PAKISTAN AFGHANISTAN
JOINT CHAMBER OF COMMERCE
AND INDUSTRY (PAJCCI)

DIVIDENDS OF PEACE AND GOVERNANCE

Pak-Afghan Bilateral and Transit Trade

BUSINESS PERCEPTION SURVEY

December 2012

INTERNATIONAL
EDITION

Dividends of Peace and Governance

Pak-Afghan Bilateral and Transit Trade:
Business Perception Survey

Pakistan Afghanistan Joint Chamber of Commerce and Industry (PAJCCI)
December 2012

Muhammad Zubair Motiwala

President, PAJCCI

The formation of Pakistan-Afghanistan Joint Chamber of Commerce and Industry (PAJCCI) is a breath of fresh air for both the countries. Despite existing political upheavals and sensitive socio-cultural issues, the business representatives in both the countries mutually agreed to establish a cooperative body on a private initiative in order to bring the business communities of the two countries closer. The entity is duly recognized and licensed by Islamic Republic of Afghanistan as well as Islamic Republic of Pakistan.

The core objective of this trans-border arrangement is not only to transform the economic landscape of the South and Central Asian region but also to facilitate peace prospects. The Chamber was established having members of Trade and Industrial community with a motive to provide level playing field for promoting the bi-lateral trade and investment, ensuring transfer of technology, exploring new trade opportunities and areas of mutual interests, minimizing cross border trade and promoting positive image of both the countries across the globe.

It was agreed mutually that this platform will not only resolve trade based issues amicably but would strategize on the macro-level to facilitate respective Governments to revive bi-lateral political relationship as well, in the greater interest of both the countries.

As a Founder President of this unique Chamber, it would be my utmost priority to ensure win-win situation for all stakeholders by resolving long pending issues between Business Community amicably, and help provide facilitation to the business community across the border in the greater interest of both the nations. The Chamber will serve as a body to enhance trade relations between two brotherly nations without succumbing to any unrelated political or cultural influence.

I greatly welcome feedback and support of all the stakeholders in order to run this Chamber more effectively towards attainment of cross-border mutual goals. I also thank members of the Executive body for posing confidence in me to lead this Chamber in its critical first year. I hope that members of this body will play significant role in effectively reducing the issues and enhancing bi-lateral ties between Pakistan and Afghanistan, in every aspect.

Khan Jan Alkozai

Co-President, PAJCCI

Pakistan is our Muslim brother country. We share with Pakistan more than 2000 km of border, same religion, history, culture and language. Pakistan has been a route of transportation for Afghanistan since the 18th century. Pakistan and Afghanistan both play a key role in the ancient Silk Road. Pakistan Karachi port is the shortest and cheapest to connect Afghanistan with the rest of the world. Afghanistan is the most important route for Pakistan to connect with the Central Asian Countries. Central Asian Countries with a population of close to sixty million people can become a market for Pakistani products with a potential of twice the size of Afghanistan itself. Today, whatever Pakistan can produce, has a market in Afghanistan; from food items to pharmaceuticals and manufactured goods.

It has been necessary to bring both the countries under one roof which would help enhancing bilateral trade and relations between the two countries. Establishment of the PAJCCI is the foremost step taken to connect both the countries in different sectors. PAJCCI will help facilitate the traders across the borders to establish and access businesses, investment, export and import. I am also of the opinion that the minor problems existing, on both sides of our common border - that cannot be solved due to bureaucratic hurdles, will be ironed out by our mutual efforts and under the umbrella of PAJCCI. So I would encourage the business community on both sides of the border to support the step we have taken to develop a better business relations and economic development for both the countries.

MANAGEMENT OF PAJCCI

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President

Khan Jan Alkozai
Co-President

Pakistan Chapter

Usman Bashir Bilour
Vice President

Engr. Daroo Khan Achakzai
Vice President

Afghanistan Chapter

Mohammad Yonass Momand
Vice President

Haji Atiqullah Mominzada
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Finance & Admin Manager

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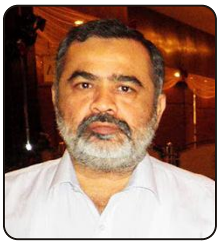
Zia ul Haq Sarhadi


Gul Padshah


Noor Wali Yaqoobi


Haji Abdul Quyyum Kakar


Muhammad Jawed Bilwani


Nuzamudin Taj Zada


Ahmad Shah


PAKISTAN AFGHANISTAN BORDER


TURKMENISTAN
UZBEKISTAN
TAJIKISTAN
CHINA
AFGHANISTAN
IRAN
PAKISTAN
INDIA
OMAN
Arabian Sea
INDIAN OCEAN
Ashgabat
Mary
Qarshi
Dushanbe
Termiz
Mazar-e Sharif
Konduz
Feyzabad
Mashhad
Neyshabur
Eslamshahr
Torbat-e Heydariyeh
Herat
Kabul
Charikar
Baghlan
Pol-e Khomri
Chaghcharan
Bamian
Jalalabad
Peshawar
Islamabad
Rawalpindi
Mardan
Srinagar
AZAD KASHMIR & NORTHERN AREAS (disputed)
JAMMU & KASHMIR (disputed)
K2 8611 m
Nangat Parbat 8126 m
Chitral
Ghazni
Gardez
Farah
Tarin Kowt
Qalat
Lashkar Gah
Qandahar
Zaranj
Zabol
Zahedan
Quetta
Chaman
Zhob
Dera Ismail Khan
Faisalabad
Gujranwala
Lahore
Sialkot
Jammu
Gujrat
Sargodha
Jhelum
Multan
Bahawalpur
Ludhiana
Chandigarh
Patiala
Ambala
Saharanpur
Panipat
Delhi
New Delhi
Faridabad
Aligarh
Alwar
Bikaner
Jaipur
Jodhpur
Ajmer
Gwalior
Bhilwara
Kota
Jhansi
Udaipur
Sibi
Jacobabad
Khuzdar
Larkana
Sukkur
Khairpur
Dadu
Nawabshah
Hyderabad
Mirpur Khas
Karachi
Thatta
Badin
Turbat
Gwadar
Muscat
60°
65°
70°
75°
Afghanistan and Pakistan
0 100 200 300 400
Kilometers
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Preamble

Pakistan and Afghanistan share a long history of trade through both formal and informal channels. Formal bilateral trade has been rising in recent years; from $170 million in 2000-01 to $2450 million in 2011-12, with trade balance visibly in Pakistan's favor.

The signing of the new transit trade agreement between Afghanistan and Pakistan in 2010 in the current geo-political environment has been termed as a major diplomatic accomplishment for both countries. However, problems persist especially in terms of operations and ensuring stability and growth in cross-border trade and investment.

To help deal with these challenges, Pakistan-Afghanistan Joint Chamber of Commerce and Industry (PAJCCI), was established with the support of British High Commission and Center for International Private Enterprises (CIPE), USA. The entity, unique in its essence, began its operations since February 2012.

The Pakistan-Afghanistan Joint Chamber of Commerce and Industry (PAJCCI) is a joint collaboration between the Karachi Chamber of Commerce and Industry (KCCI), Chaman Chamber of Commerce and Industry (CCCI), Khyber Pakhtunkhwa Chamber of Commerce and Industry (KPCCI), and the Afghanistan Chamber of Commerce and Industry (ACCI). At present, Mr. Muhammad Zubair Motiwala is President whereas Khan Jan Alokozai is the Co-President of the Joint Chamber. The entity is duly recognized and licensed by Islamic Republic of Pakistan as well as Islamic Republic of Afghanistan.

Amongst other things, the joint body aims to double the bilateral trade volume and work towards increasing the ease of doing business. The Chamber will also engage in advocacy for pro-trade reforms, identification of new opportunities for cross-border trade while encouraging Pakistani and Afghani firms to invest in respective countries.

This study is the first step towards this constructive engagement between business communities across borders. This report briefly captures trends in bilateral trade as well as recent developments in the post-APTTA agreement. A major contribution of this study is its reliance on the opinions of leading businessmen, entrepreneurs, as well as government officials from both Afghanistan and Pakistan. For this purpose, fifty four face to face, in-depth interviews were conducted with respondents in Afghanistan (Kabul, Qandahar, and Jalalabad) and Pakistan (Peshawar, Chaman, and Karachi). It is hoped that this report will provide credible foundations for undertaking an advocacy agenda to promote bilateral trade while addressing the concerns of the trading communities of both countries.

We appreciate the work done by Development Pool, its team led by Mr. Ali Salman and Mr. Sohaib Rehman Jamali and the counterpart research coordinator in Kabul, Mr. Basir Bita for preparing this report amidst various constraints.

