



Pakistan and Afghanistan Bilateral and Transit Trade Insights



August 2021

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Executive Summary

Pakistan Afghanistan Joint Chamber of Commerce and Industry (PAJCCI) by virtue of its establishment being foremost trade and business community voice has commissioned this report to provide insights for all relevant stakeholders from both the countries.

The report aims to provide insights focused on the trade relations, opportunities, obstacles and initiatives to boost the trade and bilateral relationship between Pakistan and Afghanistan.

The statistical data have been acquired from multiple sources of Government of Pakistan and World Bank. The numbers, perspective and trends may vary. Extreme care has been taken to ensure that data is realistic and authentic, provides details into the historical trends and current situation prevailing on both sides. It is an attempt to identify areas of mutual interest and benefit in ever changing situation in Afghanistan and its impact on region.

Efforts have been made to specify data and reference resources where available. No individual and one sided or biased opinions are used in preparation of this report. The sources are clearly mentioned; however, content may not be the reflection of the Government and PAJCCI. Such news items are only reproduced to provide updates on the current situation and its impact on trade between both the countries.

PAJCCI wishes to thank its Chairman, Co- Chairman and members for providing guidance and support in preparation of this report.

PAJCCI also thanks the Government of Pakistan and related ministries for supporting the initiatives to boost mutual ties and business relationship with Afghanistan.

It remains to be seen how the situation changes after formal establishment of new government in Afghanistan and its impact on regional trade balance and relationship with countries sharing borders with Afghanistan.

PAJCCI Secretariat
October 2021



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2 Bilateral Trade between Pakistan and Afghanistan

2.1 Statistics Bilateral Trade

The balance of trade remains positive; exports are declining whereas imports are increasing consistently. This may be due to the volatile situation within Afghanistan, border situation, security challenges, favorable conditions for India and Iran.

Other reasons include trust deficit with Pakistan, instigation of India against Pakistan, withdrawal of Allied forces and declining international donor funded projects in Afghanistan.

From March 2020, the Corona Virus pandemic also contributed in declining trade and other bilateral activities with Afghanistan. The border management activities initiated by Pakistan Security Institutions have also contributed to border closures, imposition of security checks, strict taxation, currency fluctuation. Border Management has been negatively viewed by many stakeholders as an obstruction in trade with Afghanistan, however, Pakistan remains adamant due to ever growing security concerns.

Most recently, the Taliban take over on 15th August 2021 has resulted in building some stability at borders, ending illegal extortion by Afghan authorities, double taxation and security for vehicles carrying goods is most likely to result in improved bilateral relations and trade.

Bilateral Trade of Pakistan with Afghanistan (USD Thousands)				
Fiscal Year	Exports to Afghanistan	Imports from Afghanistan	Total	Balance (+)
2015	1,711,069	54,021	1,765,090	1,657,048
2016	1,242,537	52,231	1,294,768	1,190,306
2017	1,144,163	79,603	1,223,766	1,064,560
2018	1,513,846	169,659	1,683,505	1,344,187
2019	1,213,942	184,506	1,398,448	1,029,436
2020	904,789	131,711	1,036,500	773,078
2021	532,523	99,497	632,020	433,026
*Source State Bank of Pakistan **2021 data till June 2021				



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

Historically, trade relations with Pakistan are older than other neighbors of Afghanistan, however, the shift in patterns are due to changing regional priorities and internal Afghanistan situation. Preferential treatment to India and Iran is another contributing factor powered by Allied Forces and American Interest in the region.

The emergence of China as a regional power reflects in increasing trade trend with Afghanistan. This trend is expected to show massive growth due to withdrawal of Allied Forces from Afghanistan and expansion of China's One Belt One Road project.

What Is One Belt One Road (OBOR)¹?

One Belt One Road (OBOR), the brainchild of Chinese President Xi Jinping, is an ambitious economic development and commercial project that focuses on improving connectivity and cooperation among multiple countries spread across the continents of Asia, Africa, and Europe. Dubbed as the "Project of the Century" by the Chinese authorities, OBOR spans about 78 countries.

Initially announced in the year 2013 with the purpose of restoring the ancient Silk Route that connected Asia and Europe, the project's scope has been expanded over the years to include new territories and development initiatives.

The project covers two parts. The first is called the "Silk Road Economic Belt," which is primarily land-based and is expected to connect China with Central Asia, Eastern Europe, and Western Europe. The second is called the "21st Century Maritime Silk Road," which is sea-based and is expected to will China's southern coast to the Mediterranean, Africa, South-East Asia, and Central Asia.

CPEC being part of this initiative will play a very important and dynamic role in increasing bilateral trade of Afghanistan with China, but also with Pakistan and CAR, taking it forward till Turkey and Europe in the future. This is also part of Post America Chinese Policy to take over as Regional Power. The below given data and graph illustrates Afghanistan's economic momentum with its major regional partners²

¹ <https://www.investopedia.com/terms/o/one-belt-one-road-obor.asp>

² <https://wits.worldbank.org/>



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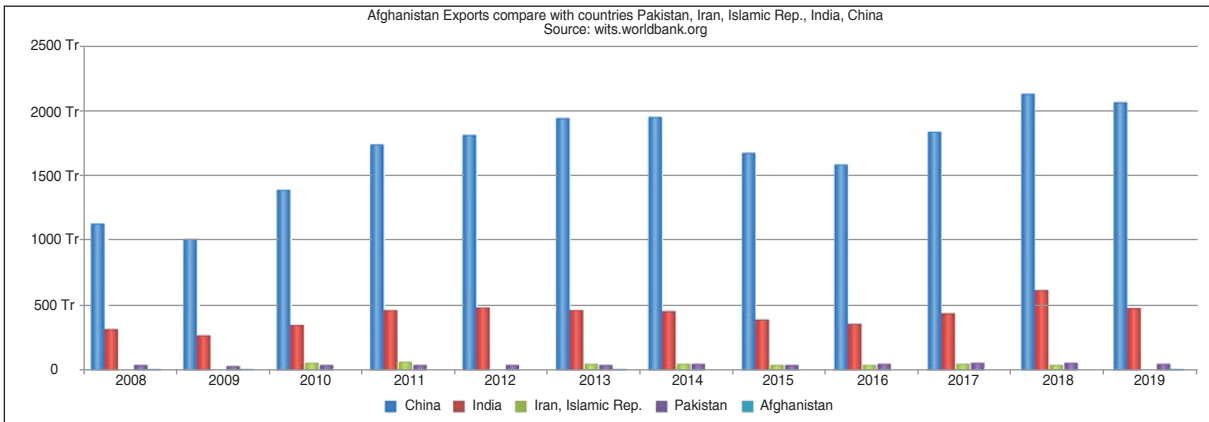
3.1 Exports of Afghanistan to Pakistan, China, Iran and India

