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Strategic Trade and Economic Dependencies: A Game-Theory Analysis of Port Access

under Taliban Rule

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Abstract

This paper uses game theory to analyze the strategic deadlock in trade relations between Pakistan, Afghanistan, and Central Asia. It contends that the region is stuck in a stable but destructive Nash Equilibrium, where rational, self-interested actions by each actor, such as Pakistan's use of geographic leverage, the Taliban's ideological rule, and the hedging strategies of Central Asian republics, collectively cause economic failure. The study reframes projects like CPEC and Gwadar not as solutions, but as factors that deepen a multi-level prisoner's dilemma. By applying concepts such as the Hold-Up Problem and Thucydides' Trap to the Taliban's rule, the analysis reveals why cooperation often fails. It concludes that the region's trade infrastructure is built for political leverage, not efficiency, and that escaping this impasse requires a fundamental political renegotiation, not just technical fixes

Keywords: Game Theory, Geopolitical Economy, Taliban Governance, Paradox of Interdependence, Sub-Optimal Equilibrium, CPEC, Belt and Road Initiative.

Introduction

The twenty-first-century Indian Ocean Region has emerged as the arena of a new “Great Game,” in which power is measured not only in military terms but increasingly through control over trade routes, ports, and supply chains. Nowhere is this more visible than in the triangular relationship among Pakistan, Afghanistan, and the Central Asian Republics (CARs). Geo-economics logic suggests that this sub-region should be naturally integrated: Pakistan possesses the coastline, Afghanistan the pivotal transit geography, and Central Asia the energy and commodity surpluses in need of outlets. Yet, as this study demonstrates, chronic mistrust, strategic hedging, and deliberate obstruction have prevented that potential

from being realized, producing a paradox in which geography offers the foundations for connectivity while politics repeatedly tears it apart(McCain, 2008).

The central argument advanced here is that the region's trade and transit strategies are locked in a stable but harmful *Nash Equilibrium*³. Under current incentive structures, no single actor can alter its behaviour unilaterally without incurring losses or exposing itself to exploitation, even though all players would, in principle, be better off in a cooperative arrangement. This gridlock is not accidental: it is the cumulative outcome of a system that consistently rewards short-term political maneuvering and risk aversion over long-term, collective economic gains. The study therefore seeks to explain how and why these actors remain trapped in a pattern of mutually reinforcing non-cooperation, rather than assuming that under-performance is simply the product of capacity deficits or technical constraints.

The analysis is organized around three interrelated theoretical constructs. The first concerns Pakistan's port system, which is conceptualized less as an integrated logistical network than as a political instrument. The argument posits a functional duopoly, Karachi and Port Qasim that generates baseline dependence, juxtaposed with a strategic potentiality in the form of Gwadar. The latter functions primarily as a latent threat or bargaining chip rather than a commercially viable hub, thereby maximizing political leverage rather than optimizing economic performance (Mazarr & McDonald, 2022). The second construct, the "hedging imperative"⁴ of landlocked states, captures the structural position of Afghanistan and the CARs. Their geographic confinement renders them fundamentally vulnerable to downstream gatekeepers, which in turn drives a compulsory and continuous hedging strategy. The cultivation of alternative corridors, through Russia, China, Iran, or the Caucasus, becomes a rational, non-military tool for mitigating monopolistic coercion and rebalancing asymmetric power relations(Freier et al., 2016). The third construct, the "non-unitary anomaly," frames the Taliban's de facto regime as an actor whose internal decision-making calculus and overarching objectives diverge sharply from those of a rational Westphalian state. Its ideological priorities, factionalized structure, and limited concern for economic development

In game theory, a *Nash Equilibrium* is a situation where no player can improve their payoff by changing their own strategy alone, given what everyone else is doing. Everyone is doing the "best they can" *in response* to the others, so no one has an incentive to unilaterally deviate.