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Abbreviations

ACCI:	Afghanistan Chamber of Commerce and Industry
ADNS:	Afghanistan National Development Strategy
APTTA:	Afghanistan-Pakistan Transit Trade Agreement (2010)
ASYUDA:	Automated System for Customs Data
ATTA:	Afghan Transit Trade Agreement (1965)
CCCI:	Chaman Chamber of Commerce and Industry
CSO:	Central Statistics Organization (Afghanistan)
HS Code:	Harmonised System Code
KCCI:	Karachi Chamber of Commerce and Industry
KPCCI:	Khyber Pakhtunkhwa Chamber of Commerce and Industry
NTTFC:	National Trade and Transport Facilitation Committee
PAJCCI:	Pakistan-Afghanistan Joint Chamber of Commerce and Industry
PBS:	Pakistan Bureau of Statistics
SBP:	State Bank of Pakistan
TTFP:	National Trade & Transport Facilitation Project
UNCTAD:	United Nations Conference on Trade and Development
WTO:	World Trade Organisation

Pakistan-Afghanistan Trade: Trends[1]

Afghanistan's trade with the world has been slightly tapering off in recent years. As a percentage of GDP, Afghanistan's imports fell from 96 percent in 2006-07 to an average of 55 percent between fiscal years 2007-2010. Similarly, the country's exports fell from 24 percent (as a percentage of GDP) in 2006 to an average of 16.5 percent between 2007-2010[2]. Relative to Pakistan and to its peer economies, Afghanistan's external balance is heavily skewed towards imports. Exports contributed only 16 percent of GDP in 2011, whereas a country of Afghanistan's income level should expect to be exporting closer to 30 percent of GDP[3]. This differential, according to the World Bank, is largely due to reconstruction and recovery efforts, and dependency on food and oil imports

Pak-Afghan Trade

$ (mn)	FY07	FY08	FY09	FY10	FY11	FY12
Export to Afghanistan	753	1,151	1,393	1,572	2,335	2,248
Import from Afghanistan	76	91	93	139	172	199
Total trade	830	1,242	1,485	1,711	2,507	2,447

Source: Pakistan Bureau Statistics (Originally in PKR; converted at average forex data released by SBP)

Table 1: Pak-Afghan Bilateral Trade

Afghanistan's trade with Pakistan presents a similar picture. According to Pakistan's central bank data, Pakistan had a trade surplus of $1.55 billion with Afghanistan in fiscal year 2012[4]. Data from Pakistan Bureau of Statistics, however, shows a slightly different picture according to which trade surplus with Afghanistan increased from $677 million in fiscal year 2007 to $2.05 billion in fiscal year 2012 (See: Figure 1[5]). Please see Annexure-II for reasons behind variance in data released by different sources.

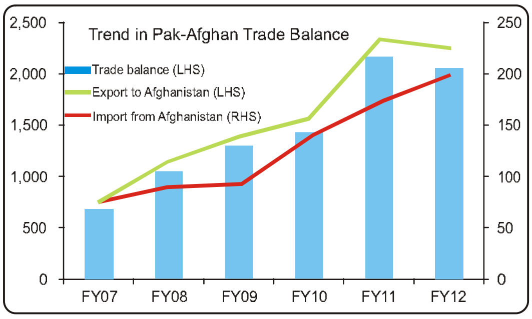

Figure 1: Trends in Pak-Afghan Trade

1 This section is based on data from multiple sources (see **Annexure-II: A note on data & methodology)**

2 World Bank (2012b); 2006/07 data: IMF cited in World Bank (2012a)

3 World Bank (2012a)

4 SBP (2012)

5 Caution should be observed while reading Figure 1, as the scales for Exports (Left Hand Side) and that for Imports (Right Hand Side) are different, for ease of display.

Afghanistan's position as Pakistan's leading export destination remained strong since fiscal year 2008. Afghanistan has been within top five export destinations of Pakistan since last five years. Afghanistan was the second most important export destination in FY11 when it attracted 7.36 percent of Pakistan's total exports, with the USA as the biggest overseas buyer boasting a share of 16.18 percent in total Pakistani exports[6]. In terms of imports, however, Afghanistan's importance as trade partner is negligible as Pakistan's imports from Afghanistan have constituted less than 1 percent since FY04.

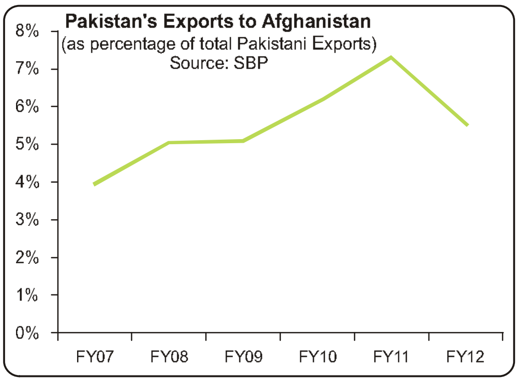

Figure 2: Pakistan's Exports to Afghanistan

In fiscal year 2011, majority of Afghanistan's imports from the world were in the following main commodity categories: manufactures 32.2 percent, agriculture 17.4 percent, and fuel and mining products 1.2 percent[7].

A comparable classification of Afghanistan's imports from Pakistan is conspicuous by its absence but the following provides some guidance[8]: According to data from Central Statistics Organisation of Afghanistan (CSO), Afghanistan imported $597 million worth of goods from Pakistan in 2011. Of this, about 27 percent represented cement imports, 6 percent assorted food items, 4 percent each of diesel, and wheat and wheat flour, whereas a big part of 16 percent was classified as 'other'[9]. In contrast, PBS data of the same year shows that Pakistan's top five exports to Afghanistan were kerosene (type: jet fuel) constituting 21 percent of total exports to Afghanistan, cement 9 percent, other kerosene 7.7 percent , high speed diesel 7.5 percent, and wheat flour 6.5 percent.

While data from PBS and CSO sources may differ in percentage and quantum, the picture they paint is the same. Pakistan does not have significant share in global manufacturing sales to Afghanistan, but it does hold a significant share in selling farming, and fuel and mining products. Specifically, Pakistani exports to Afghanistan are concentrated in construction sector and household consumables (See: Annexure-1 for more recent numbers).

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6 SBP (2012)
7 WTO(2012),
8 See Annexure II: A note on data and methodology
9 CSO (2012a)

Within the top export products, Pakistan enjoyed 100 percent of Afghanistan's kerosene market[10] in FY12, according to CSO data, whereas it held 81 percent share in total cement imports by Afghanistan[11]. Within food export to Afghanistan, PBS data indicates that Basmati rice has taken over other qualities of rice exports to Afghanistan which may be read as a preference for higher end products (See: Annexure-1).

In the export of wheat and wheat flour, Pakistan holds about 24 percent of wheat and wheat flour imported by Afghanistan; the top wheat and wheat flour exporter being Kazakhstan (68 percent), according to CSO data. This, however, presents a conundrum: according to a 2007 USAID report[12] on wheat supplies, Afghanistan imports 80 percent of wheat from Pakistan, with the rest supplied from Kazakhstan (via Uzbekistan and Turkmenistan) and Iran. The report also highlighted preference for Pakistani wheat and wheat flour amongst Afghani bakers and consumers. Unless patterns have changed drastically in the last four years, this is one of the many matters that need to be investigated.

Though Pakistani exports to Afghanistan have increased substantially over the years, the export items do not form the big ticket list of Afghani imports. A look at Table 2 below shows that top Pakistani exports -- such as wheat flour and cement cumulatively constitute 6 percent of Afghani imports from the world.

Comparison of Top Afghani Imports in FY12

Top 7 Afghani imports from the world - DSO data *		Top 7 Afghani import from Pakistan - CSO data **		Top 7 Afghani import from Pakistan - PBS data ***	
T one oil	20%	Cement	16%	Portland cement	12%
Cars	10%	Assorted food items	7%	Wheat flour	9%
Diesel	7%	Wheat and wheat flour	6%	Vegetable fat & its fractions	9%
Petrol	6%	Profiles	5%	Kerosene Type Jet Fuel	8%
Iron rod	4%	Vegetable oil	4%	Other Tub Pip/Hollow Prof, Ir/Steel	4%
Wheat and wheat flour	3%	Diesel	4%	Kino Fresh	4%
Cement	3%	Metal - I beam	3%	Rice Basmati	3%

* Representing 52% of total imports for the year - Memo: Total import in FY12 $6390 million

** Representing 59% of total imports for the year - Memo: Total import in FY12 $877 million

*** Representing 49% of total imports for the year - Memo: Total import in FY12 $2248 million

See Annexure II for more on data comparability issues

Table 2: Afghanistan: Imports from World and Pakistan

Here, an analysis from Afghanistan's perspective is warranted. According to CSO data, Pakistan was its biggest trading partner with a trade volume of $1.05 billion in fiscal year 2012, followed by Russia $837 million, Uzbekistan $765 million and Iran $601 million[13]. Pakistan is the biggest exporter in Afghanistan; it sold $878 million worth of goods in fiscal year 2012 which was about 14 percent of total Afghani imports, according to CSO data.

