



The Stakeholders' Context:
Bilateral & Transit Trade between
Pakistan and Afghanistan

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1. Context of the Study

The aim of this periodic report is to update stakeholders on volume of bilateral and transit trade and recent trade trends between Pakistan and Afghanistan. The data has been acquired from different, authentic sources utilizing variable reporting methodologies.

2. Bilateral Trade between Pakistan and Afghanistan

2.1 Statistics on Imports / Exports – Source: Ministry of Commerce (MoC)

Keeping trade balances in view, the highest was attained in 2010-11, since then exports of Pakistan have declined by approximately 45% as reported in fiscal year 2016-17. From a slight increase in 2014-15, again the decline has mainly been attributed to the frequent closure of Pak-Afghan border due to security concerns, favorable conditions for India and Iran due to the increasing trust deficit, decreasing aggregate demand due to withdrawal of NATO forces and declining international donor funded projects in Afghanistan.

The imports from Afghanistan have grown steadily since 2009-10 and reported an all-time high in 2015-16, from then showed decline in 2016-17. This increasing trend was discouraged by the Ministry through trade in dollars and the imposition of regulatory duties specifically on complementary items.

Bilateral Trade of Pakistan with Afghanistan (US Million \$)				
Fiscal Year	Exports to Afghanistan	Imports from Afghanistan	Total	Balance (+)
2009-10	1571.5	139.3	1710.8	1433
2010-11	2336.7	172.0	2508.7	2164.7
2011-12	2249.6	199.4	2449.0	2050.2
2012-13	2066.0	287.8	2353.8	1778.2
2013-14	1870.5	359.6	2030.1	1510.4
2014-15	1961.4	322.6	2284.0	1638.8
2015-16	1437.3	409.9	1847.2	1027.4
2016-17	1285.94	337.20	1637.14	962.73

Table 1: Trade of Pakistan with Afghanistan – Source: Ministry of Commerce

2.2 Semi-annual comparison for the period July to December, 2016-17 & 2017-18 – Ministry of Commerce (MoC)

In order to understand the trend of bilateral trade for the fiscal year 2017-18, a semi-annual comparison was made that showed an increasing trend both in exports and imports during the 6 month period. If the movement will persist in same ratio then overall effect would be better than last two fiscal years.

Bilateral Trade of Pakistan with Afghanistan (US Million \$)				
Fiscal Year	Exports to Afghanistan	Imports from Afghanistan	Total	Balance (+)
2016-17 (July-Dec)	654.70	227.84	882.54	426.86
2017-18 (July-Dec)	726.37	280.45	1006.82	445.91

**Table 2: Semi-Annual comparison of bilateral trade of Pakistan with Afghanistan–
Source: Ministry of Commerce**

3. Comparative Analysis: Trade of Afghanistan with Pakistan, India Iran

The crucial issue is not only trade quantum between the most important partners, but also is the shift of the same to other neighbors that may get a competitive edge. The two most important comparisons being with India and Iran, given below, reflects the seriousness of the context.

3.1 Exports of Afghanistan to Pakistan, India and Iran

Value in US Million \$	2016-17	2015-16	2014-15	2013-14
Exports to India	230	189	160	103
Exports to Pakistan	283	227	188	198
Exports to Iran	19	29	33	43

**Table 3: Exports of Afghanistan to Pakistan, India & Iran –
Source: Central Statistics Organization – Afghanistan & ITC / Trade Map**

3.2 Imports of Afghanistan from Pakistan, India and Iran

Value in US Million \$	2016-17	2015-16	2014-15	2013-14
Imports from India	153	131	108	147
Imports from Pakistan	1199	1346	1328	1742
Imports from Iran	1265	1808	1506	1511

**Table 4: Imports of Afghanistan from Pakistan, India & Iran –
Source: Central Statistics Organization – Afghanistan & ITC / Trade Map**

The above trade illustrates that Exports of Afghanistan have grown in totality, but more is attributed to Pakistan, however interestingly, it has been reduced to Iran significantly from 2013-14.

Whereas, Pakistan's and Iran's exports have declined, but the increase is witnessed in case of India, especially in the last fiscal year, mainly due to frequent border closures. Another thing to note is even though exports of Iran are more than Pakistan, but has significantly declined as compared to the last year (2015-16).

The China is also growing as a potential trade partner whereby its exports to China is showing tremendous growth since 2014.