⁴Hedging in International Relations refers to a strategy where a state simultaneously engages and balances against one or more major powers, or against over-dependence on a single route, partner, or patron. It neither bandwagons fully nor outright confront; instead, it diversifies risk.

undermine the axioms of reciprocity and shared material interest that underpin conventional models of international trade and diplomacy(Blair, 2014).

Methodologically, the study employs game theory as a critical lens to explain the persistence of this wasteful equilibrium. It interrogates optimistic narratives surrounding initiatives such as CPEC and Gwadar, demonstrates how entrenched interests within Pakistan profit from port inefficiencies, and shows why the Taliban's internal politics make credible commitments exceedingly difficult. The aim is not simply to restate that cooperation has failed, but to specify the strategic mechanisms through which failure is reproduced and to clarify why the system is so resistant to change(Raza et al., 2016).

The Strategic Landscape: Gateways, Gambits, and Grievances

The Pakistani Port System: A Tripartite Dialectic

Pakistan's ports do not serve a unified national objective; rather, they reflect and reinforce the country's own internal contradictions. Karachi and Port Qasim constitute the main operational gateways and are indispensable for national and regional trade. Yet their functioning is shaped by a coalition of officials, political factions, unions, and private cartels that derive direct rents from delays, bureaucratic complexity, and non-transparent procedures. For these actors, inefficiency is profitable and therefore preferable to reform: the ports are kept sufficiently functional to sustain trade, but insufficiently efficient to threaten existing patronage networks or transform Pakistan into a genuinely competitive logistics hub(Al Nehayan, 2016). At the regional level, this configuration gives Islamabad significant leverage over landlocked neighbours that must use these gateways, reinforcing Pakistan's role as a gatekeeper rather than as a neutral facilitator.

Gwadar, by contrast, embodies a different kind of logic. Its present value is primarily strategic and symbolic rather than commercial. In practice, its significance is largely theoretical, derived from its location at the mouth of the Arabian Sea and its association with China's Belt and Road Initiative rather than from actual levels of port activity. Chinese investment has encouraged Pakistan to articulate a China-centric vision of regional connectivity that privileges Gwadar's future potential, while diverting attention and political capital away from the immediate operational challenges at Karachi and Port Qasim. As

resources and discourse gravitate toward Gwadar, necessary upgrades elsewhere are postponed. Moreover, Gwadar's positioning has fostered a direct rivalry with Iran's Chabahar port. Instead of being conceived as complementary nodes within a wider network, the two ports have become symbols of competing alignments, resulting in underutilization of both and a costly regional inefficiency driven more by geopolitical competition than by sound commercial reasoning(Moore, 2022).

The Landlocked Dilemma: Between Leverage and Vulnerability

The dependence of Afghanistan and the Central Asian states on Pakistani routes simultaneously generates leverage for Islamabad and profound insecurity for its neighbours. Afghanistan's landlocked status compels it to organize much of its trade, infrastructure, and regulatory framework around access to Pakistani ports. After Afghanistan invests in roads, depots, and logistics chains-oriented southward, Pakistan retains the capacity to close borders, delay consignments, or alter regulatory conditions in pursuit of political objectives. This "hold-up problem" undermines planning certainty, pushes traders towards informal or illicit channels, and perpetuates a weak fiscal and institutional base in Kabul.

The CARs, while also landlocked, are less dependent on Pakistan because of their ability to diversify corridors. They intentionally distribute their trade across routes running through Russia, China, Iran and the South Caucasus in order to avoid overreliance on any single transit state. This diversification is both an economic strategy and a deliberate signal to Pakistan and other partners that they possess viable alternatives. By investing in multiple outlets and publicly supporting projects such as the Chabahar corridor, the CARs communicate that they will not accept disadvantageous terms and that attempts at coercive leverage will be met with rebalancing rather than acquiescence.