10 Note: There is wide difference in PBS and CSO data; PBS shows that Pakistan exported $179 million worth of different kerosene oil in FY12, where CSO shows that only $38786 worth of kerosene was imported all of which was from Pakistan.

11 PBS data shows that more than $260 million worth of cement was exported to Afghanistan in FY12; whereas CSO data shows that Afghanistan's total cement import in FY12 was worth $170 million, 81% of which was from Pakistan, whereas 18% was from Iran.

12 USAID (2007)

13 CSO (2012a)

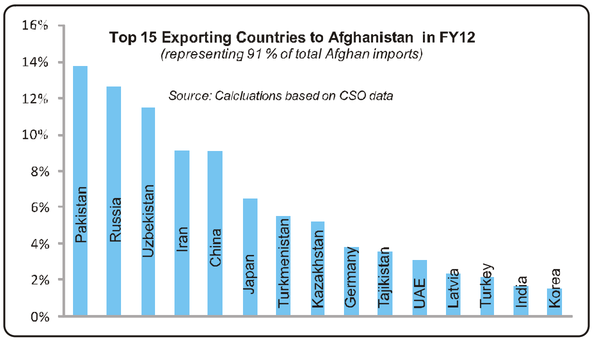


Figure 3: Top Exporting Countries to Afghanistan

Unlike the other top three exporting countries to Afghanistan, exports by Pakistan and China are most diversified. A well-diversified trade relationship means that downturn in the sales of one commodity can be potentially offset by an uptick in another. Top five Pakistani and Chinese export items to Afghanistan constitute less than 40 percent of their respective exports (See: Figure 4). In other words, unlike Pakistan's exports to the world, where just textile products constitute 50 percent of total exports, the country's exports to Afghanistan are well diversified. Indian exports to Afghanistan, which is fourteenth biggest, according to CSO data, are also not as well diversified as that of Pakistan and China.

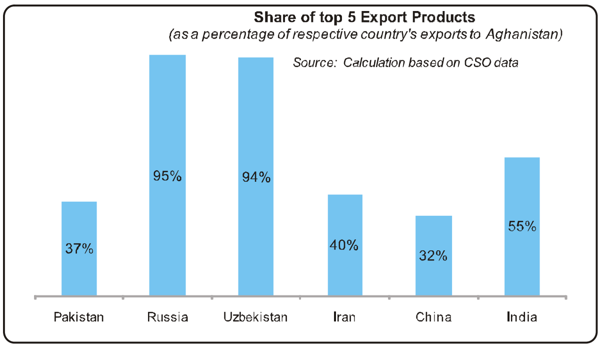


Figure 4: Concentration of Exports to Afghanistan

From the perspective of Afghani exports, Pakistan bought about 48 percent of total Afghani exports (valued at $180 million in FY12), followed by India and Russia (See: Figure 5). The bulk of Afghani exports to the world are primary products which have little added value[14] and the quality of Afghani exports to Pakistan is no different.

14 World Bank (2012a)

Pakistani imports from Afghanistan, as Table A2 in Annexure 1 shows, are led by coal and waste-scrap that alone make up for 60 percent of total imports from Afghanistan. In contrast, Afghanistan's exports to India are mainly skewed towards herbs and dry fruits. According to CSO data, asafoetida, pistachio, almond, dry fig and raisin cumulatively made up for 77 percent of total Afghani exports to India in FY12. The main reason why Afghani exports are concentrated in primary products is because Afghanistan has a low primary material base needed for manufacturing sector and inadequate domestic production facilities for manufacturing processes[15].

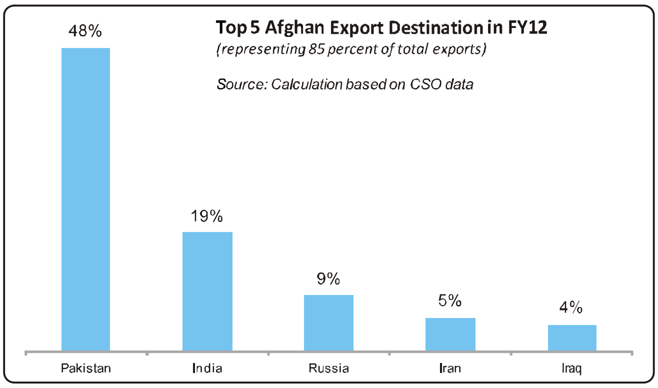


Figure 5: Top Five Afghan Export Destinations

Here it is pertinent to note another major variance in official numbers. According to CSO data Afghanistan's carpet export to Pakistan was $43.5 million in FY12, making carpets 24 percent of total Afghani exports to Pakistan. In contrast, PBS data shows that imports of carpets and other textile floor coverings from Afghanistan to Pakistan was $0.99 million in the same year, which is an insignificant number.

Views from the Business Community

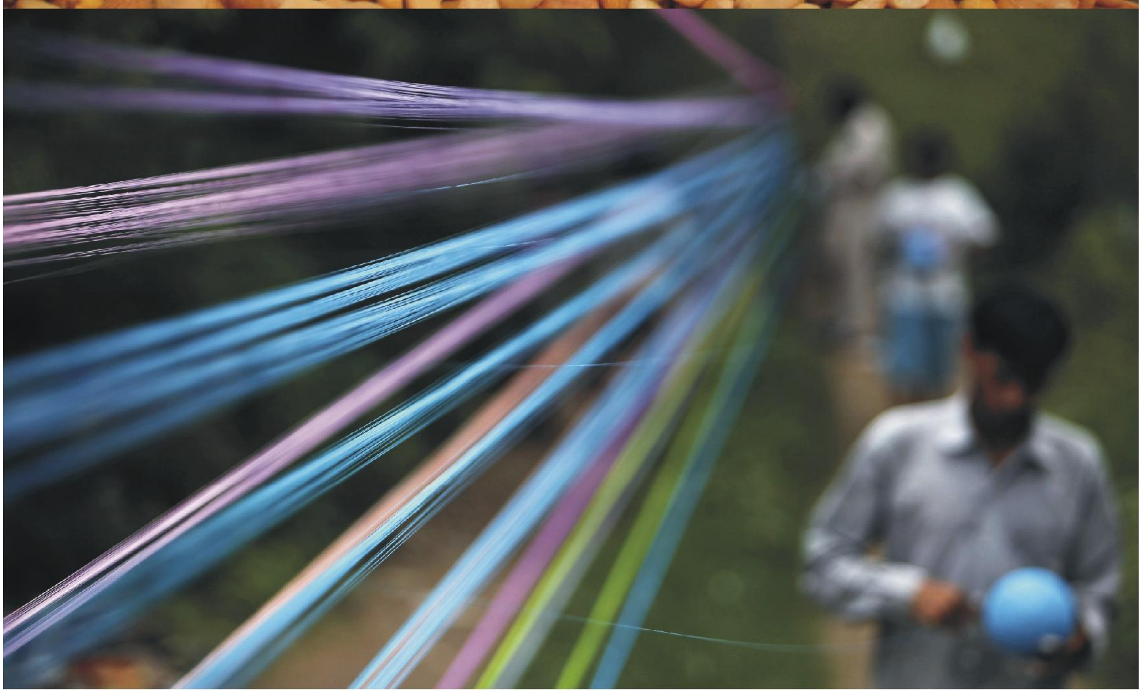
Findings in this section are based on the views of the business community in both countries. They do not necessarily represent the views of the authors or of the Chamber. Instead, they are discussed here to highlight the perceptions of the business community involved in Pak-Afghan trade. Right or wrong, these perceptions are important for the assessment of the future direction of work of the Chamber and of the policymakers. For instance, the list in Table 3 is based on the most recurring responses from the respective business community members who were asked about what they thought was the most traded item between the two countries. A cursory comparison of Table 3, with actual data in Annexure-1 of this report shows the extent to which business community on both sides of the border is misinformed about the bilateral trade. This implies that Pak-Afghan traders need to be better informed of current and potential level and lines of trade.