Exports in USD Thousands				
Year	Pakistan	Iran	India	China
2015	226569	29162	188870	10151
2016	283317	18823	230038	4754
2017	414872	20398	413367	3427
2018	379109	20269	359470	28410
2019	298635	15053	410136	31002
2020	211.5	7.8	405.9	55.3*



3.2 Imports of Afghanistan from Pakistan, China, Iran and India

Imports in USD Thousands				
Year	Pakistan	Iran	India	China
2015	1346408	1807982	130618	1043998
2016	1198759	1265139	152877	1092708
2017	1390081	2791259	637905	541205
2018	1086851	1264167	354282	1165932
2019	1102989	1247168	453696	1192427
2020	732.2	1103.8	489.8	986.5*



The data reflects that Pakistan has been major trade partner, however China is fast emerging as the biggest trading partner and asserting its role as major investor and power in the region.

With current changing scenario it is safe to forecast that trade with China will increase further and in turn increasing trade with Pakistan as a major transit hub in the region.

Recently Taliban have shown interest in being part of CPEC and have so far, their actions have been supportive of trade and economic activity. They seem to have designed an economic and rebuilding strategy with China thus paving way for increased economic activity.

With their current approach and future promised stability will certainly pave way for CARs, Russia, Turkey and Europe to use Pakistan-Afghanistan border trade route benefitting all parties.

China being the biggest economic partner of Pakistan and now being the partner of Afghanistan will also play a vital role in increasing the use of border route between both countries.

3.3 Transit Trade between Pakistan and Afghanistan

3.3.1 Transit Statistics (Commercial & Non-Commercial)

Overall transit trade has been gradually improving. Despite decline and irregularity in non-commercial transit trade, the curve of commercial transit trade remained positive in last 9 years. The decline reflecting in 2016-17 is showing improvement year by year. The decline witnessed has been due to unstable border situation and security concerns. The improvement in 2018-19 can be attributed to border management, facilitation of trade and other initiatives



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taken by the Government of Pakistan like adding more trade routes, building of terminals, use of technology, curbing of smuggling and illegal movement of goods and people. The improved infrastructure and initiatives connected to CPEC are other reasons. The station wise transit and trade data in the latter part of this report are clear reflections of the improvement.

Afghanistan Transit Trade via Pakistan -Source DG Transit Trade, FBR		
Years	Assessed Value (USD Million)	No. of Containers
2010-11	3128.01	108203
2011-12	1702.27	49495
2012-13	1466.46	41867
2013-14	2184.15	57806
2014-15	3052.96	76153
2015-16	3460.04	87999
2016-17	2879.97	72821
2017-18	3975.00	83215
2018-19	5516.00	125032

3.3.2 Comparison of Security deposit on Afghan Transit Containers

Container Deposit Fee for Afghan Cargo *Different Shipping lines Operating in Pakistan			Container Deposit Fee *Source Shipping Association of Iran -2019	
Pakistan			Iran	
Shipping Line	20"ft	40"ft	20"ft	40"ft
	PKR	PKR	USD	USD
COSCO	150,000	300,000	7,108	14,216
CMA CGM/APL	400,000	600,000		
One Line	400,000	800,000		
OOCL	200,000	300,000		
Maersk	300,000	400,000		



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4 Bilateral Trade with Afghanistan-An overview of Border trade via KP borders³

Pakistan and Afghanistan, the two neighboring countries share an estimated 2430 km long border with each other having 18 border crossing points. However out of these 18 BCPs, Torkham and Chaman border crossings handle a major chunk of cross-border movement of passengers and cargo. The two neighboring countries have enormous trade potential to offer, however, due to precarious law & order situation in the adjoining border areas and uncertain diplomatic ties, the trade has observed erratic patterns over time. In addition to bilateral trade, Afghanistan relies heavily on Pakistan for its supplies through transit trade. The transit trade between both the countries is governed under Afghanistan- Pakistan Transit Trade Agreement, 2010 (APTTA) and the Customs Rules. The bilateral trade, however, is not being regulated under a formal agreement and normally governed through past practices and scattered instructions/procedures laid down from time to time on an issue basis.

The Table & graph below presents an overall statistical picture of trade volume between the countries over the past ten years.

Year	Import Value	Export Value	Transit	Total
2011-12	182.90	2042.54	1276.54	3501.98
2012-13	297.59	1956.83	1457.61	3712.03
2013-14	357.26	1768.69	1484.47	3610.42
2014-15	324.08	1873.9	3077.92	5275.9
2015-16	389.66	1432.08	3469.22	5290.96
2016-17	336.53	1246.39	2975.28	4558.2
2017-18	444.97	1582.75	3387.9	5415.62
2018-19	545.45	1261.87	5253.84	7061.16
2019-20	484.31	851.59	5462.29	6798.19
2020-21	620.49	1043.77	4305.34	5969.6

³ <https://www.fbr.gov.pk/collectorate's-yearbook/51149/163101>



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4.1 Bilateral Trade

At present imports and exports are carried out from Customs Stations namely Torkham, Kharlachi, Ghulam Khan and Angoor Adda. Before the activation of Customs Station at Angoor Adda the Customs Station at Tank had been handling the imports entering into Pakistan from this border crossing.

The imports statistic given in above Table indicates the comparison of volume of trade took place in FY 2020-21 with the one carried out in FY 2019-20. The overall import value shows an increase of 8% in CFY as compared to LFY. It is important to mention that the quantum of duty-free imports have shown a substantial growth by 72% whereas, the dutiable imports have been decreased by 5%. The growth in the trade volume is mainly attributed to the improved law and order situation in the tribal districts. Moreover, activation of Customs Station at Angoor Adda for regular bilateral trade has also impacted in increasing the trade volume.

The exports volume to Afghanistan has shown 34% increase from border stations located in KP province whereas a declining trend by -22% in exports is observed in CFY from the border stations located in Baluchistan.