The Taliban Variable: The Anarchic Sovereign and the Collapse of Credible Commitment

The Taliban's return to power in August 2021 did not merely change the composition of the Afghan government; it altered the underlying structure of the regional "game." The regime functions as a non-state actor in many respects while occupying the juridical position of a state, a duality that lies at the heart of the collapse of predictable trade(Sharan, 2022a; Ullah, 2022). The lack of broad diplomatic recognition has created a juridical vacuum: trade laws,

bilateral agreements, and dispute-settlement mechanisms were designed for recognized governments, and their application to a pariah regime is unclear. Consequently, trade and transit have shifted from a system governed by established legal frameworks to one driven by volatile, ad hoc bargaining.

Moreover, the Taliban cannot be treated as a unitary actor with stable, welfare-maximizing preferences. Its internal structure consists of multiple power centres, Kandahari leaders, the Haqqani Network, regional commanders and doctrinal hardliners, whose priorities are anchored in ideology, factional reward structures, and regime survival rather than in economic development. Policy choices are therefore inconsistent, contingent on internal bargaining, and difficult for neighbours to anticipate. For Pakistan and the CARs, this means that every negotiation over transit or border management carries high political and commercial risk: commitments may be undermined by rival factions, reversed without warning, or implemented unevenly across different territories(Goodson, 2001; Irfan et al., 2023). The presence of this non-unitary anomaly thus further erodes the possibility of credible long-term commitment and reinforces the tendency of regional actors to default to defensive, short-term strategies.

1.2 Research Questions

This paper attempts to answer three main questions:

- How does the Taliban's unusual way of running a country, driven by ideology and internal power struggles, make it impossible to reach stable and reliable trade deals?
- How do the powerful groups inside these countries, especially those in Pakistan who profit from the broken system, prevent them from working together for mutual gain?

Methodology: A Critical Game-Theoretic Lens

This study employs game theory as an interpretive framework to explain why regional actors repeatedly adopt strategies that collectively leave all parties worse off. The objective is not to predict precise outcomes, but to illuminate the incentive structures and strategic logics that keep the system trapped in cycles of failed cooperation. The Gwadar–Chabahar rivalry is emblematic in this regard. While it is often framed as commercial competition between two ports, it is more accurately understood as a geopolitical contest between China and India, in which each side's efforts to expand influence trigger countermeasures by the other, thereby

reinforcing a lose–lose dynamic rather than creating shared economic gain(Aslan & Rashid, 2020).

To capture these dynamics, the analysis draws on several advanced game-theoretic constructs. First, the Hold-Up Problem, or what may be described colloquially as being “stuck in a bad deal”, is used to conceptualize Afghanistan’s structural vulnerability. Once Afghanistan orients its economy and infrastructure around Pakistani transit routes, Pakistan retains the capacity to opportunistically exploit this dependence through sudden border closures, administrative delays or restrictive regulations in pursuit of political goals. Second, signaling games are employed to interpret the behaviour of the Central Asian Republics. Their investment in alternative corridors is not merely a commercial diversification strategy; it also functions as a strategic signal to Pakistan that they possess credible exit options and cannot be taken for granted, thereby constraining Islamabad’s ability to leverage geography coercively. Third, non-unitary actor models are used to analyse the Taliban. Unlike a conventional state, the Taliban regime is best understood as a coalition of competing factions, including Kandahari leadership, the Haqqani Network and other ideological hardliners, each with distinct interests and power bases. Any attempt to understand its seemingly erratic trade and transit policies must therefore account for internal bargaining, side payments and factional competition, rather than assuming a single, coherent utility function(Rubin, 2013).

The theoretical assessment is grounded in a triangulated body of evidence. Primary sources include formal agreements and frameworks such as the Afghanistan–Pakistan Transit Trade Agreement (APTTA), the Uzbekistan–Pakistan Transit Trade Agreement (UPTTA) and key CPEC documentation. Quantitative indicators, such as port throughput statistics, cargo flow data and the World Bank’s Logistics Performance Index (LPI) scores, are used to benchmark performance and identify structural bottlenecks. These are complemented by qualitative analyses from think-tank reports, regional policy assessments and expert commentaries, which provide contextual insights into decision-making processes, security dynamics and domestic political economies.