15 Ibid

SPIN BOLDAK, AFGHANISTAN

TORKHAM BORDER CROSSING, PAKISTAN


RAW
MIXED NUTS
250 g
RAW MIXED NUTS
WITH BERRIES
250 g
LICORICE
£3.50
ROASTED
MIXED
250 g



Pakistani Business Community		Afghan Business Community	
Export to Afghanistan	**Import from Afghanistan**	**Export to Pakistan**	**Import from Pakistan**
Motor Cycles	Dry Fruits	Soap Stone	Beverages
Meat	Minerals	Rugs	Electronics
Hygiene Industry	Coal	Precious Stones	Garments
Pharmaceutical Industry	Carpets	Dry fruits	Plastic Stuff, Chemicals, Fertilizers
Construction Services		Fresh Food	Iron, Textile, Stationery
		Medical plants	Pharmaceuticals

Table 3: Views of Business Community on Top Trading Items

(Source: PAJCCI Survey)

There are several interesting experiences by Afghani traders. For instance: Despite the fact that Pakistan has a large poultry industry and substantial stock of livestock animals, an Afghani respondent said that he imports poultry eggs all the way from Tamil Nadu, India to reach Kabul and still remain competitive. Similarly, Afghanistan imports lot of beef all the way from Brazil (details on next page). This indicates that even in some agricultural commodities, Pakistan is not able to meet the demands of its neighbor.

Most interviewees in Pakistan expect tremendous growth in Pakistani exports to Afghanistan; ***'from needle to diesel: Afghanistan needs everything and Pakistan can and must provide it for its own good'.*** It is not the scope of this study to highlight exact trade potential across different product categories. Moreover, while it is possible to identify the potential areas for bilateral trade between Pakistan and Afghanistan, it is difficult to provide a quantitative picture due to unavailability of comprehensive data as well as unreliability of existing data[16]. Still, in addition to the discussion on patterns of top traded commodities, the following provides some clue.

The interviewees in Chaman and Karachi expect export growth to be concentrated around construction (including iron, steel, cement, wood, sanitary, paint, glass and plastic), food (especially processed food such as chicken meat and food consumables such as biscuits, chips, beverages), other household items (such as textile) and low end transport mediums (such as motorcycles and second-hand cars).

In some of these product lines, such as motorcycles and pharmaceuticals, Pakistan already enjoys a leading market in Afghanistan. In the former, Pakistan led with 43 percent of total motorcycle export market in Afghanistan in FY12, followed by China 27 percent and Japan 20 percent, according to CSO data. Similarly, 54 percent of total medicines imported by Afghanistan in FY12 were from Pakistan followed by Iran and India

16 See Annexure II for more details

India holding 11 percent share each[17].

In other goods, such as chicken meat and milk powder Pakistan seems to have ample room for export growth given the primary nature of its economy. While Pakistan had a majority share (75 percent) in export of live chicken to Afghanistan in FY12, according to CSO data, it had only 4 percent share in the export of chicken meat a majority of which was exported by USA (80 percent) followed by Brazil (11 percent). Similarly, while Pakistan supplied 90-95 percent of Afghanistan's total cream and fresh milk imports, it held 50 percent share in total milk powder imported by Afghanistan. This means that chicken meat processors and milk powder makers in Pakistan may have a big market to tap on.

On the Afghan side, business community members reported low scale of production as the biggest restriction to any increase in the quantum of Afghani exports. Other factors that were reported to be hindrances in realising Afghanistan's export potential were weak capacity of Afghan manufacturers in terms of technically trained staff and packaging as well as unreliable access to raw material. This appears plausible. A CIPE survey of 2010 showed insecurity and lack of electricity as two of the top three constraints to Afghan businesses, whereas a World Bank enterprise survey of 2008 had also reported electricity, access to land and access to finance as three of the top six business constraints in Afghanistan[18].

All of the Afghani businessmen, interviewed in this survey, claimed that if it weren't for Pakistan's political interests, the Afghanis would have preferred to import from India through Wagah border. They considered Indian commodities to have higher quality than Pakistani commodities and demand that Pakistan government should not restrict Afghanistan's business activities with India.

Informal Trade

This report does not attempt to make a quantitative estimate of informal trade between Afghanistan and Pakistan. However, some general remarks can be used as estimates. Most of the respondents from Afghanistan put the amount of informal trade to be around $1.5 billion per annum. The prevalent view from Pakistan is not much different, as they claim that the volume of the informal trade between the two countries is at least 40-50 percent of the formal trade.

Box 1: Informal trade

Experience from Bolton Market (Karachi's leading wholesale market): Afghani traders approach local businessmen and offer them spices, tea etc at a 16-20 percent discount to what Pakistanis import themselves. The logical conclusion is they are misusing the APTTA.

An FMCG's experience: An FMCG manager reported that for the last few years one of his products was witnessing an average sales growth of 60 percent in Peshawar and Quetta. However, ever since the firm started directly selling that product in Afghanistan sales growth in these two cities tapered off to 25-30 percent. Upon deliberation, he figured out that the preceding years' supernormal sales were actually being diverted to Afghanistan via informal channels.

Source: PAJCCI Survey

17 CSO (2012a)
18 Cusack & Malmstrom (2010)

Transit Trade for Afghanistan: New Developments[19]

On October 28, 2010, Afghanistan and Pakistan entered a new transit trade regime which replaced the earlier Afghanistan Transit Trade Agreement (ATTA) of 1965.

Major Differences between 1965 and 2010 Agreements*	
ATTA 1965	**APTTA 2010**
No provision for facilitation of Pakistani exports to the Central Asian states	Detailed provision for Pakistani exports to Central Asian states exist.
Trade road routes with land crossing points within Pakistan and Afghanistan left unspecified	Detailed trade road routes specified both for transit through Pakistan to Afghanistan - and through Afghanistan to Central Asian states.
Provisions for Afghanistan trade with India, via Wagah border, outlined but never finalised	Provisions for Afghanistan's exports to India via Wagah finalised. However, Indian exports to Afghanistan via Wagah not allowed at this stage.
Afghani trucks not allowed in Pakistan; trade was to be initially handled by Pakistan Railways, or later the National Logistic Cell or private trucks commissioned by it.	Afghani trucks allowed to transport Afghan exports to Pakistan seaports and to Wagah.
No provision for Afghanistan to access China via Pak-China border at Sost.	Afghanistan now has access to Chinese market via Sost.
Two port entry points in Pakistan: Karachi Port and Port Qasim (also in Karachi, added in 1998)	Three port entry points in Pakistan: Karachi Port, Port Qasim in Sindh and Gwadar Port in Balochistan.
Only two border crossing points with Afghanistan; Torkham in KP province and Chaman in Balochistan	In addition to Torkham and Chaman, a third border crossing point called Ghulam Khan in the FATA region (KP province) - has been agreed in principle.
* Source: Official agreement documents; PILDAT	

Table 4: Comparison between Transit Trade Agreements

Views from Afghanistan on APTTA 2010

Based on their observations and experiences, most business community members from Afghanistan reported that the changes in APTTA 2010, noted in Table 4, are not being applied in practice. For instance: APTTA 2010 allows access to Afghan trucks to Pakistani seaports and Wagah but all Afghan exporters to Pakistan interviewed in this survey reported that Afghani trucks are stopped at the Pak-Afghan borders and that they have to carry their goods through Pakistan by either Pakistani trucks or pay under the table in order to carry the cargo in Afghani trucks. In the case of provision for access to China via Sost/Khunjerab, no interviewee said that he is allowed to export to China through Pakistani borders.

19 See also: Annexure III: Pak-Afghan Transit Trade: A History

Competition on Transit

Although Pakistan transits the bulk of goods for Afghanistan, Afghanistan has also signed similar trade and transit agreements with Iran, Tajikistan, Turkmenistan and Uzbekistan. Figure 6 describes an estimate of relative distribution of various countries offering transit trade for Afghanistan. The signing of these transit agreements is in line with the Afghanistan National Development Strategy (ADNS) that sees Afghanistan as the shortest distance for transit between Central Asia and the sea ports in Pakistan and Iran as well as connecting India with the region.

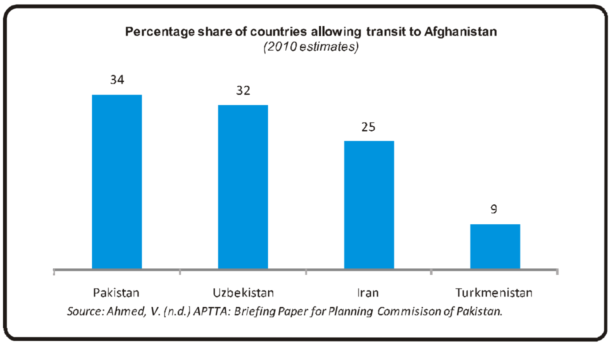


Figure 6: Transit Trade Corridors for Afghanistan

Traders, representatives of transport firms and border agents in Pakistan hold a consensus view that despite proximity, Pakistan may lose its transit trade to other neighbours, as the main alternative Iran offers better infrastructure, simplified procedures, lesser costs, fewer check posts and lesser corruption. Table 6 compares some key factors between Iran and Pakistan as a conduit route for Afghanistan.

