

ENHANCING TRADE BETWEEN PAKISTAN AND AFGHANISTAN

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Abstract

This article is mainly focusing on trade relations between Pakistan and Afghanistan. Both the countries share a long border and rich historical background. Relations between the two countries mostly remain tense as Pakistan always kept Afghanistan on subordinate rank while constructing his foreign policy. Convergence and divergence in relation between the two countries led to trade hurdles between the two countries. Smooth relation between the two countries are prerequisite for improving trade between the two countries. This article highlights different trade barriers existing between the two countries. Despite of highlighting different trade barriers it also suggests certain remedies which are necessary for improving trade between the two countries. For improving trade sector both the countries have to adopt certain strategies like clearness process of customs, transporting vehicles insurance, opting of necessary safety measures of containers. Monitoring and tracking of consignments, obstacles on port, rail and road projects and issues regarding banking channels. Data have been collected from secondary sources like articles, journals etc.

Keywords: Pakistan, Afghanistan, Trade, Relations

Introduction:

Pakistan from its very birth didn't construct everlasting pleasant relation with its neighboring Muslim country Afghanistan. Pakistan always kept Afghanistan on subordinate rank while his constructing foreign policy. Peace in Afghanistan are prerequisite for everlasting peace and stability in Pakistan. The already existing tense relation have always further deteriorated by the involvement of third party. Convergence and divergence in relation between the two countries led to trade hurdles between the two countries. Smooth relation between the two countries are prerequisite for improving trade between the two countries and it would enable both the countries to construct its trade links with other neighboring countries like central Asian republics, China India etc. Transit trade agreement between the two countries is considered to be a milestone in this regard. (Ahmed, 2016) Afghanistan after Pakistan independence avail

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trade opportunity through Karachi port. Due to cross border accidents during PM Dawood period worsens the scenario and ultimately led to the closure of border between the two countries which badly affected the trade of the two countries and especially of landlocked Afghanistan. Pakistani president field marshal Ayyub Khan visited Afghanistan two times to settle the issue through peaceful negotiation. Afghanistan being a developing and economically backward country imports many things from its neighboring countries including Pakistan, Iran, India, China and central Asian republics. Pakistan one of Afghanistan's neighboring country is the largest importer of its products. On the other hand Afghanistan also receives a major portion of its importing products from Pakistan. (Qayum, 2016) Since 2012 trade ratio between the two countries is diminishing which is alarming for the economic growth of the two countries. Pakistan loses its market share in Afghanistan on a yearly basis. The entry of two neighboring countries in the form of Iran and India have replaced the position of Pakistan. The share of Pakistan in the Afghan market was 33% back in 2012 which is now dwindled to only 21%. Pakistan was once the top source of Afghanistan imports but its position has been replaced by Iran in the last few years. (Husain, 2015) Many reasons led to the worsening of bilateral trade between the two countries. Both states are equally responsible for violating the terms and conditions of all those agreements which have been signed between the two in past times. Afghanistan being a neighboring country of Pakistan is closer and accessible to Pakistani products. Both countries share cultural values which led to similar demand patterns of the two countries and boost up bilateral trade. On the other hand there exist certain weaknesses and loopholes which limit trade opportunities between the two and ultimately led to economic disparity and starvation. (Mazhar, 2014)

Major trade barriers between Pakistan and Afghanistan:

Pakistan was once a biggest trading partner of Afghanistan but after 2014-15 relations between the two countries did not remain very good and Pakistan lost its position of being a top trading partner of Afghanistan and thus Iran became the top trading partner of Afghanistan. There exist certain challenges between the two countries which led to the deterioration of trade relations between the two countries. Some of these challenges are as under. (Qayum, 2016)

Unpredictable payments and corruption in the border areas:

Demand of some governmental officials serving in the border regions are considered to be a major threat and hurdle in the way of smooth trading between the two countries. It is considered to be a major hurdle than non-state groups. Owners of different companies complain of traffic

police in Pakistan and many other responsible persons like custom officials, city police afghan police on border regions and many other persons. All these people according to company owners demand money from them for their permission to pass. In case of their refusal they unload vehicles which led to delay in passage for many days. To the other side, the officials stated that “If presented with evidence, we will prosecute any police officers, transport union officials, or truckers who are involved in giving or taking bribes,” he told Radio Mashaal, alluding to a recent directive by the head of police in Khyber district (Siddique, A 2020)