Theoretical Framework: The Logic of Conflict in a Context of Interdependence

This section establishes the game-theoretic foundation for the analysis, moving from core concepts to more sophisticated models capable of capturing the region's particular complexities.

The Perversity of Dominant Strategies: The Prisoner's Dilemma as Regional Destiny

The empirical evidence suggests that the region operates as a multi-actor, repeated Prisoner's Dilemma in which each player's dominant strategy is to defect. In such a setting, defection yields the highest individual payoff irrespective of what others choose to do. Yet the aggregate result is the systematic foreclosing of the larger collective gains that long-term cooperation could deliver. For Pakistan, the dominant strategy can be characterized as predatory leverage. Given its position as a coastal gatekeeper, its most rational course, within the current incentive structure, is to maintain a degree of controlled inefficiency in its transit and port systems. Full efficiency would reduce its ability to exert political pressure on Afghanistan and diminish the domestic political dividends associated with demonstrating "toughness" on transit. Preserving friction therefore sustains bargaining power, perceived strategic depth and internal patronage networks, making deliberate non-cooperation Pakistan's dominant strategy(Niaz, 2021).

For Afghanistan and the Central Asian Republics, the rational response is strategic defection. As landlocked or transit-dependent states, they face the ever-present risk of being "held up" by downstream actors. Investing in and publicly supporting alternative routes, such as Iran's Chabahar corridor or northern connections via Russia and China, serves both economic and strategic purposes. Even if these routes are costlier or less efficient in the short term, they credibly reduce Pakistan's ability to exploit their dependence. Diversification of corridors and partnerships thus becomes their dominant strategy of defection.

The interaction of these strategies produces a Nash Equilibrium in which all parties defect. The equilibrium is stable because no actor can unilaterally shift to cooperation without incurring immediate losses or exposing itself to exploitation by others. The region is consequently locked into a pattern of persistent inefficiency, elevated transaction costs and

underutilized economic potential, even though a coordinated move to mutual cooperation could dramatically improve outcomes(Patel, 2021).

Impossibility of Commitment under Taliban Rule: Shattering the Shadow of the Future

Cooperation in repeated games depends heavily on the “shadow of the future”, the expectation that interactions will continue and that today’s behaviour will be rewarded or punished in subsequent rounds. This logic underpinned, albeit imperfectly, the pre-2021 APTTA regime, where both Pakistan and a recognized Afghan government had some incentive to preserve the relationship over time. Under Taliban rule, however, the conditions necessary for a credible shadow of the future have largely collapsed. The regime’s lack of broad international recognition, its internal fragmentation and its ideology-driven priorities severely constrain its ability to make and uphold long-term commitments. As a result, interactions over transit, tariffs and border management increasingly resemble a series of one-shot games. In such a context, the incentive to defect in each round dominates, producing repeated border closures, arbitrary tariff changes and unstable, short-lived bargains.

Beyond the State: Modelling the Taliban as a Non-Unitary Actor

Classical game theory typically assumes that states behave as unitary, rational actors with coherent preferences. This assumption breaks down in the case of the Taliban. The movement is better conceptualized as a coalition of factions, Kandahari leaders, the Haqqani Network, other regional commanders and doctrinal hardliners, whose interests only partially overlap. External trade negotiations therefore unfold at two interlinked levels: horizontally, between Pakistan and the Taliban as an external counterpart, and vertically, within the Taliban itself as factions compete to capture rents, assert ideological purity or undermine rivals. This internal bargaining can lead to sudden and unpredictable policy shifts, such as the abrupt imposition of new levies, changes in customs staffing or reversals of previously agreed arrangements, which make the Taliban an unreliable actor in models that assume a stable utility function (Sharan, 2022b). Recognizing the Taliban as a non-unitary actor is thus essential to understanding why conventional mechanisms of commitment and enforcement have such limited traction in the current regional configuration.