4.2 Border Customs Station-Wise Analysis

The table below gives detailed analysis of station wise imports. Kharlachi has shown the maximum import value growth which is 208%. Dutiable value at Kharlachi has also shown growth of 213 %.

Total import volume land border station wise 2020-21 vs. 2019-20 (Rs. In million)

No	Station	2020-21			2019-20			Dutiable Value Growth	Duty Free Value Growth	Import Value Growth
		Dutiable Value	Duty Free Value	Import Value	Dutiable Value	Duty Free Value	Import Value			
1	Torkham	22006.8	46223.1	68230	28684	26780.5	55464.3	-23%	73%	23%
2	Kharlachi	6,738.78	590.11	7328.89	2,156.20	221.1	2377.32	213%	167%	208%
3	Ghulam Khan	3420.49	1860.25	5280.74	3891.2	1183.64	5074.79	-12%	57%	4%
4	Angoor Adda/ Tank	2818.24	468.46	3286.7	2201.5	320.7	2522.15	28%	46%	30%
5	Total	34984.32	49141.96	84126.28	36932.6	28505.96	65438.56	-5%	72%	29%



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As far as exports are concerned, in FY 2020-21, border stations have registered a growth of 33% in comparison to FY 2019-20. The highest exports volume has been witnessed at Customs Station Torkham followed by Customs Station Kharlachi. One of the distinguishing features of this financial year is the activation of CS Angoor Adda with effect from 30.09.2021 which regulated the exports activity from this station. Below Table shows the volume of exports carried out from KP border stations. US\$ 23.75 Million exports volume from Angoor Adda.

Total exports volume station wise 2021-20 vs. 2019-20 (In million)

Customs Station	Exports Value 2020-21	Exports Value 2019-20	Growth (%)
Torkham	104325.8	86770.08	2%
Kharlachi	26889.29	14969.91	80%
Ghulam Khan	8256.01	5744.53	44%
Angoor Adda/Tank	3815.39	Nil	100
Total	106687.1	125155	33%

4.3 Customs Station Torkham

The Customs Station Torkham (CST) is one of the major international borders crossing point (BCP) between Afghanistan and Pakistan. This BCP connects Torkham with Afghan province Nangarhar. On Pakistani side, National Highway-5 connects it with capital city of Khyber Pakhtunkhwa via Khyber- pass. On Afghan side, Highway 7 connects Torkham to Afghan capital Kabul via Jalal Abad.

CS Torkham deals with both transit and bilateral trade. Around 77% of the bilateral trade volume conducted from all the border customs stations of this Collectorate is affected through Torkham. Realizing the immense potential of trade expansion, this BCP has been made operational 24/7 in September 2019



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Imports-Exports Vehicular Flow (Both ways/Throughput) at Customs Station Torkham

No	Month	Import Vehicles				Export Trucks			
		2019-20		2020-21		2019-20		2020-21	
		Monthly	Average per day	Monthly	Average per day	Monthly	Average per day	Monthly	Average per day
1	July	5827	194	3860	129	4529	151	12713	424
2	August	5926	198	4089	136	3808	127	7630	254
3	September	7905	264	7367	246	4176	139	13800	460
4	October	9994	333	7432	248	5239	175	13213	440
5	November	8260	275	4689	156	5416	181	10649	355
6	December	5277	176	2976	99	6188	206	11781	393
7	January	3886	130	3189	106	5464	182	10835	361
8	February	4450	148	1130	38	6361	212	13462	449
9	March	1526	51	854	28	3601	120	17146	572
10	April	7	0	2385	80	29	1	10888	363
11	May	2	0	2876	96	1877	63	7539	251
12	June	510	17	1895	63	7224	241	8008	267
Grand Total		53570	149	42742	119	53912	150	137664	382

Transit Trade Vehicular Flow (Throughput) at Customs Station Torkham

No	Month	Forward Transit TEUs				Reverse Transit TEUs				Empty Containers			
		2019-20		2020.21		2019-20		2020.21		2019-20		2020.21	
		Monthly	Average per day	Monthly	Average per day	Monthly	Average per day	Monthly	Average per day	Monthly	Average per day	Monthly	Average per day
1	July	5004	167	4581	153	26	1	96	3	5017	167	2378	79
2	August	4066	136	4899	163	40	1	47	2	3613	120	4293	143
3	September	4696	157	10280	343	72	2	180	6	5925	198	4342	145
4	October	4416	147	6832	228	181	6	615	21	4539	151	6499	217
5	November	4696	157	5065	169	275	9	470	16	6213	207	3201	107
6	December	5698	190	4874	162	1136	38	131	4	3803	127	3433	114
7	January	6030	201	4520	151	104	3	179	6	3613	120	2987	100
8	February	7021	234	4030	134	45	2	84	3	4956	165	3311	110
9	March	2307	77	5853	195	17	1	62	2	1875	63	3802	127
10	April	1476	49	5454	182	0	0	68	2	887	30	4357	145
11	May	3821	127	5476	183	1	0	36	1	1727	58	3636	121
12	June	4336	145	6074	202	5	0	18	1	2811	94	4868	162
Grand Total		53567	149	67938	2264.6	1902	63.4	1986	66.2	44979	1499.3	47107	1570

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4.4 Customs Station Kharlachi

The Customs Station at Kharlachi is located nearby Parachinar city in Kurram District of Khyber Pakhtunkhwa. Kurram agency is bordered by Khost, Ghazni, Gardez and Paktia on Afghan side. The Afghan capital city, Kabul is located around 253 km away from Kharlachi. Kharlachi is comparatively developed border station in terms of availability of internet connectivity and commercial infrastructure. Custom Station Kharlachi has been designated for rebate able exports of cement in addition to simple exports. This has resulted in expansion of new trade opportunities for the area and expansion of bilateral trade with Afghanistan through this trade route.