Factors	Iran	Pakistan
Container Size and Weight Standards	Strict standards and limits	No or ill-applied standards and limits
Physical infrastructure	Has built modern port and road network alongside border	Dilapidated conditions
Provision of Business Support such as subsidy to truck owners	Iran has given a subsidy to encourage investment in the trucking industry	No such support
Banking channels	Uncertainty in banking because of international sanctions	Professionally developed; independent directors. No global sanctions

Table 5: Competition over Transit Trade

In fact, transit trade via Chaman has already dropped significantly in recent years. The consensus view from traders and clearing/forwarding agents in Chaman is that transit trade via Spin Boldak has dropped by nearly 90 percent in the last 2-3 years. From an average of 2500-3600 containers per month in 2007-2009, Afghan transit trade via Chaman is currently around 300-500 containers per month. A number of reasons have been cited behind this decrease.

- Delays at customs in Karachi as well as at the border
- Combined clearance rules where if there are 150 containers in an invoice then all will have to undergo joint clearance, regardless of whether a container has been delayed due to an accident or road block age or any other untoward incident.
- Corruption by FC officials and Levies Force in between Quetta and Chaman who reportedly charge unnecessary fees on each passing container for all commercial and non-commercial cargo. This "extortion fees" has reportedly increased manifolds since 2007-2009; from an average of Rs. 500-Rs.2500, it now reportedly stands at Rs. 10,000 per container.
- Terrible road conditions

These conditions have forced Afghan transit traders from Southern Afghanistan (Qandahar to Herat region) to move their businesses from Pakistan to Iran. This is despite the fact that Afghani traders prefer to use Pakistan as their transit point because of their ease of access, tribal or otherwise historical relations[20] from their refugee days as well as relative ease of doing business[21]. However, since delays and other problems in transit trade lead to higher inflation in Afghanistan, the Afghanis have no other option. Transit related issues were cited as key causes of inflation in Afghanistan in FY10[22] and FY12[23].

Therefore, aside from helping Afghanistan achieve its ADNS goals, resolving transit trade issues is also in Pakistan's interest on account of two main reasons:

1) Employment generation as higher trading activity means more people employed in trucking, warehousing and other logistical matters as well as employment alongside the transit route from ports in the south to the Pak-Afghan border.
2) Afghanistan is a gateway to Central Asian markets, and it is in Pakistan's advantage to resolve bottlenecks in Afghan transit trade if it wants Afghanistan to reciprocate the same for the transit of Pakistani exports to Central Asia.

Post APTTA: Views from Respondents

Government officials (both current and former) interviewed on Pakistan's side believe that APTTA is a great achievement as it has resulted into better security of cargo, reduced pilferage and thereby reduced smuggling. One official believes that APTTA should be expanded to other countries in the Central Asian region on the same basis.

20 Parto, S; Winters J, et al, (2012)).
21 See also section: Why Pakistan and Afghanistan can create complementarities
22 World Bank (2011a)
23 CSO (2012b)

Business community in Pakistan, however, seems to hold unanimous view that APTTA is a loss to Pakistan - both in terms of reduction in current volume of transit- but also, in terms of the inclusion of Wagah border as it can potentially threaten local industries. A respondent also reported that around 105 firms of clearing/border agents had to be closed due to change in favour of usage of bonded transport.

From the Afghan side, APTTA has brought partial relief to Afghan traders but they also claim that inclusion of insurance guarantee (1.1 percent of total assessed value) has increased the cost of goods arriving in Pakistan. The collection of guarantees at Pakistani ports equal to the import duties on assessed value of goods in transit to Afghanistan has also become an irritant for Afghan importers. As APTTA has given Afghanistan an access to Indian markets via Wagah, Afghani traders demand that Pakistan should also allow Indian goods to come to Afghanistan through the same route.

Increasing insecurity has also forced shipping companies to increase deposit requirements for the containers. While shipping companies allow only 7 free days for the return of empty containers, it takes practically 20 days for a container to be returned implying significant additional costs in demurrage. If the goods are lost by bonded carrier, the government retains the bank guarantee equal to the customs duty, but the Afghan trader whose goods are actually lost remains uninsured.

Within Pakistan, there is a clear divergence of interests and expectations about the outcomes of the APTTA. While the official reports hail the signing of the agreement and claim its effectiveness, the business community seems to believe that it is severely hurting national economy. Official viewpoint hinges upon better security arrangements, pilferage safeguards, and systems control whereas the business interests are driven by the loss of business to local transport companies, border agents and related logistics businesses. Moreover, as the APTTA also includes Wagah border, the business community fears onslaught of Indian goods into both Pakistani and Afghani markets once the Indo-Pak trade through Wagah border becomes more open.

Trade Facilitation

Infrastructure Comparison

The status of trade related infrastructure can be gauged from the quality of road conditions, customs facilities and border check points. Views collected from both countries seem to converge at the following: **when it comes to trade related infrastructure, Afghanistan is much ahead than Pakistan!** This is supported, for instance, by the fact that no scanner is installed at the Torkham border in Pakistan, whereas a state of the art scanner is installed and working in Afghanistan side[24]. The roads are in dilapidated condition at both Peshawar-Torkham section and Quetta-Chaman section. On the other hand, Kabul- Torkham road and Qandahar-Spin Boldak road are in excellent conditions. Similarly, while the custom facilities in Afghanistan are modern and well-equipped, the same at Torkham border are poor. For instance, there is no reliable generator at Torkham customs office; custom officials brave electricity outages on 'self-help basis'. One official said it is too complex to build a modern building at the border, mainly because the ownership of the available plain land is disputed.

Governance Matters

> ***"In Pakistan, we never taxed or collected toll, but took bribes (from transit traffic - whether commercial or NATO)." (A former senior government official)***

A truck entering Afghanistan either from Chaman or Torkham has to pass through at least six to eight check posts all established by different government agencies in the name of ensuring security and checking smuggling. In contrast, when the same truck crosses border into Afghanistan, it encounters just one more check post before Kabul.

Pakistani traders view the relative weak control of Afghanistan's central government vis-a-vis their local tribes as key hurdle in obtaining a secure passage through vast tracts of the country to enter Central Asia.

Exporters from Pakistan have identified several procedural bottlenecks in increasing the trade volume and have brought up concrete recommendations. These specific recommendations have been indicated later[25].

A major concern from Pakistan has been the tendency of smuggling of goods-in-transit back to Pakistan. A more recent issue has been missing containers. As far as security dimension is concerned, however, it can now be addressed by implementing Electronic Data Interchange, which will help the authorities to scan and monitor the movement of trucks.

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24 We were told by a key official in Pakistan that this scanner costs only $2.3 million. A private sector firm proposed to build this facility on build-operate basis, but due to land titling and grabbing issues, this seems an arduous task.

25 Authors of this report acknowledges the working paper of Mr. Zahid Ullah Shinwari, "Afghanistan-an opportunity lost?" for pointing out specific recommendations.

Why Pakistan and Afghanistan can create Complementarities

Pakistan has two-fold advantage in its trade relations with Afghanistan; as a transit route between Afghanistan and the world and as a supplier for Afghanistan's growing needs of the post-war economy. Pakistan and Iran are the most convenient sources in terms of transportation and ease of access to ports, especially for Kabul and other northern areas of Afghanistan[26].

Unlike Iran, however, Pakistan offers more to Afghani traders in terms of strong and reliable social networks for importing and exporting, according to Chaman-based respondents. The oft cited connection is one based on tribal relations between Pakistani and Afghani Pashtuns, whereas common language Pashto also works as a unifier. This view is supported by the fact that Pashtuns, though spread out across Afghanistan, account for 40 percent[27] of its population, the majority of whom are Sunni. Another reason why Pakistan stands at an advantage to Iran is the US-Iran relations and the ensuing sanctions on Iran.

These cultural factors give Afghanis a comfort to trade with and via Pakistan. It is no surprise therefore that Afghani traders are reported to be more inclined towards doing business with Pakistan than with Iran, China or Central Asian states[28]. The latter used to have trading relations with Afghanistan until 1991, following which trading networks have been lost leading to poor knowledge of Central Asian and Russian sourced products amongst Afghani traders. One good example is from the pharmaceutical sector. According to Pakistani pharmaceutical producers interviewed in Karachi, Pakistan has an advantage in Afghanistan because of two main reasons:

a) A number of Afghani doctors have been trained in Pakistan.
b) Afghani people have been accustomed to Pakistani medicines or otherwise they are at least aware of it due to historical relations from the days when millions of Afghan refugees were settled in Pakistan.