Pakistan's Ports: The Instruments of a Gatekeeper State

This section offers a detailed, critical analysis of how Pakistan's three principal ports, Gwadar, Karachi and Port Qasim, operate within the regional strategic game and collectively reinforce the prevailing sub-optimal equilibrium. Rather than functioning solely as neutral commercial gateways, these ports serve as instruments of geopolitical leverage and domestic rent extraction. Their design, governance and deployment shape not only Pakistan's own trade performance, but also the bargaining environment confronting Afghanistan and the Central Asian Republics.

Gwadar illustrates most clearly the tension between strategic ambition and commercial reality. Conceived as a flagship of China's Belt and Road Initiative, the port has been framed in policy discourse as a future hub for regional trade and energy transit. In practice, however, its current economic relevance remains limited. Cargo volumes are modest, hinterland connectivity is incomplete, and the volatile security situation in Afghanistan severely constrains Gwadar's viability as a reliable gateway for Central Asian markets(Gholizadeh et al., 2020). For now, Gwadar functions more as a geopolitical asset, symbolizing the China–Pakistan strategic partnership, than as a self-sustaining commercial port.

This strategic framing is compounded by the zero-sum rivalry between Gwadar and Iran's Chabahar port. Rather than being planned as complementary nodes in a wider regional network, the two ports are frequently positioned as direct competitors for the same traffic and political patronage. Both require substantial, long-term investment in infrastructure, security and connectivity, yet both currently operate well below potential capacity. The result is duplication of facilities, under-utilized assets and regional deadweight losses, driven more by political competition than by economic logic(Khetran, 2018). In this sense, the Gwadar–Chabahar dyad exemplifies how port politics can deepen, rather than mitigate, the structural inefficiencies of the regional system.

China's strategic role further shapes the calculus around Gwadar. From Beijing's perspective, the port is a critical node in efforts to diversify sea-lane dependence away from the Strait of Malacca and to extend its strategic reach into the Arabian Sea and the western Indian Ocean. This long-term security and connectivity agenda effectively aligns Pakistan's priorities with

Chinese interests, often overshadowing the more immediate needs of local industries and regional trading partners. Consequently, decisions about Gwadar's development, governance and security are framed primarily through a Sino-Pakistani strategic lens, leaving limited space for regional multilateralism or commercially driven planning.

By contrast, Pakistan's main operational ports, Karachi and Port Qasim, are central to the country's day-to-day trade but are hampered by chronic domestic inefficiency. Persistent delays, congestion, opaque procedures and widespread opportunities for informal payments reflect an entrenched pattern of rent-seeking among political actors, bureaucrats and private cartels. These practices constitute a stable domestic equilibrium in which multiple stakeholders benefit from maintaining friction in the system, even though the national economy bears the cost in terms of higher transaction costs and lost competitiveness(Ur Rehman, 2023). The ports thus illustrate how internal political economy dynamics can lock in inefficiency and erode the credibility of Pakistan's claim to be a reliable regional transit state.

Finally, Pakistan's port and corridor infrastructure is tightly linked to its trade agreements and the exercise of coercive leverage over dependent neighbours. Instruments such as the Afghanistan-Pakistan Transit Trade Agreement (APTTA) delegate significant discretionary authority to Pakistani officials over the timing, routing and facilitation of Afghan-bound cargo. This allows Islamabad to calibrate trade flows in line with broader political objectives, making access to ports and overland routes a tool of pressure against Kabul. However, the same strategy is less effective vis-à-vis the Central Asian Republics, which have invested in diversified routes through Iran, Russia and China. Their ability to shift cargo away from Pakistani corridors limits Islamabad's bargaining power and leaves many negotiations over new transit arrangements unstable and largely symbolic(Rlung & Rasa, 2021). Taken together, Gwadar's strategic overhang, Karachi and Port Qasim's governance failures, and the political use of trade agreements reinforce a regional order in which Pakistan's ports remain instruments of gatekeeping rather than engines of shared prosperity.