Vehicular Flow (Both Ways-Throughput) at Customs Station Kharlachi

No	Month	Import Trucks				Export Trucks			
		2019-20		2020-21		2019-20		2020-21	
		Monthly	Avg Per Day	Monthly	Avg Per Day	Monthly	Avg Per Day	Monthly	Avg Per Day
1	July	257	9	241	8	1854	62	850	28
2	August	273	9	376	13	1015	34	1443	48
3	September	516	17	1161	39	898	30	1959	65
4	October	899	30	1578	53	1173	39	1917	64
5	November	503	17	659	22	1518	51	1712	57
6	December	502	17	436	15	1610	54	2408	80
7	January	376	13	536	18	2096	70	3787	126
8	February	458	15	277	9	1751	58	2243	75
9	March	256	9	1692	56	1272	42	4202	140
10	April	0	0	1492	50	0	0	3818	127
11	May	0	0	1814	60	0	0	3025	101
12	June	0	0	2636	88	0	0	3591	120
Grand Total:		4040	11	12898	36	13187	37	30955	86

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4.5 Customs Station Ghulam Khan

The Customs Station Ghulam Khan is located in (North Waziristan) District. It was notified as border Customs station in 2004. This BCP was closed in 2014 due to volatile law and order situation in the area. The trade activities have resumed from CS Ghulam Khan since 2018. Ghulam Khan faces Khost province on Afghan side. Afghan capital Kabul is 288 km away from this BCP. During winter season trade activity is subjected to fluctuation as a result of harsh weather and remoteness of area.

Imports-Exports Vehicular Flow (Throughput) at Customs Station Ghulam Khan

No	Month	Import Trucks				Export Trucks			
		2019-20		2020-21		2019-20		2020-21	
		Monthl y	Average Per Day	Monthl y	Average per day	Monthl y	Average Per day	Monthl y	Average per day
1	July	19	1	442	15	5616	187	2567	86
2	August	164	5	894	30	810	27	2354	78
3	September	597	20	1589	53	1019	34	2838	95
4	October	1143	38	1268	42	1333	44	2149	72
5	November	1686	56	499	17	1074	36	1416	47
6	December	2199	73	270	9	1104	37	1143	38
7	January	1277	43	180	6	1174	39	1881	63
8	February	1146	38	96	3	1913	64	2434	81
9	March	332	11	214	7	780	26	2058	69
10	April	0	0	153	5	0	0	1951	65
11	May	0	0	168	6	0	0	1708	57
12	June	0	0	379	13	368	12	1037	35
Grand Total:		8563	24	6152	17	15191	42	23536	65



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4.6 Customs Station Angoor Adda/Tank

Customs Station Angoor Adda is located at South Waziristan District. Before September 2020 the imports coming from this station were being dealt at Customs Station Tank which is located around 180 Km down from Angoor Adda. The customs station at Angoor Adda was been activated in September 2020 and is dealing with both the imports and exports.

Vehicular Flow (Imports-Throughput) at Customs Station Angoor Adda/Tank

	Month	Import Trucks				Export Trucks			
		2019-20		2020-21		2019-20		2020-21	
No		Monthly	Average per day	Monthly	Average per day	Monthly	Average per day	Monthly	Average per day
1	July	42	1	19	1	0	0	0	0
2	August	30	1	33	1	0	0	0	0
3	September	283	9	30	1	0	0	0	0
4	October	326	11	2078	69	0	0	1632	54
5	November	248	8	1522	51	0	0	1407	47
6	December	436	15	572	19	0	0	1924	64
7	January	413	14	695	23	0	0	1355	45
8	February	547	18	649	22	0	0	1734	58
9	March	234	8	1271	42	0	0	1997	67
10	April	4	0	1140	38	0	0	1807	60
11	May	0	0	512	17	0	0	1073	36
12	June	0	0	348	12	0	0	783	26
Grand Total:		2563	7	8869	25	0	0	13712	38

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Bilateral Trade with Afghanistan through MCC, Appraisement Peshawar & Chaman During Period 2011-12 to 2020-21

MCC, Appraisement Peshawar						Chaman			
		Import		Export		Import		Export	
S. No	Year	Value US ML	Value Rs ML	Value US ML	Value Rs ML	Value US ML	Value Rs ML	Value US ML	Value Rs ML
1	2011-12	99.14	8838.84	1918.75	170654.5	1.67	149.99	123.96	11025.17
2	2012-13	263.02	25421.58	1730.05	166863.34	33.85	3271.68	227.05	21899.74
3	2013-14	289.15	29696.55	1449.45	148554.38	67.5	6932.78	319.48	32743.92
4	2014-15	278.88	28,211.72	1,543.34	155,816.05	37.15	3,758.09	340.9	34,417.41
5	2015-16	339.66	35,361.56	1,215.07	126,258.39	57.85	6,022.98	263.81	27,412.79
6	2016-17	299.53	31,336.34	1,028.02	107,356.64	53.44	5,590.93	270.51	28,249.46
7	2017-18	374.85	41,188.99	1,152.46	126,401.64	78.58	8,634.86	446.39	48,960.42
8	2018-19	458.91	62,435.13	922.81	125,206.50	79.91	10,872.09	350.89	47,608.78
9	2019-20	412.38	65,436.45	676.75	107,339.32	70.92	11,254.01	187.15	29,683.08
10	2020-21	525.53	84,469.71	899.96	144,192.54	96.05	15,389.81	144.79	23,199.38
Grand Total:		3,341.05	412,396.87	12,536.67	1,378,643.30	576.93	71,877.23	2,674.93	305,200.15

Transit Trade with Afghanistan through MCC, Appraisement Peshawar & Chaman During Period 2011-12 to 2020-21

MCC-Appraisement Peshawar								Chaman					
		Forward Transit			Reverse Transit			Forward Transit			Reverse Transit		
No	Year	USD	PKR	Total Nos of TEUs	USD	PKR	Total Truck	USD	PKR	Total Nos of TEUs	USD	PKR	Total Truck
1	2011-12	1038.52	92584.43	34311	0	0	0	191.72	17092.52	7596	43.38	3858.54	2083
2	2012-13	1148.91	111043	34114	0.4	39.24	10	175.64	16976.34	7087	129.89	12528.4	4963
3	2013-14	1128.26	115872.71	44662	26	2673.78	1063	253.18	26002.2	9022	74.1	7595.14	3049
4	2014-15	2,303.71	233,043.11	58308	24.7	2,492.06	507	613.83	62,094.57	15112	98.13	9,906.82	3081
5	2015-16	2,888.51	300,722.89	60494	46.6	4,837.80	1761	898.2	93,511.83	24039	92.35	9,596.33	3241
6	2016-17	2,496.65	261,199.53	49113	34.3	3,580.18	569	852.07	89,143.38	21220	107.38	11,213.84	2742
7	2017-18	2,603.41	286,062.24	53188	45.6	5,006.22	567	1,010.27	111,008.36	28176	206.69	22,669.35	3534
8	2018-19	2,833.09	385,442.20	59505	54.1	7,336.32	786	2,646.96	360,118.84	63495	223.3	30,296.75	4287
9	2019-20	2,860.33	453,877.87	48825	65	10,303.77	1786	3,472.61	551,033.43	71228	199.81	31,691.89	4655
10	2020-21	2,221.03	356,986.41	67872	68.8	11,018.47	1416	1,935.62	311,113.29	52715	238.57	38,224.27	4939
Grand Total		21,522.42	2,596,834.39	510,392.00	365	47,287.84	8,465.00	12,050.09	1,638,094.76	299,690.00	1,413.59	177,581.33	36,574.00



The balance of trade remains positive between two countries whether trade with KPK borders or Chaman border in Baluchistan.

