peaceful means. In this respect, they must wholeheartedly respect territorial integrity of both states. Before taking initiatives for their economic integration, they need to accept the ground realities including the political division of the people of both states which means acceptance of Durand Line as a legitimate border between them. Both states must agree to promote their ties on strict adherence to the universally agreed principles of peaceful coexistence, such as: mutual respect for each other’s national sovereignty and territorial integrity, non-interference in each other’s internal affairs, equality and mutuality of benefits etc. They must agree to not let their soil to be used against each other by any other state or non-state actor and not be used as proxies of one state or another against each other. Such an agreement would create a pluralistic security community of both states that would help promote mutual understanding, trust, friendship, solidarity, and help enhance bilateral cooperation between the two states.

After achieving the first stage of regional integration they can move gradually towards second and third stages over a long period that is likely to be quite difficult one, but not impossible. The achievement of the first stage will create sense of oneness or we feeling, and help create mutual understanding, trust, friendship, and amity between the two states. These achievements will encourage both states to move to the second stage of regional integration through taking steps for economic interdependence and market integration.

### **Economic Integration**

As mentioned earlier that regional integration is a long and gradual process. Both Afghanistan and Pakistan can, however, start with economic integration. There exist different models of economic integration. The most common model of economic integration is market integration that may involve: Preferential Trade Arrangement (PTA); Free Trade Arrangement (FTA); customs union; common market; and finally monetary and economic union.

The **preferential trade agreement** involves reduced or lowered tariff rates for goods imported from members than those for the non-members. Preferential trade is conducted on the basis of either positive or negative list approach. Nonetheless, the negative list approach is preferable and generally used among states enjoying cordial relations as it provides preferential trade on all items except those put on the sensitive list.

The **free trade area** includes the arrangement in which the states agree to abolish all tariffs and non-tariff barriers on trade among its members. It requires “custom points” at national borders of each member to check the movement of goods. Without custom points, the goods of nonmembers can enter through any member state having lowest external tariff rates. Another way to address this problem is the creation of a customs union.

A **customs union** requires its members to erect common external tariffs for the goods imported from the non-members. It also includes the features of free trade area because the products of member states are traded freely, i.e. without any quota, tariffs or any other barriers, within the region.

A further higher level of **economic integration** takes place with the creation of a common market which includes all the features of a free trade area and a custom union. Besides, it also provides for free flow of people and money. As such, a common market involves free movement of the “factors of production” i.e. capital, labour, goods, and services among the member states. The full **monetary and economic union** provides for a harmonization of, or a common, fiscal and monetary policy including single currency, and other economic policies for all members (Lipsey 1968, 541-2).

### **CASE FOR A PAKISTAN-AFGHANISTAN CUSTOM UNION (PACU)**

Both Afghanistan and Pakistan can begin with creation of a Custom Union, because the economic integration below this level would not be helpful. Rather, PTA and FTA can generate new tensions and intensify the prevailing conflicts over smuggling and Afghan transit trade issues. Creation of a Pak-Afghan Custom Union (PACU) can significantly ameliorate issues related to smuggling, transit trade etc. It can help save Pakistani industries from smuggled goods coming through Afghan transit trade but sold in Pakistan markets, generate valuable revenues for both states and attract foreign direct investment (FDI) to both states particularly Afghanistan which would be in a position to export its goods to a larger Pakistan market. It would be helpful in stimulating economic growth in Afghanistan, laying the foundation of industrialization, creation of employment that could help curb religious extremism, militancy and other crimes. It would also facilitate repatriation of millions of Afghan refugees from Pakistan.

The ultimate goal of both states must be creation of a common market whereby their people besides, capital, goods and services can move freely without any visa requirements. The common

market can help integrate their economies to a great extent. As Ernst B. Haas noted, "Of all policy and issue areas the commitment to establish a common market is the most conducive to rapid regional integration and the maximization of a spill over (Haas 1970, 616). Both states can create Economic Zones on their common border and establish joint industrial projects for mutual benefits.

In fact, the idea of creation of a common market or Customs Union of both states is not new. The proposals to create common market of both states or even to include in the scheme the other regional states have been presented and discussed before. For instance, in 1970s, Shah of Iran proposed the idea of a common market of Iran, Pakistan and Afghanistan (Malik 1994, 319-22). Both Pakistan and Afghanistan along with other members of Economic Cooperation Organization (ECO) envision creation of a common market under the framework of the organization (Amin 1994, 216; "ECO eyes common market," 2017). Both states are also members of SAARC that envisions to gradually move towards a South Asian Economic Union. In the recent past, former governor State Bank of Pakistan Dr. Ishrat Hussain (Hussain 2015) and Zakaria Usman, President of Federation of Pakistan Chamber of Commerce and Industry (Sajid 2014) also voiced to create Customs Union of Afghanistan and Pakistan.

### **Potential Benefits of a Customs Union / Common Market**

The creation of a customs union / common market between Afghanistan and Pakistan can transform the power dynamics and political landscape of the entire region. Economic cooperation and market integration has the potential to create interdependence between the two states that can bring peace, stability, progress and prosperity in the entire region. Market integration such as a custom union and a common market and even an economic and monetary union between Afghanistan and Pakistan can make their common border irrelevant that would ultimately bring an end to Durand Line controversy. It would also help resolve trade and transit related issues including smuggling of foreign goods to Pakistan through Afghanistan (Khan 2015). Besides, it would provide a larger market to the investors who can reap the benefits of economy of scales and create a win-win situation for both states. Afghanistan can attract FDI laying the foundation of industrialization in the state. Economic growth and prosperity in Afghanistan will bring peace in the state and help repatriate refugees living in neighbouring states, particularly Pakistan. However, in order to get all these objectives, both states need to announce categorically that they would no more use war, violence and proxies as tools to resolve their differences. Instead, they would resolve their problems through peaceful means that would lay the solid foundation of regional economic integration.

### **CONCLUSION**

Afghanistan and Pakistan generally pursued tit-for-tat strategies against each other that ultimately plunged the entire region into insecurity, terrorism and proxy wars incurring them huge losses manifested by killings of thousands of people since mid-1970s. Besides, both states also faced massive economic difficulties, including underdevelopment, poverty, and unemployment. They generally find it hard to attract FDI due to deteriorating security situation and bad law and order conditions besides other factors. The prevailing political relationship between the two states increased the miseries of the people of both states, particularly those living on their common border. However, the situation is no more sustainable and both states need to transform the nature

of their relationship. Pursuit of realist approach has badly failed and will continue to fail in the context of Pak-Afghan relations.

The liberal approach to international relations is quite promising with regard to its potential to transform the regional politics. Pursuance of regional integration through economic cooperation and market integration can help both states to significantly transform their bilateral relations. Both states can start from creation of a custom union leading to a common market that can provide for free mobility of goods, services, money and people within two states. However, it would be a long, gradual and incremental process that may face problems, setbacks and opposition from various quarters from within and outside the region.

But both states have to traverse this difficult path for better future of their people. Before that they would need to accept the ground realities, including the legitimacy of their common border and accept tacitly to not use force or threat of force to resolve their differences. Both states also need to agree not allowing any other state or non-state actor to use their soil against each other. Instead, they should pursue peaceful means including bilateral negotiations to address their common problems. It would put their bilateral relations on a solid foundation that would pave the way for lasting and durable process of economic integration of both states.

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