Afghanistan & Central Asia: The Calculus of the Vulnerable

This section examines the strategic responses of landlocked Afghanistan and the Central Asian Republics (CARs), emphasizing how these states adopt rational, albeit costly,

strategies to navigate a regional system structurally stacked against them. Their choices are shaped by severe geographic constraints, asymmetric power relations with transit states, and a volatile security environment, yet they demonstrate considerable agency in attempting to mitigate vulnerability and preserve sovereignty.

Afghanistan: From State-to-State to State-to-Mafia Bargaining

Under Taliban rule, Afghanistan's trade has shifted increasingly from formal, rule-based mechanisms to informal and illicit networks. With the collapse of the formal banking system and the drastic weakening of state capacity to enforce contracts, commercial activity is progressively mediated by transnational actors that blend legitimate commerce with smuggling and other illegal practices. These networks possess their own enforcement capabilities and informal dispute-resolution mechanisms, operating largely within a shadow economy. This evolution marks a fundamental transformation from a cooperative framework governed by recognized institutions to a non-cooperative, anarchic system dominated by armed and networked brokers of trade(Marwala, 2023).

Trade policy under the Taliban is further complicated by internal factional dynamics. Decisions regarding the allocation of transit contracts or customs privileges are often driven less by macroeconomic rationality than by the need to consolidate or buy loyalty among competing factions. For example, awarding a lucrative transit concession to an entity associated with the Haqqani Network may serve primarily to secure that faction's continued support rather than to maximize state revenue or efficiency(Morisco, 2023)). External actors such as Pakistan are therefore compelled to navigate not only formal channels like the Ministry of Commerce, but also opaque internal power balances within the Taliban movement. As a result, any agreement reached with Kabul is inherently fragile, vulnerable to sudden reversal if intra-Taliban calculations shift, and subject to enforcement by a patchwork of localised power centres rather than a unified state apparatus.

The Central Asian Republics: Masters of the Hedging Game

By contrast, the Central Asian Republics are not passive victims of geography but strategic and sophisticated players in the contemporary great-power arena. They leverage competing trade corridors and external partnerships as instruments of sovereignty preservation and

bargaining power enhancement. States such as Uzbekistan and Kazakhstan explicitly pursue a “multi-vector” foreign policy, maintaining deliberately balanced relations with all major powers, including Russia, China, the West, Iran, and Pakistan. From a game-theoretic perspective, this approach keeps multiple coalitions open and viable, preventing overdependence on any single patron or transit route(Stakes, 2013). Their value to any bloc, whether a Russia–Iran–India axis or a China–Pakistan configuration, derives precisely from their ability to join or withhold participation, allowing them to extract concessions on tariffs, infrastructure financing, and political support.

Within this broader strategy, the so-called “Chabahar card” functions as a credible strategic signal. By supporting and investing in the Iranian port of Chabahar and its connecting corridors, the CARs communicate clearly to Pakistan that access to its southern ports is not their only option. In game-theoretic terms, this constitutes a credible threat: if Pakistan overreaches or attempts to weaponize transit access, Central Asian states can divert a portion of their trade to alternative routes, leaving Pakistan’s Gwadar and related infrastructure underutilized(Pradeep, 2019). The existence of this outside option strengthens the CARs’ bargaining position in negotiations over transit fees, non-tariff barriers, and regulatory treatment. In practice, their hedging behaviour thus mitigates the hold-up risks inherent in landlocked dependence and underscores that even structurally vulnerable states can exercise agency through sophisticated coalition and corridor management.