The collective trade volume of KPK through 4 BCPs remain higher than Chaman as a single trading border with Afghanistan in last 10 years.

The number of TEUs and trucks are in steady rise at KPK BCPs, from Zero to 1416 trucks and from 34311 TEUs to 67872 in 2020-21.

The comparison between KPK and Chaman BCP statistics show that Baluchistan also shares border with Iran and frequent closures, law & order situation, incursions by terrorists, Indian influence in Iran, internal rife situation in Baluchistan has hampered the growth at Chaman border.

In contrast, the rise of trade via KPK borders is due to improving security situation, rehabilitation of Ex-FATA areas, return of IDPs after clearance, continued security agencies presence and Government's consistent efforts in normalizing life in KPK after successful security operations.

Most recently border fencing, building of terminals and facilities have also played important role in increasing trade via KPK borders. In light of recent development, it may further bring positive increase after change in stance of Iran viz a viz India. The Indian influence has already faced major blows and is most likely will only have some trade relations instead of major power broker in new set up.



5 Government of Pakistan Initiatives

5.1 Integrated Transit Trade Management System (ITTMS) Project

To exploit the full potential of Pakistan's strategic location as transit hub, the Government of Pakistan has initiated an Integrated Transit Trade Management System (ITTMS), as a flagship project under Central Asian Regional Economic Cooperation-Regional Improving Borders Services (CARED-RIBS). Integrated Transit Trade Management System (ITTMS) project is being developed under the Asian Development Bank's (ADB) RIBS wing. ITTMS project was included in FBR's PSDP (Public Sector Development Program) for FY 2017, with an allocation of Rs.348 million.

This project envisages the establishment of state-of-the-art facilities at Wagah, Torkham and Chaman border crossing points to significantly reduce the processing time at border stations. Under ITTMS, construction activities related to modern day terminal and border crossing point units at CS Torkham are in full swing. The ITTMS project aims at infrastructural development for harmonized and automated movement of cargo and passenger reducing reliance on manual and redundant clearance procedures. Consequently, with development of infrastructure, installation of modern digital technology and satellite-based monitoring and tracking system, it will ensure trade security and facilitation by boosting trade, particularly export, reducing the cost of doing business, enhance trade facilitation by reducing barriers to international and transit trade at cumbersome border crossings and ameliorating the poor infrastructural facilities at border stations. At present, the construction work is in full swing for establishment of modern border terminal at Torkham under ITTMS project. The terminal is likely to be completed by 2022-23.

5.2 Web Based One Customs (WeBOC) at Borders

5.2.1 Customs Station Kharlachi

It is pertinent to mention that due to long term war on terror, volatile law and order situation and sectarian issues, no significant development projects were launched, and trade activity worked on customary practices at Customs Station, Kharlachi. The infrastructural under-development hindered the smooth running of bilateral trade activity between Pakistan and Afghanistan.

Due to these challenging odds, the WeBOC could not be rolled out as per planned timelines in KP. All import/export clearances were made through One-Customs clearance system. In order to



bring the border stations at par with other custom stations of the country, WeBOC system was rolled out for the upgradation of clearance operations. Soon after the announcement was made, strikes and protests were launched at massive scale to boycott WeBOC roll out. GOP engaged with protesting parties through Jirga and negotiations and also arranged awareness and training sessions for clearing agent/traders, and PRAL staff extended hands-on assistance to trading/clearing agents for GD filing process. After concerted efforts the clearance processes at CS Kharlachi were completely converted to WeBOC clearances with effect from December-2020.

5.2.2 Customs Station Ghulam Khan

Like other land border stations in KP, prior to FY 2020-2021, all imports and export clearance at C.S Ghulam Khan were cleared manually due to lack of essential infrastructure like digital connectivity, electricity, and banking services etc. The rolling out of WeBOC was a daunting task at Ghulam Khan due to security vulnerabilities and poor infrastructure. However, after concerted efforts and in coordination with security agencies/stakeholders the automation process has been rolled out gradually.

National Logistics Cell (NLC) ensured provision of secured internet availability through Optical Fiber Cable (OFC) and with pursuance of PRAL team, FBR-unified network (FUN) was also established. Secondly, the availability of banking booth inside the terminal was also ensured for facilitation and secured transactions by traders and clearing agents. Initially, non-perishable cargo items were shifted to WeBOC and then after providing training session and running awareness campaign to traders/ agents, all clearances are completely shifted to WeBOC system since December 2020. The rolling out of WeBOC, at remote border crossings will ensure better customs controls, transparency and enhanced accountability over clearance operations and revenue collection may likely increase due to automation of customs business processes at such locations.

5.2.3 Customs Station Angoor Adda

Efforts were channelized to roll out WeBOC at CS Angoor Adda, which were initially met with highest level of resistance from locals and some unscrupulous elements. However, through extensive liaison of Collectorate and inter agency coordination, WeBOC has successfully been launched in June 2021. Initially WeBOC shall be catering to clearance of non-perishable items such as coal, rice, cement etc. The Collectorate is in process of complete rolling out of WeBOC subject to smooth internet connectivity.

5.3 Enforcement Initiatives

The trade dynamics at all border stations in KP are unpredictable and keeps on evolving with every passing day. Such trade environment poses new kind of challenges in effective and seamless handling of bilateral trade cargo. It requires serious efforts by all stakeholders to strike a balance between enforcement of laws and implementation of procedures on one hand; and facilitation of trade in reducing cost and clearance time of cargo on the other hand. Some of the measures are listed below.