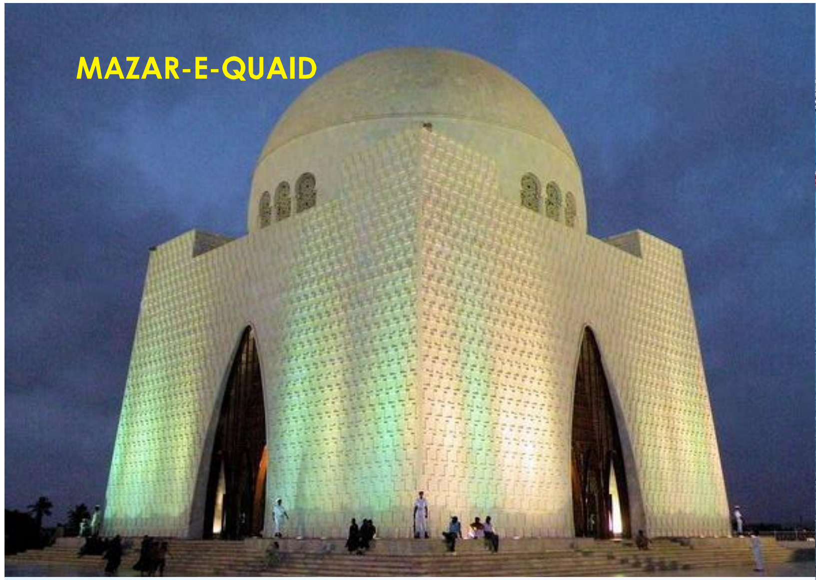
26 Parto, S; Winters J, et al, (2012)
27 Weinbaum, M (2006)
28 Parto, S; Winters J, et al, (2012)


SHRINE OF HAZRAT ALI-MAZAR E SHARIF


MAUSOLEUM BABA WALI


JALALABAD STADIUM


KANDAHAR CITY


MAZAR-E-QUAID


KARACHI PORT


DARA-E-KHYBER


HANNA LAKE

Dividends of Peace and Governance

This report points out that while Pakistani transporters and border agents are losing the revenues they used to earn on transit trade, Pakistan has possibly gained substantially more in terms of bilateral trade. Trade in commodities - as diverse as cement, poultry and motorbikes - means more job creation within Pakistan. On the other hand, APTTA and improvement in infrastructure in neighboring countries have considerably benefitted Afghanistan and it can have more choices when it imports goods for its citizens. In the post-APTTA scenario, informal trade between Afghanistan and Pakistan has apparently gone down due to increased security arrangements.

Peace and trade at both sides of the border suffer as the security issues supersede and misdirect economic and business decision-making. This leads to loss of mutual trust and denial of wide-spread prosperity which can be made possible by freer exchange of goods and services, better trade facilitation and investment in the infrastructure. Afghanistan has an appetite which Pakistan is seemingly not capable to fulfill,whereas Pakistan's appetite which Pakistan is seemingly not capable to fulfill, whereas Pakistan's desires to access Central Asian markets remain immaterialized due to insecure and costly trade corridors. A possible trade-off exists: if Pakistan accedes to the demand of Afghanistan to allow Indian goods to enter through Wagah destined for Kabul, then Afghan government can extend fuller cooperation to Pakistani trade caravans aspiring for Central Asia. Trade is not a zero-sum game.

PANJSHIR VALLEY, AFGHANISTAN

BAND-E-AMIR AFGHAN'S FIRST NATIONAL PARK

Recommendations

An important objective of this report is to develop an advocacy agenda for PAJCCI to improve trade facilitation between Afghanistan and Pakistan. In this section, recommendations have been developed on the basis of views received from respondents, which constitute elements of the advocacy agenda.

Expectations from PAJCCI

1. Play a constructive role in conflict resolution between Afghan and Pakistani businessmen.
2. Encourage the Government of Pakistan to let the private sector construct Torkham custom facility on "Build-Own-Operate" basis.
3. Ensure balanced representation from leading business sectors.
4. Identify sectors to boost bilateral trade including services such as banking, finance and construction.
5. Educate businessmen from both countries about advantages of bilateral formal trade.
6. Expand the membership of the joint chamber and make it more reliable.
7. Improve research on Afghan market.
8. Holds exhibition and other opportunities and platforms for interaction and coordination.
9. Lobby for strengthening the role and performance of Pakistani trade attachés in Afghanistan and also eradication of corruption at customs.
10. Explore the possibility of Free Trade Agreement (FTA) between Afghanistan and Pakistan.

Demands from Governments

1. Internal inconsistencies in Pakistan's trade policy framework should be removed.
2. The requirement of verification of arrival of export consignment in Afghanistan should be finished.
3. Rebates and refunds on exports should be made quicker.
4. Transport permit required in FATA should be removed.
5. Tariff disparity in Afghanistan and Pakistan should be minimized leading to discussions for Free Trade Agreement (FTA).
6. Pakistani government should allow Afghans to own businesses in Pakistan with condition of 'local sponsor'.
7. Relax visa conditions for business community travelling to Afghanistan and to Pakistan.
8. The rationale of the customs duty appraisement at Karachi for goods in transit (even for insurance calculations) to Afghanistan should be reviewed.
9. Afghan government should improve its control over the far flung cities especially neighbouring Central Asia to facilitate the regional trade.
10. Government should accord top priority to develop Peshawar-Torkham as well as Quetta-Chaman roads.

KAGHAN VALLEY, PAKISTAN

LAKE SAIF-UL-MALOOK, PAKISTAN

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Annexure I: Data Tables

Top 7 Export Products in FY07

	HS Code	$	% share*
KEROSENE TYPE JET FUEL(J.P.I)	27101912	140,129,167	19%
WHEAT FLOUR	11010010	106,918,538	14%
PORTLAND CEMENT	25232900	72,094,808	10%
VEGETABLE FAT & ITS FRACTIONS	15162010	51,881,932	7%
VEGETABLE OILS & ITS FRACTIONS	15162020	33,193,329	4%
HIGH SPEED DIESEL OIL	27101931	28,167,301	4%
RICE OTHER VARIETIES	10063090	24,531,250	3%

Source: Calculations based on PBS data

** Percentage of total exports to Afghanistan*

Memo: Total export to Afghanistan in FY07 *753,465,605*

Top 7 Export Products in FY12

	HS Code	$	% share*
PORTLAND CEMENT	25232900	262,814,418	12%
WHEAT FLOUR	11010010	207,766,822	9%
VEGETABLE FAT & ITS FRACTIONS	15162010	204,791,003	9%
KEROSENE TYPE JET FUEL(J.P.I)	27101912	169,212,965	8%
OTH TUB PIP/HOLOW PROF,IR/STEL	73069000	86,589,804	4%
KINO, FRESH	8052010	84,453,243	4%
RICE BASMATI	10063010	72,518,688	3%

Source: Calculations based on PBS data

** Percentage of total exports to Afghanistan*

Memo: Total export to Afghanistan in FY12 *2,235,810,645*

Table A1: Top 7 Pakistani Exports to Afghanistan

Top 7 Import products in FY07

	HS Code	$	% share*
OTHER COTTON	52010090	11,880,726	16%
GRAPES, FRESH	8061000	8,295,718	11%
ONIONS AND SHALLOTS	7031000	8,117,782	11%
WOOD OF OTHER NON-CONF SPECIES	44039900	7,504,300	10%
OTH WASTE AND SCRAP	72044990	3,974,277	5%
PALM OLEIN	15119030	3,349,316	4%
LENTILES, DRY WHOLE	7134010	2,978,535	4%

Source: Calculations based on PBS data

* *Percentage of total imports from Afghanistan*

Memo: Total import from Afghanistan in FY07 *76,232,689*

Top 7 Import products in FY12

	HS Code	$	% share*
OTHER COAL,NOT AGGLOMERATED	27011900	65,654,748	33%
OTH WASTE AND SCRAP	72044990	53,280,079	27%
OTHER COTTON	52010090	23,070,485	12%
GRAPES, FRESH	8061000	12,043,054	6%
ONIONS AND SHALLOTS	7031000	7,994,908	4%
TALC NOT CRUSHED NOT POWDERED	25261010	7,666,285	4%
OTH RE-ROLLABLE WASTE /SCRAP	72044910	4,145,696	2%

Source: Calculations based on PBS data

* *Percentage of total imports from Afghanistan*

Memo: Total import from Afghanistan in FY12 *199,296,321*

Table A2: Top 7 Pakistani Imports from Afghanistan

Top 7 Afghan Imports from Pakistan in FY12

	$	% share*
Other	144,886,602	17%
Cement	138,434,088	16%
Assorted food items	64,703,066	7%
Wheat and wheat flour	52,743,565	6%
Profiles	46,945,110	5%
Vegetable oil	38,526,168	4%
Diesel	34,533,962	4%

Source: Calculations based on CSO data

** Percentage of total imports by Afghanistan*

Memo: Total Afghani import from Pakistan in FY12 — *877,754,493*

Comparative HS Codes not reported by CSO; see Annexure II

Top 7 Afghan Exports to Pakistan in FY12

	$	% share*
Other	63,227,537	35%
Carpets	43,575,990	24%
Licorice root	19,063,981	11%
Pip of almonds	7,438,299	4%
Red raisin	5,631,088	3%
Black vetch	5,551,350	3%
Sheep skins	5,200,660	3%

Source: Calculations based on CSO data

** Percentage of total exports by Afghanistan*

Memo: Total Afghani export to Pakistan in FY12 — *180,649,605*

Comparative HS Codes not reported by CSO; see Annexure II

Table A3: Bilateral trade Pakistan and Afghanistan

Annexure II: A Note on Data and Methodology

This is a preliminary report conducted to identity current trends, opportunities, advantages and bottlenecks in Pak-Afghan trade as well as transit trade via Pakistan. The findings from this report form the basis of identifying areas of further research and provide direction for further action and policy advocacy. The report, based on different sources of trade data as well as interviewees, is not be construed as an exhaustive study on any of the issues or opportunities or other matters discussed in the report.