3.3 The reasons of declining Bilateral Trade between Pakistan and Afghanistan

The core reasons attributed to declining bilateral trade as per stakeholders are:

- Political ambitions are not segregated from economic imperatives.
- Decrease in aggregate demand and purchasing power, as a result of the withdrawal of NATO Forces from Afghanistan and declining International donor funding for development projects
- Worsening law and order situation and security threats to Pakistani businessmen
- Frequent closure of the Pak-Afghan border that led to diversion of Afghan trade to Iran and India.
- Afghanistan has imposed high tariffs on major Pakistani export products like juices, cement, pharmaceuticals and PVC pipes.
- Regulatory duties on Afghanistan's exports to Pakistan.
- Comparatively high charges and low infrastructure support at port and border
- Promised waiver for demurrage and detention for last border closure still not extended that further increased trust deficit
- Favorable conditions for India and Iran due to trust deficit across the border and India's efforts of gaining confidence during Pak-Afghan border closures.

4. Transit Trade between Pakistan and Afghanistan

4.1 Transit Statistics (Commercial & Non-Commercial) – Ministry of Commerce (MoC)

Overall transit trade has improved since 2012-13 but shown decline in 2016-17 as compared to the previous fiscal year. Despite of decline and irregularity in non-commercial transit trade, the curve of commercial transit trade remained positive throughout the defined tenure, except the last year. The figures clearly show that the best year was FY 2015-16 for the transit trade in last 5 years and the decline in the subsequent year has mainly been attributed to frequent border closures in that fiscal year that led to the movement towards Iran. It is also reported by the Ministry of Commerce (MoC) that transit trade through Iran has been 2.9 billion US\$ which is 200 million US\$ more than Pakistan (2016-17).

Transit Trade of Afghanistan through Pakistan (Values in US million \$)			
Fiscal Year	Commercial	Non Commercial *	Total
FY 2010-11			3,128.01
FY 2011-12			1,702.27
FY 2012-13	1,327.4	139.06	1,466.46
FY 2013-14	2,022.42	161.73	2,184.15
FY 2014-15	2,918.1	134.86	3,052.96
FY 2015-16	3,224.73	235.31	3,460.04
FY 2016-17	2,752.89	127.08	2,879.97
July – Dec 2017-18			1,467.02

**Table 5: Transit Trade of Afghanistan via Pakistan –
Source: Ministry of Commerce**

4.2 Estimated Authorized/Unauthorized payments / Truck (2018) – Ministry Of Commerce (MoC)

- **Karachi- En route charges:**
20 ft container Rs. 78,712
40 ft container Rs. 109,882
- **Total to Torkham:**
20 ft container Rs. 296,634
40 ft container Rs. 341,374
- **Total to Chaman:**
20 ft container Rs. 262,224
40 ft container Rs. 297,082
Unauthorized charges : Rs. 25 to 35 thousand

4.3 Comparison of Security deposit on Afghan Transit Containers: Bandar Abbas & Karachi

		USD		USD
• 40 FT	:	300	:	5000
• 20 FT	:	150	:	3000

4.4 Reasons for decline in Transit trade through Pakistan

The reasons behind the shift in Pak-Afghan Transit Trade route as per stakeholders are:

- Held up official table-talks status between the Governments of both the countries (APTTCA, JEC)
- The availability of better rail and road infrastructure in Iran. The Iranian railroad network is far better than Pakistan. The Iran-Turkmenistan-Kazakhstan rail line is operational since December 2014.
- Iran is also developing Chahbahar port with the help of India, which provides an alternative route to the Afghan Transit Trade.
- The custom clearance for Afghan cargo in Karachi takes a lot of time as Pakistan custom only entertains Afghan cargo five days a week, which delays the transportation of goods to Afghanistan.
- Multiplicity of charges, cargo/terminal charges, insurance guarantees for custom duties, insurance for the goods, container guarantees and port clearance charges is also making the Pakistani route more expensive for Afghan traders, despite having a locational advantage.
- Partial shipment and transportation via Pakistan Railways was not allowed for the Afghan cargos, which also caused delay in the Pak-Afghan transit trade.
- The security in FATA and KP has also affected Afghan Transit Trade. Due to the security situation in North Waziristan Agency, Ghulam Khan crossing point has not been operationalized.
- Cost of trackers at prime mover was being charged from Afghan importers and the condition of one consignment - one carrier is also discouraging Pak-Afghan trade.
- Bonded carrier issues and rates plus shipping companies varying security deposits, demurrage charge rates.

Disclaimer: The trade data is presented as acquired from the sources, properly referenced accordingly.