5.3.1 Administrative Measures

- i. The level of administrative supervision has been increased and an officer of the rank of Additional Collector is stationed at Torkham for handling operational issues in bilateral trade
- ii. WeBOC has been rolled out at all border custom stations to ensure transparency, reduction in time to clear cargo, facilitative for trade and enhanced revenue. as well as designation of CS Kharlachi for rebate-able exports and CS Ghulam Khan for transit cargo.

5.3.2 Procedural Measures

- i. A mechanism has been put in place to monitor scans through Customs staff. Abnormal scan/ images are reported immediately on WhatsApp group and the relevant vehicles are fully examined. By such measure, many cases of auto-parts concealment have been unearthed
- ii. Embossing of vehicle registration No. and Chassis No. on wind screen through sand blasting have been carried out at Torkham in order to eliminate use of multiple registration numbers on same vehicles which had triggered many cases of misdeclarations in the past.
- iii. The process of examination/assessments is being monitored by Additional Collector and Deputy/ Assistant Collector at Customs Station Torkham to ensure enhanced administrative controls over correct declarations and subsequent reporting for minimal revenue leakages



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5.3.3 Steps taken for facilitation of bilateral trade:

In order to facilitate the bilateral trade with Afghanistan and to address the congestion issues at border customs stations especially at Torkham, the following measures have been implemented for seamless clearance of goods:

- i. The border station Torkham is functioning on 24/7 basis. Un-interrupted working of customs staff and other LEAs at Torkham facilitate the 70% of exports to Afghanistan carried out from this customs station alone.
- ii. A new customs station at Angoor Adda has been made functional from 1st October 2020. This measure has boosted up the exports to Afghanistan from South Region. In the first six months since operationalization of Customs Station at Angoor Adda, goods worth US \$ 18 million are exported to Afghanistan from this Station. It needs to mention that prior to opening of the said Station not a single US \$ exports has ever been made to Afghanistan from this route
- iii. The scanners are installed at border customs stations for expeditious clearances of goods since July, 2020
- iv. The perishable goods are being processed and allowed clearance on priority preferably within 3 to 4 hours of GD filing
- v. The bonded limits of Customs Station Torkham have been extended to Michni check point. This measure has provided maximum space at terminal for vehicles staging and their expeditious clearances from Torkham
- vi. In order to facilitate the quick clearance of exports consignments from Torkham the weighment of exports cargo has been shifted to NLC Jamrud Terminal along with filing of exports GD before Michni Check Post.
- vii. The Afghan Authorities and traders repeatedly recorded their protest against the valuation of goods imported from Afghanistan. In this backdrop, the Director Customs Valuation, Karachi has issued a Valuation Advice for Afghan origin goods in December 2020 where values of such goods have been rationalized and also reduced where required. In response to this measure Afghan Authorities have also reduced the valuation on fruits namely Kinno exported from Pakistan.



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- viii. The Border Flag meetings with Afghan Customs Authorities at Torkham are being held on regular basis to mutually resolve operational issues confronting the trade on both sides
- ix. Customs Station at Kharlachi has been designated for rebate-able exports of cement in addition to simple exports. The Customs Station at Ghulam Khan has been designated for handling transit cargo to Afghanistan in October, 2020.

5.4 Projects

Pakistan Customs; Peshawar Collectorate has been pursuing different projects which include modernization of Customs residential facilities at Landi Kotal, Khyber District and construction of Model Border Terminals M.B.T at customs border stations of Ghulam Khan, Kharlachi and Angoor Adda. The PC-1 of these projects has been prepared.

Construction of model border terminals is being carried out by NLC in coordination with FBR. It includes construction of state-of-the-art terminal along with Custom House at the border stations.



6 Challenges

There are numerous challenges and operational issues faced by customs authorities as well as traders in speedy clearance of bi-lateral and transit trade at all border points.

In the absence of any formal and comprehensive bilateral trade agreement with Afghanistan, it is challenging to streamline and regulate the vehicle movement, and concessionary regimes available to Afghan imports.

Afghanistan Pakistan Transit Trade (APTTA), 2010 does not cover aspects of investment and services costs for the transit trade cargo which is incurred on Pakistan. More so, vehicular movement related all-encompassing regulatory laws are much needed to be ensured for smooth cross border movement of vehicles.

At Torkham, the incomplete terminal with insufficient technical and infrastructural facilities creates unnecessary delays, congestion at zero point and resulting increased cost of doing business.

The Plant Protection Department (PPD) has not yet operationalized its functions at the border station. Resultantly, phytosanitary certification is not being fulfilled and implemented so far.

The Customs Station Kharlachi due to volatile law and order situation, the town has lagged behind in terms of upgradation of infrastructure and developmental projects. NLC has been operating at this border crossing as the terminal operator. Some impactful challenges are:

Power shortage, lack of banking booth inside terminal, non-availability of scanners resulting in intrusive examination by customs.

NLC lacks cargo handling equipment, only one weigh bridge is operational, due to mountainous terrain internet connectivity is often disrupted causing delays.

The station only allows cement exports for rebate claims, whereas trader community demands that station shall be notified for all kinds of rebate-able exports and station to be made operational 24*7.



It is recommended to develop a mechanism to develop risk-based profile of drivers and vehicles of commercial consignments which are otherwise subjected to intrusive examination by security agencies deputed at border crossings.

The CS Ghulam Khan lacks basic infrastructure due to its remote location. The challenges faced by trading community are multi-pronged.

The terminal relies solely on electricity generators, border crossing point only operates from dawn to dusk, scanner can only be used for containerized cargo only, over-sized and non-containerized are manually examined by customs. Another issue is internet connectivity and yards are not metalled resulting in accidents.

The incoming Afghan registered vehicles are not allowed to go beyond a certain point (terminal area) and all in-bound cargo is cross-stuffed or transload into Pakistan registered vehicles before moving further down the country.

At present no electronic data exchange mechanism with Afghan authorities existed across the border. The flow of information through EDI will benefit both customs and traders in resolving recurring problems at border crossing.

At the Customs Station Angoor Adda; the authorized terminal operator has not started operations yet and customs staff is performing operations in a designated area manned and operated by FC authorities.

Lack of electricity and internet are main infrastructure related problems.