<u>Data Availability</u>

Data comparability is a contested issue across the world for a variety of reasons briefly described below. Table A4 in Annexure-II, which shows wide differences between available data, is a classic example of the same. It is not the scope of our study to identify the most authentic source of data from amongst the lot. However, the under mentioned observations can be made.

SBP data differs from that of PBS because the SBP records transactions on the basis of payment, whereas PBS obtains its data from the customs department, which does not necessarily reflect payments. Therefore, from Pakistan's standpoint, data from PBS is most authentic. PBS data is also closest to that found in the Pakistan profiles of WTO and Trade Map. The reason why data from Afghan profiles of WTO and Trade Map as well as CSO data grossly differs from others can be attributed to the undeveloped nature of Afghanistan customs and statistics department.

Therefore PBS has been used in most of the analysis, albeit with two major exceptions. A) For the purpose of comparing Pak-Afghan trade with the world, SBP or WTO data has been used. B) In absence of other reliable source, analysis from Afghanistan's point of view i.e. analysis of the breakup of Afghani import/export by country/commodity -- has been made on the data from the CSO.

<u>Issues in Data Comparability</u>

As is the case with most developing economies, data availability and hence data comparability remains a problem when it comes to analysing Pak-Afghan trade. There are four major reasons behind this problem.

First, is the global comparability problem, which is not just a problem of developing economies but also of developed and emerging economies. The global comparability problem may have technical or non-technical explanations. The former includes issues such as definition of export/import items, the variation in type of pricing (FOB, CIB, FAS etc), definition of territory, timing of the transaction, exchange rates etc. The non-technical explanations are discrepancies arising out of non-administrative or procedural matters; these include issues such as under-invoicing and flying invoices that have been reportedly prevalent in the case of Pak-Afghan trade.

Second, like most developing countries, Afghanistan and Pakistan are not the most well documented economies; informal trade thrives both within Pakistan and Afghanistan and across the border as well. This limits the prospects of conducting accurate trend analysis.

Third, Pakistani fiscal year begins from July 1 and ends at June 30, whereas Afghanistan's fiscal year starts from March 21, and therefore there will be comparability issues between data from both sides. Future researchers are cautioned that Afghanistan's fiscal year has been changed; the new fiscal year will begin from January 1, 2013[29].

And lastly, since Afghanistan is a transition economy with future prospects hinging on the dicey nature of geo-politics, it is marked by unpredictability and volatility in economic transactions and therefore economic data. One such example is the extremely volatile trend in GDP seen in the last few years. This volatility in business environment can be gauged from the fact that the global bank, Standard Chartered Bank recently ceased its operations in Afghanistan[30]. Another example of volatility is the sharp changes in percentage share of exports over a span of just one year: in fiscal year 2011, China had 14%, Uzbekistan 21% and Russia 4% share in total Afghanistan imports; in 2012, it changed to 9%, 11% and 13% respectively. In such a scenario, comparability of data over the years becomes questionable.

The comparability of HS Codes is also another problem. For instance, CSO in Afghanistan classifies its cement imports under HS Code 6801 (first 4-digits)[31], whereas Pakistan's PBS has classified it in under HS Code 2523. Similarly, CSO classifies kerosene and diesel under HS Code 2703 whereas Pakistan's PBS has classified them under HS Code 2710.

Methodology

Aside from the data obtained from multiple sources mentioned above, this report has been based on the information gathered by interviews of different stakeholders in APTTA and in Pak-Afghan trade. These interviews, totaling fifty four, included government officials, manufacturers, logistic providers, importers, exporters, clearing and forwarding agents across Karachi, Islamabad, Peshawar and Chaman in Pakistan and in Kabul, Qandahar, and Jalalabad in Afghanistan. The interviews were semi-structured to capture the fluid nature of the subject matter. To that end, the purpose of the interviews was to gather the collective wisdom of the market.

29 World Bank (2011b)
30 World Bank (2012a)
31 CSO (2012a)

Table A4: Comparison of Trade Data Across Multiple Sources

$ (mn)	SBP	PBS	CSO	WTO		Trade Map	
				From Pak profile	From Afghan profile	From Pak profile	From Afghan profile
2012 data							
Pak exports to Afghanistan	1,382.05	2,247.67	877.75	NA	NA	NA	NA
Pak imports from Afghanistan	13.09	199.47	180.64	NA	NA	NA	NA
2011 data							
Pak exports to Afghanistan	1,864.00	2,334.90	597.50	2,661.12	730.80	2,660.29	NA
Pak imports from Afghanistan	10.25	171.88	NA	NA	136.50	199.50	NA
2010 data							
Pak exports to Afghanistan	1,204.50	1,572.03	NA	NA	NA	1,684.66	597.50
Pak imports from Afghanistan	3.03	139.40	NA	NA	NA	138.30	151.30

Legend & Sources:

SBP: State Bank of Pakistan; PBS: Pakistan Bureau of Statistics; CSO: Central Statistics Organisation (Afghanistan);

WTO: World Trade Organisation (calculation based on respective country profile); Trade Map: A joint agency of WTO & UNCTAD

Note

Afghan fiscal year: until 2012 Afghan fiscal year began on March 21st ; but from 2013 the fiscal year will run from Jan-Dec.

Pakistan fiscal year runs July-June

Annexure III: Pak-Afghan Transit Trade: A History

The history of trade between Afghanistan and Pakistan goes back to the times of ancient Silk Route. In more recent times a transit trade treaty, called the Afghanistan-Pakistan Transit Trade Treaty, was signed between the countries in 1965, following which formal bilateral trade increased manifolds. The quantum of this rise can be gauged by the fact that since 1967 more than 800 freight forwarding companies have been licensed by Afghan Ministry of Commerce and Industries, from a handful of firms before that[32].

However, in the face of changing realities, such as the advent of new technology and latest custom procedures, it became pertinent to revise the treaty. The need for a new treaty was also augmented by the fact that the 1965 agreement did not have any scope for Pakistani exports to what now constitutes the Central Asian states. Moreover, a need was felt to address the issue of pilferage, smuggling as well as the identification of specific trade routes within Pakistan and Afghanistan[33]. The new agreement permits the use of more ports, more carriers including Afghan trucks and also increases the number of border crossing points between the two sides.

In light of these, the Pakistani government approved the process of renegotiations with the Afghani government in February 2006, and after four years of negotiations in removing a long list of bottlenecks and impediments and gaining synergies to tap opportunities, the agreement was finally signed on October 28, 2010. The new APTTA was initially agreed to be effective from January 2011. However, owing to delays in procedural requirements, the agreement became effective from June 12, 2011.

According to Article 54 of the agreement, the APTTA will remain in force for five years from the date it came into force. Thereafter, it will be automatically renewed for a period of five years, subject to modifications as may be mutually agreed, unless terminated on account of valid justification by either party. The denunciation shall take effect six months after its notification. Either party can also temporarily suspend the agreement on account of any unavoidable natural catastrophe or emergencies effecting public health, public safety or national security.

The new agreement is in line with the UN's Millennium Development Goals that requires member countries to address the **"special needs of both the least developed countries and of land locked and small island developing countries".** It is also a part of Afghanistan's National Development Strategy (ADNS) rolled out in 2008 which envisions Afghanistan as a trading hub and prioritises trade and transit facilitation as well as cross-border initiatives for exploitation of shared resources of hydro-power. In this context, Afghanistan has joined several regional trade organisations and has signed more than 36 trade-related agreements, protocols and MoUs with other countries and organisations[34].