Policy Recommendations for a System Designed for Non-Cooperation

Prescribing meaningful policy change in a regional system structurally biased towards non-cooperation is inherently difficult. The analysis in this study shows that the interaction between Pakistan, Afghanistan under Taliban rule, and the Central Asian Republics (CARs) is characterized by mistrust, fragmented governance and conflicting strategic incentives. Any realistic policy agenda must therefore proceed from the recognition that actors will be reluctant to take large risks and that reforms must work with, rather than wish away, this incentive structure. The recommendations below are framed as pragmatic steps that can incrementally shift behaviour within a system that has been designed, politically, institutionally, and economically, to sustain a sub-optimal equilibrium.

A first priority is to move away from ambitious “grand bargains” toward iterative, small-scale cooperation. A comprehensive, legally binding regional transit treaty, while attractive in principle, is politically unrealistic in the current climate and risks collapsing under the weight of unmet expectations. Instead, states should prioritize discrete, technical confidence-building measures that allow them to test each other’s reliability at low cost. One such measure could be the creation of a narrowly defined “tit-for-tat” pilot trade lane, for example on a Pakistan–Uzbekistan corridor, in which Pakistan offers pre-clearance and fast-tracked customs for a limited number of containers in return for reciprocal data sharing and guarantees from Tashkent. If this lane functions smoothly over an agreed period, it can be gradually scaled up in volume or replicated on other routes. In parallel, the development of neutral joint digital platforms, potentially block chain-based cargo-tracking systems financed by third parties such as the Asian Development Bank, would make consignments visible end-to-end, reduce information asymmetries, and limit the scope for rent-seeking or politically motivated disruption(Højlund & Nielsen, 2019). These kinds of micro-level initiatives do not require high levels of trust at the outset but can, over time, contribute to its gradual accumulation.

A second recommendation concerns reform of the internal political economy of Pakistani ports. The thesis demonstrates that bottlenecks at Karachi and Port Qasim are not merely technical but are embedded in governance structures that reward opacity, delay and informal payments. In this context, further investment in cranes, terminals and road links will have limited impact unless accompanied by governance reforms that alter the incentives of key actors. International financial institutions and bilateral partners should therefore make future port-related financing conditional on specific, verifiable improvements in governance. These could include the introduction of transparent, performance-based remuneration for customs and port officials; the establishment of an independent port regulator with powers to investigate and penalize inefficiency; and mandatory public disclosure, in real time, of all port fees, clearance times and congestion levels(de Oliveira et al., 2021). Such reforms would not only improve efficiency but also send a strong signal to regional partners and investors that Pakistan is serious about transforming its geography into credible connectivity.

Third, external actors need to engage with the Taliban’s operational reality rather than an imagined conventional state counterpart. Policies of diplomatic non-recognition may be morally and normatively defensible, but in practice they have created a vacuum that is

increasingly filled by informal and illicit networks. The study shows that under Taliban rule, Afghanistan's trade is drifting "from state-to-mafia bargaining", with enforcement decentralized and agreements unpredictable(Koehler et al., 2022). Furthermore, trade policy is shaped by factionalized incentives within the Taliban, where economic decisions often prioritize loyalty and patronage over efficiency(Kaleem & Iqbal, 2023). In this context, a more pragmatic approach would involve structured, limited engagement through technical ministries, such as customs, transport and finance, rather than through overt political recognition. Incremental sanctions relief and access to aid could be explicitly tied to verifiable trade-facilitation measures, for example the reinstatement of qualified female customs staff, agreement to third-party monitoring at key border crossings, and demonstrable reductions in arbitrary levies on transit cargo. This would create a clear, iterative payoff structure for the Taliban: cooperation on specific technical issues yields narrowly defined economic benefits, while backsliding triggers automatic suspension.