The Wana-Angoor Adda road is in dilapidated state and cannot cater to heavy traffic, banks are not located in entire town of Angoor Adda. The only bank available is situated at distance of 60 km from CS Angoor Adda

7 Way Forward

It is an undeniable fact that for centuries people of Pakistan and Afghanistan, living on opposite sides of international border have shared language, religion, culture and ethnicities and trade as well. However, Pakistan-Afghanistan border trade and its management remain contentious issue in the bilateral relations of both countries. Both neighboring countries have had faced significant challenges in their respective socio-political, security and economic domains over the years. The required measures to facilitate and regulate bilateral trade put on back burner in the backdrop of uncertain political relations between both the countries. The impediments confronting border trade benefit the informal trade by way of smuggling either through unfrequented routes or misuse of transit trade facility. An important finding arrived from the analysis of border trade is that the unpredictable and inconsistent trade environment hindered the potential of trade expansion as both countries have yet to enter into a comprehensive bilateral trade agreement to facilitate the regular trade. Another important observation is that the infrastructure and ICT related facility at all borders stations/crossings are still short of modern standards.

Government of Pakistan through its different departments like Customs, FBR, PRAL, Security forces has adopted aggressive approach to completely automate the customs business processes on all the border stations including providing security in difficult and far-flung areas. The peaceful economic cooperation between Afghanistan and Pakistan will be the only way forward for improved trade and transit facilities to connect with Central Asia. The rise in exports will boost economic growth and create employment opportunities in both countries. As envisioned in various international commitments like CPEC, CAREC etc. and govt's recent initiative "Silk Route Reconnect Policy" the trade from land border stations may turn out to be game changer only not for Pakistan but for the whole region if the issues like border management, security constraints, extortions and slow clearance of good can be addressed.

In the above context, a new development is underway whereby negotiations are being held for entering into a new transit agreement with Afghanistan after the recent expiry of APPTA, 2010. Simultaneously, the government is vigorously pursuing bilateral transit agreement with Central Asian Republics (CARs) namely Uzbekistan etc. In this environment, a great opportunity is now available to both the countries to formalize a comprehensive trade agreement covering both transit and bilateral matters for better trade management, predictable tax administration and comparative advantageous preferential trade regulations. The new trade agreement between



Afghanistan and Pakistan will open a gateway of opportunities to boost trade not only with Afghanistan but also with the CARs. It is expected that conclusion of comprehensive new trade agreement with Afghanistan will prove to be a linchpin agreement for the success of other transit agreement with CARs.

In conclusion, it is recommended that Ministry of Commerce may accelerate efforts in joint coordination with other stake holders including concerned Ministries/Departments for an early inking of a comprehensive and integrated trade agreement with Afghanistan so that immense trade potential between both the countries and CARs can be translated to realities.

8 PAJCCI Contributions and Initiatives

Since its inception, PAJCCI has undertaken a difficult journey and has been instrumental in bringing all stakeholders on the table to promote bilateral trade between Pakistan & Afghanistan.

PAJCCI has also been an active partner providing actionable insights to Government of Pakistan to strengthen trade relations with Afghanistan as well as support to GOP Ministries in making improvements at borders to ensure secure and sustainable trade.

This year PAJCCI has launched a Series of Stakeholders and Committee meeting, the aim of these meetings was to recognize ways and strategies which will increase economic connectivity between Pakistan and Afghanistan with an intensive focus on issues faced by the business community across the border due to then internal situation prevailing in Afghanistan.

Till date 9 meetings in its series have been held in various cities across the border (Karachi, Chaman, Quetta, Kabul, Jalalabad, Islamabad and Torkham). Stakeholders from both sides actively participated, including relevant official bodies.

The stakeholder meetings highlighted challenges and actionable input to provide solutions and consensus. Recommendations to the relevant ministries/departments were also made to ease the hardships faced by the business community.

PAJCCI by holding these meetings paved way for the voice of business community to be heard in organized manner and providing GOP an active platform to push forward the agenda of improving bilateral trade with Afghanistan and using most favorable transit route to capture market of CARs, Russia, China and Europe.



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Highlights of PAJCCI Series of Stakeholders Meetings 2021

Zubair Motiwala, Chairman PAJCCI emphasized that the current situation in Afghanistan warrants careful and sensible handling to keep borders open for trade with security & safety measures.

He emphasized on strong trade and people to people contact between two countries and proposed resolution that business community of both sides shall project, promote and protect each other in their respective countries and to target USD 5bn trade volume in next two years.

He urged the need to reduce bureaucratic red tape and to take measures ensuring business community continues to progress while acknowledging that current border and internal situation in Afghanistan falls under force majeure and requires proactive framework to safeguard businesses interests.

Khan Jan Alokozai, Co-Chairman PAJCCI appreciated the support of Government of Pakistan during prevailing situation by extending facilitation of the trade activities whilst ensuring security especially by resuming the movement at borders and abolishment of Sales tax on fresh fruits and vegetables.

He iterated that PAJCCI is endeavoring to establish effective mechanism between Government and Taliban in the occupied areas to avoid application of variable tariffs and double payments imposed on businesses crossing Spin Boldak.

Chairman PAJCCI sought guidance from Ministry of Commerce to develop a framework to address the unfolding situation by taking stakeholders in to confidence. He reiterated that a directive must be issued by Honorable Prime Minister to shipping companies and other allied entities to develop customer friendly policies especially in such distressing times like COVID or border closures due to security concerns.

The meetings also highlighted that Border management and Fiscal Reforms need to be strengthened for curbing smuggling and return of transit goods to Pakistan.

It was also established that State Banks of both the countries should mutually strive for establishing a strong banking channel system with Afghanistan to facilitate documented trade and eliminating need of carrying physical dollars at the borders.



Afghanistan Chapter specifically urged to revisit APTTA for its renewal as this will resolve most pressing issues and also sign PTA with Pakistan for eliminating the issue of undue valuation affecting seasonal exports badly.

Recommendations were also made to improve conditions suitable for diversified products and industries, timely coordination and communication amongst stakeholders.

Forum recommended to increase operational hours to 24*7, remove infrastructure and operational hindrances.

Forum also shared their problems and recommendations with DG Transit Trade & Representative of State Bank of Pakistan at meetings and received immediate response and assurance to resolve all matters at institution and at government level.

Chairman PAJCCI, keeping in view these impending issues, hurting already dilapidated border economics, requested Honorable Prime Minister for an urgent meeting to deliberate the solutions on a proactive basis and iterated that peace and prosperity of Afghanistan in turn leads to socio-economic sustainability of our border businesses which are mainly thriving on transactions with Afghanistan and Central Asian States.



9 Situation after 15th August 2021

Glimpse of on-going situation in Afghanistan and its impact on region and more importantly on neighboring countries and Afghanistan's future relationships with trading partners; excerpts from media resources are provided below.