32 UNCTAD(2008)
33 PILDAT (2011)
34 Poulad S.T(2012)

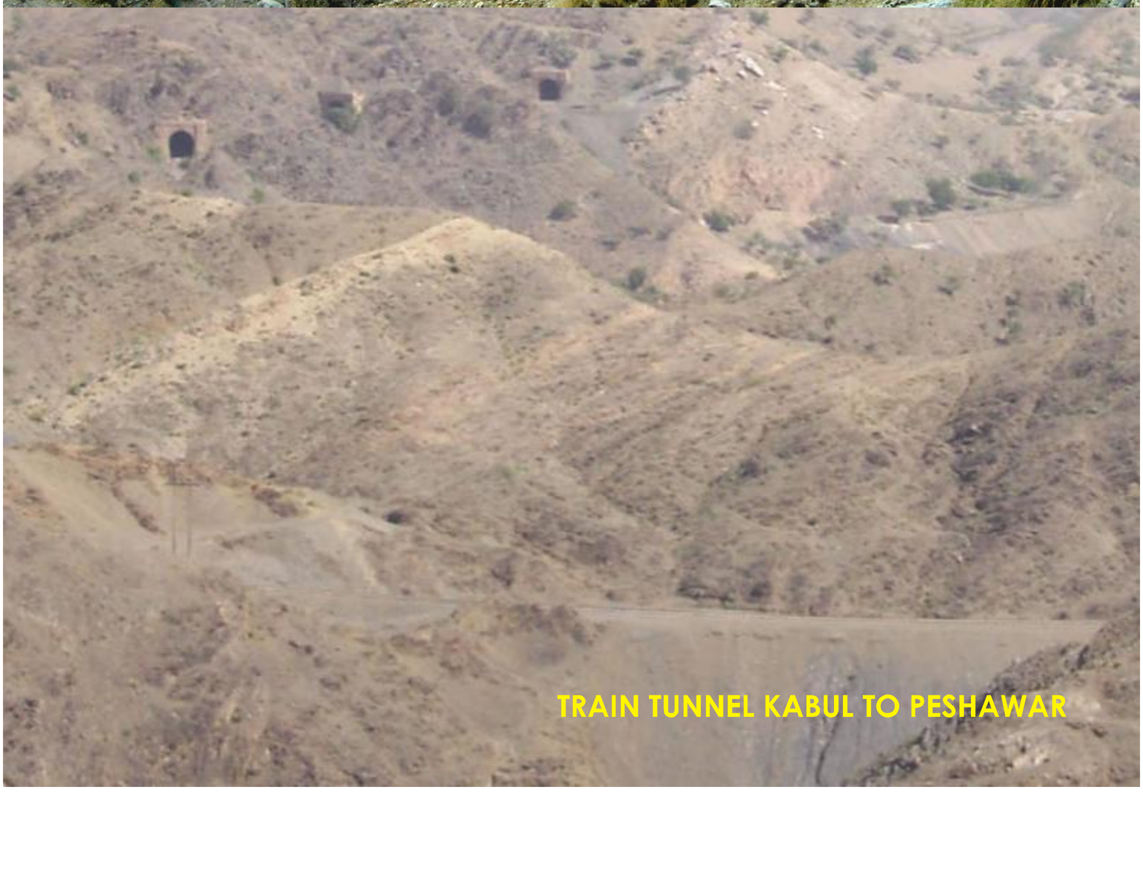
The agreement was made possible by the World Bank as well as the UNCTAD. APTTA was one of the many activities undertaken under the Trade Facilitation Component of the World Bank's financed Emergency Customs Modernization and Trade Facilitation Project (ECMTFP). The World Bank also helped in implementation of the draft agreement by helping to organise high profile workshops to sensitize and involve the private sector of both Afghanistan and Pakistan.

UNCTAD has also been involved in the project at multiple levels. These include the facilitation to Pakistan's Ministry of Commerce to initiate the National Trade & Transport Facilitation Project (TTFP) in 2001. The TTFP led to the creation of the National Trade and Transport Facilitation Committee (NTTFC) and to the introduction of The Single Administrative Document (SAD) for goods entering and/or leaving the country, which facilitates goods declaration system now in use for the Pak-Afghan transit trade. UNCTAD is still involved in projects intended to expand Pakistan's access to Central Asian markets. In Afghanistan, UNCTAD collaborated with Ministries of Finance and Commerce not only to help draft the APTTA but also to implement UNCTAD's Automated System for Customs Data (ASYUDA) which is aimed to reduce transit times, encourage trade and aid in tracking customs 'collections.

Annexure IV: List of Respondents

	List of Respondents for PAJCCI Trade Perception Survey			
	Name	**Designation**	**Organisation name**	**Sector**
	Karachi			
1	Haroon Agar	President	Karachi Chamber of Commerce & Industry	Business Association
2	Majyd Aziz	Businessman	CEO/Director of various organisations	Mineral/textile/commodity trading
3	Shakil Ahmed	Director Marketing	PharmEvo Pvt Ltd	Pharmacuetical
4	Waqas Farooqui	GM Marketing	Shield Corporation	Oral & baby care industry
5	Javed Bilwani	Central Chairman	Pakistan Hosiery Manfacturer Association	Business Association
6	Mohammad Hanif	Director	Chase International/Mohammad Iqbal & Co.	Clearing & Forwarding
7	Haji Nazeer	CEO	Bashir Ahmed & Co	Clearing & Forwarding
8	Islam Salim	Chairman	Security Packers	Bonded carrier services
9	Bilal Jaffrani	Director	Sunlight Wood products	Wood
10	Moin Malik	CEO	Agility	Logistics
	Chaman			
11	Niaz Mohammad	President	Chaman Chamber of Commerce	Business Association
12	Kamran Khan	MD	Imran Khan Ltd	Importer/Exporter
13	Raz Mohammad	VP	All Balochistan goods transport companies Ass.	Business Association
14	Haji Hameedullah	Former president	Chaman Chamber of Commerce	Clearing
15	Haji Qayyum	Owner	Pak Afghan clearing agency	Importer/exporter clearing
16	Habibullah Khan	Assistant Commisioner	Govt of Balochistan	Govt sector
17	Habibullah	Owner	Habibullah & brothers	Importer/exporter clearing
18	Daroo Khan	VP	FPCCI	Business Association
19	Hammad Ali	Owner	Al-Sayyed Brothers Corp	Importer/exporter, indenters, traders
20	Haji Qaseem	Owner	Qaseem Traders	Clearing & forwarding/Shipping agent
21	Haji Zareen	President	Afghan Transit Trade Owners Union Association	Business Association
22	Iqbal Swati	Customs official	Federal Board of Revenue	Government sector
	Peshawar			
23	Said Mahmood	Director		Cement Export
24	Usman Bilour	Vice President	PAJCCI	Match Factory
25	Zahidullah Shinwari	Chief Executive	Alpha Pipe	Manufacturer and Exporter of PVC pipes
26	Zia-ul-Haq Sarhadi	Journalist/Agent		Analyst and Owner of Clearing Agency
27	Faiz Muhammad	Director		Dry Fruits
28	Mr. Irfan Ullah	Director		Soaps
29	Adeel Rauf	Director	Ciel Wood Works	Laminated Wood
30	Fazal Khan Shinwari	President	Pak-Afghan Transit Trade Group	Transporter/Border Agent
31	Riaz Arshad	CEO		Pharamceuticals
32	Dr. M. Saeed Jadoon	Additional Collector	Customs, FBR	Government of Pakistan
	Islamabad			
33	Vaqar Shah	Joint Secretary (APTTA)	Ministry of Commerce, Government of Pakistan	
34	Muhammad Sulaiman	Mentor	USAID, Trade Project Pakistan	
	Afghanistan			
35	Haji M. Aslam	President	Angiza Company	Fresh Fruit
36	Haji Bitani	President	Basharmal Bitani	Fresh Fruit
37	Haji Mangal	Owner	Haji Mangal	Electricity
38	Salam Khan	Owner	Spin Kale	Electricity
39	Haji M. Salem	Owner	Ghar	Precious Stone
40	Sharafuddin	Owner	Nawi Afghan Stones	Precious Stone
41	M. Akbar	Owner	Sangar	Medication
42	Wali	Owner	Mushtari	Fresh Fruit
43	Zahir Mohammad	Owner	Medical Services of Afghanistan	Beverage
44	Ali Shayeq	Owner	Shayeq Nawil Ltd	Beverage
45	Salman Zaki	Owner	Salman Zaki Ltd	Garment
46	Haji M. Sahil	Owner	Sar Buland Baba	Garment
47	Haji Ashraf	Owner	Afghan Pashtun	Medication
48	Suhrab Momand	Owner	Suhrab Momand	Pots
49	Masood Najib	Owner	Masood Najib	Garment
50	Haji Zarab	Owner	Zarab Ltd	Medication
51	M. Noman	President	Masood Nisar	Fresh Fruit
52	Shahid Khan	President	Afghan Nawi Handicraft	Handicraft
53	Ahamdullah	President	Stirg Afghanistan	Beverage
54	Safi	President	Jami Numa Khuraka	Beverage


KABUL - TORKHAM HIGHWAY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