Complicated procedures facing by transporters:

Transporters also facing many hurdles due to complicated procedures which directly impacts the price of goods. In Afghanistan transport companies are required to reload Pakistani trucks and shift goods to afghan trucks. This trans-shipment led to spending of money and ultimately to increase in the price of goods in order to recover the losses during transportation. Reforms have been introduced over the time to digitalize, formalize and enforce custom rules in order to strengthen trade and diplomatic ties between the two countries. (Sethi, 2020)

Threat of non-state actors:

A leading and major issue which always remain a hurdle in the way of trading between the two countries is the presence of non-state actors in the border region especially on afghan side. Certain transport companies which work for NATO and other clients face an everlasting threat from Taliban and other armed groups and non-state actors. Some areas inside Afghanistan are more dangerous and sensitive and routs passing through these areas are risky for drivers and transporters. According to some people only afghan drivers are used inside Afghanistan.

Improper implementation of transit trade agreement:

A transit trade agreement between Pakistan and Afghanistan was signed back in 2010. The aim and purpose of the agreement was to facilitate and boost up goods movement and access to both the countries. The sad agreement was not properly implemented till now and both the neighboring countries blaming each other for violating the terms and conditions of the agreement. Improper implementation of the transit trade agreement led to many trade barriers and hurdles between the two countries. (Husain, 2015)

Continuous war in Afghanistan:

Pakistan being a developing country facing an everlasting war from previous few decades which have badly affected all the sectors and institutions. There are not only infrastructure inadequateness but also of proper transporting facilities which always remain a hurdle in the way of exporting its domestic products and also of importing foreign imported goods. Continuous war like situation in Afghanistan have also badly impacted the neighboring Pakistan. The presence of different non state armed actors not only disturb the stability of the country but also creates hurdles in the way of trading activities between the two countries.

Absence of sound banking system in Afghanistan:

The presence of a sound banking system is prerequisite for efficient trade activities. Efficient banking system promote bilateral trade between the countries. Absence of such an efficient banking system in Afghanistan led to many trade barriers. On Afghanistan side there is no such proper facilitation banking system. (Nusrat, 2018)

Issue of border closure between the two countries:

A much more dominant and observable issue on both sides is that of border closure for many reasons. Pakistan and Afghanistan shares a long border of almost 2240 kilometers. There are many trading routes on this long border among which Torkham route is dominant one. These routes sometimes remains closed for a long period of time which led to huge losses on transporters side. Stoppage of loaded trucks leads to many financial losses and creation of mistrust and uncertainty between the two countries. Border closure is thus more observable on Pakistani side.

Delay in clearance of the goods:

One of the important hurdle in the way of smooth bilateral trade relation between the two countries is that of unnecessary delay in the clearance process of goods. The absence of proper check and transparent clearance system in the border region between the two countries is an issue in the way of efficient trade. There also exist some issues like unavailability of sufficient space which are prerequisite for goods handling. (Husain, 2015)

Absence of dependable computerize system:

In modern world trade between different countries done through advanced methods and techniques. All the systems throughout the world are digitalized and updated. Trade between Pakistan and Afghanistan carries through traditional methods and techniques. There is no

proper computerize and updated system which led to the creation of many hurdles in the way of efficient trade between the two countries. There is no proper computer system which can keep goods documentation.

Unnecessary delay of Trucks and Trolleys on Torkham border:

Unnecessary delay of trucks on Torkham border is another important hurdle and problem in the way of smooth and efficient trade between the two countries. The reason behind this unnecessary delay is the absence of an organized and systematic system which leads to the delay of loaded Trucks and Trolleys by 2 to 3 days.

Lack of communication between the concerned stop of two countries:

For efficient trade between different countries it is needed there must be an effective coordination and communication between the concerned stop of the countries. In Pakistan Afghanistan case there is lack of effective communication between the custom officials of the two countries which led to delay in timely completion of the transit. (Nusrat, 2018)

Transit and transport related issues:

There are also issues relating to transport and transit between the two countries. Many hurdles are facing by the owner of goods like in case of theft and any other harm to goods they are not properly compensated which led to a great loss on the owner side. Despite of it there are also many other issues like computerized system on check posts at different places remain out of order which led to unnecessary delay. On Afghanistan side there is a transporter union which are backing by the country government led to the creation of many problems in the smooth flow of transport. Limitation on trucks of Pakistan and Tajik from Afghanistan side is also an important issue. Absence of sound infrastructure like road and rail is also an issue in bilateral trade. (Ahmed, 2016)