The content is only for information only and authenticity is dependent on the broadcasting media. The views may vary between international spectrum specifically of Western and local media and/or Independent Journalists/broadcasters.

Print Media Domestic

Pakistani Exporters have delayed the supply of goods to Afghanistan after Taliban take over. "It's a complete chaos in Afghanistan" remarked a custom agent and exporter. ⁴

Trade with Afghanistan picked up after Taliban Takeover as bribes demanded by Afghan Police and Customs are banned and trucks pass without any obstacles.⁵

Interior Minister Sheikh Rashid said on Wednesday that India's discomfort over the turn of events in Afghanistan following the Taliban takeover was obvious, and the entire world was a witness to how India was "in a state mourning".⁶

Prominent Taliban leader Shahabuddin Dilwar, in response to Indian Prime Minister Narendra Modi's statement casting doubt on the sustainability of a new regime in Afghanistan, said India will soon know that the Taliban can run the country's affairs smoothly.

⁴ https://epaper.dawn.com/DetaillImage.php?StoryImage=25_08_2021_008_001

⁵ https://epaper.dawn.com/DetaillImage.php?StoryImage=19_08_2021_009_006

⁶ <https://www.dawn.com/news/1642549/indias-discomfort-over-turn-of-events-in-afghanistan-obvious-sheikh-rashid>



He said Pakistan was a neighbor of Afghanistan and a friendly country. Dilawar thanked Pakistan for hosting over three million Afghan refugees.⁷

India should be ashamed after its negative role in Afghanistan; “Moeed Yousuf, NSA Pakistan”⁸

Taliban announce government formation with top slots to Veterans with 33 all male cabinet members.⁹

Comprehensive news coverage of Afghanistan post-Taliban Take over in international media

Taliban announce government with hardliners at top position.¹⁰

From Taliban takeover to recent news covering internal and external impactful news about Afghanistan.¹¹

Taliban takeover, fleeing of ex-government officials, formation of interim set up, recent meetings in Doha and updates¹²

Video Reference

Taliban open communication with Pakistan to form friendly and positive relationship.¹³

⁷ <https://www.dawn.com/news/1642747/india-will-soon-know-about-talibans-capability-to-run-afghan-govt-says-leader>

⁸ <https://www.dawn.com/news/1632009/india-should-be-ashamed-of-meeting-afghan-taliban-moeed-yusuf>

⁹ <https://tribune.com.pk/story/2319037/taliban-unveil-caretaker-government-in-afghanistan>

¹⁰ <https://www.bbc.com/news/world-asia-58479750>

¹¹ <https://www.aljazeera.com/where/afghanistan/>

¹² <https://www.rt.com/trends/taliban-offensive-kabul-afghanistan-news/>

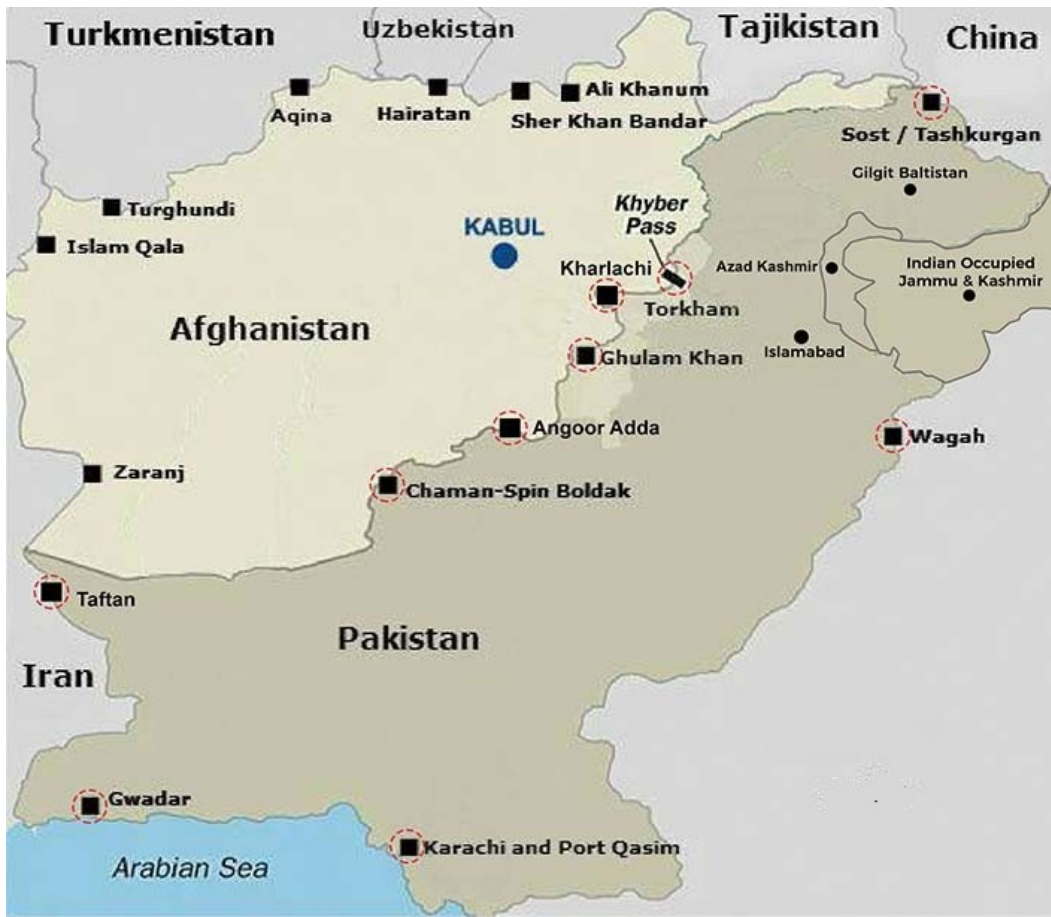
¹³ <https://video.dunyanews.tv/index.php/en/pv/Dunya-Kamran-Khan-Kay-Sath/13612/ep-26134/All/2021-08-18#.YSdb5Y4zY2x>



Recommended Netflix Docuseries

Turning Point: 911 and war on terror

A must watch for interested parties to understand the background of USA attacking Afghanistan, last 20 years of war, its impact and finally the withdrawal of US/NATO forces.



Pakistan-Afghanistan Trade Route Map