Finally, the behaviour of the Central Asian Republics needs to be understood and accommodated as strategic hedging rather than fickleness. The CARs have adopted multi-vector foreign policies that deliberately balance relations with Russia, China, Iran, Turkey and Pakistan in order to avoid overdependence on any single corridor or security guarantor. Investments in alternative routes, most notably via Iran's Chabahar port, function as the "Chabahar card", signaling that Pakistani transit is not the sole option and thereby strengthening the CARs' bargaining position(Lídl, 2014). Policy makers in Islamabad should interpret this not simply as competition, but as a rational response to the history of politicized closures and delays on Pakistani routes. By improving the reliability and transparency of its own corridors and by welcoming, rather than resisting, the development of complementary routes, Pakistan can reposition itself as a central node within a diversified network rather than as a monopolistic chokepoint. For their part, Central Asian governments can use small-scale, technical cooperation, such as joint digital platforms, pilot trade lanes, and standardized documentation with Pakistan, as low-risk ways of expanding their southern options while retaining the flexibility that their multi-vector strategies require.(Doran et al., 2009)

Taken together, these recommendations do not promise a rapid transformation of a system designed for non-cooperation. They do, however, identify practical entry points where incentives can be marginally re-aligned, information asymmetries reduced and credibility

slowly built. In a context where structural constraints cannot be wished away, such incrementalism is not a sign of timidity but a recognition of how durable change actually occurs.

Conclusion and Future Research Directions

This study demonstrates that the trade dependencies connecting Pakistan, Afghanistan, and the Central Asian Republics are not merely complex but structurally configured to generate persistently sub-optimal outcomes. The region operates within a multi-layered strategic environment in which Pakistan's coercive leverage as a gatekeeper state, the hedging behaviour of the CARs, and the Taliban's fragmented, ideology-driven governance collectively produce a durable, yet costly Nash Equilibrium characterized by high transaction costs, low trust, and constrained economic potential. Rather than relaxing these structural constraints, developments such as the Gwadar port and the broader CPEC framework have often reinforced geopolitical rivalries and zero-sum thinking, thereby further locking the system into its current equilibrium. The central impediment is thus political rather than technical: a deep misalignment of incentives and the breakdown of credible commitment, especially under the Taliban's unconventional and non-unitary political order(Hillman, 2020).

The principal policy implication of these findings is that technocratic reforms, taken in isolation, cannot fundamentally alter regional dynamics in the absence of an underlying political accommodation. Infrastructure investments that rely on Afghan transit will not be sustainable without credible guarantees from the governing regime in Kabul, and improvements in Pakistani customs and logistics will remain partial as long as entrenched rent-seeking interests continue to shape port governance. A meaningful reorientation toward cooperation therefore requires engagement with the political and security logics that underpin state behaviour across the region. In practical terms, this may involve discreet great-power deconfliction to soften the zero-sum competition between Gwadar and Chabahar by emphasizing their potential complementarities; the strategic use of international support and financing to incentivize verifiable reforms in Pakistan aimed at dismantling rent-extraction networks that undermine port efficiency; and the negotiation of a narrowly defined,

transactional framework with the Taliban that reflects the regime's internal dynamics while establishing predictable, albeit limited, trade interactions.

Although current trade flows remain constrained, the analysis also points toward several important avenues for future research. One priority is the development of a game-theoretic framework that treats the Taliban as a non-unitary actor, explicitly incorporating internal factional bargaining in order to generate more realistic predictions of policy behaviour. A second line of inquiry concerns the quantification of the economic costs of the present equilibrium, through systematic estimation of deadweight losses arising from redundant infrastructure, foregone trade, and elevated consumer prices, to strengthen the empirical case for political and institutional reform. A third promising direction is to investigate the role of middle powers such as Turkey, the United Arab Emirates, and Saudi Arabia in reshaping strategic incentives through their investments, security partnerships, and diplomatic initiatives. Finally, future work could employ artificial intelligence and agent-based modelling to simulate how shifts in political conditions, such as changes in Taliban leadership or an India-Pakistan détente, might disrupt the existing equilibrium and open pathways for more cooperative regional outcomes(Miller & Cardaun, 2020).

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