Afghanistan Pakistan transit trade agreement:

The Afghanistan Pakistan transit trade agreement is a successor agreement to Afghanistan transit trade agreement. The agreement was signed in 1965 in order to promote and facilitate transit of imported and exported goods of Afghanistan by using Pakistani ports. APTTA is considered to be more efficient and effective trade agreement between the two countries. The new agreement have facilitated the access of Afghanistan to Pakistani ports like port Qasam,

Gwadar and Karachi. APTTA has also facilitated Pakistan access to other regional countries. There are weaknesses still exist on afghan side as they have not notified and demarcated their custom transit rules which in turn affects the smooth access of Pakistan to central Asian republics. According to a report of Pakistan Business Counsel while evaluating the impact of APTTA on afghan transit trade it has been observed that the volume of transit trade through Afghanistan has declined in between 2011 and 2014. The decrease in the transit trade shows that APTTA has curbed the illegal trade and thus it should be made much more effective in order to ensure transparency in trade between the countries. (Rahim, 2018)

APTTA is one of an effective trade agreement as compare to previous agreement between the two countries as it has not only minimized the risk of illegal trade but have also boosted transit trade considerably. There still exist certain impediments in the way of ensuring a harmonious trade between the two countries. Both the countries have attempted several times to eradicate illegal trade linkages on both side of the borders but with no or very little success. There are certain demands on afghan side which Pakistan is not going to accept like a demand exist on Afghanistan side is to allow afghan trucks to transport goods to India and back. This demand of afghan government is not only in contrast to UN convention but will led to severe challenges for Pakistan as well. Accepting the demand by the Pakistani government would led to losing of thousands of Job opportunities in different parts of Pakistan especially in Khyber Pakhtunkhwa. According to a study cargo and other commercial activities with Afghanistan is of greater importance for the larger interest of Pakistan as a large number of Pakistani population are engaged in different trade related activities like transporting, trade etc. increase in employment back in 2004 to 2011 in different parts of KP and Baluchistan are the outcome of these trade and other commercial activities. India being a neighboring country also want to be a part of APTTA and thus intended to use the land route of Wagha border. On the other hand Pakistan is not in favor of India joining as it will lose Pakistan position especially in trade related affairs with central Asian states. Back in 2015 a commerce minister from Pakistan side announced certain steps for reducing transit barriers for Afghanistan like ensuring of joint custom and clearing points for efficient cargo movements to both sides. Many other reformative guidelines were also suggested to strengthen transit trade. These measures are unfortunately facing many difficulties and challenges from different governmental officials on Pakistani side. They are of the opinion that by adopting these measures trade would become more unfair and illegal. (Sethi, 2020)

The importance of Private sector chambers:

A coordination for the effective implementation of APTTA has established which meets once in a period of six months. The authority is chaired by the representatives from both the countries and also some other personalities from private sector like representatives from Pakistan Afghanistan joint chamber of commerce and road transporters etc. APTTCA is considered to be an effective forum which fulfil all the responsibilities assigned to it by both the countries as Pakistan and Afghanistan. Although it should be made effective and strong by keeping all the stake holders like people related to private sectors updated and informed. Further steps should also be adopted like including Pakistan Afghanistan joint business counsel as member of APTTCA. In Pakistan there exist different private sectors which possess different commercial and industrial interests. Private sectors perform very good and efficient task like overcoming the problems associated with illegal trade moreover it also have an important role an insuring efficient and smooth transit trade and bilateral trade. (Khan, 2016)

Interdependency of both the countries on each other:

Due to its geostrategic location Afghanistan has a vital importance in the Asian geopolitics. Due to its location and presence it has been remained a transporting hub form a long time. Its links with different countries like Iran, china, Turkmenistan and Pakistan have led it to a hot bed for conflict and cooperation. The withdrawal of soviet forces from Afghanistan and the emergence of different militant groups have led it to a continuous war like zone in the region. Being closely connected both Afghanistan and Pakistan are of greater and crucial importance for each other. Both Pakistan and Afghanistan have remained best trading partner for each other over the past period of time. Pakistan being a neighboring Muslim country was once a top trading partner of Afghanistan. On the other hand Afghanistan was once the third largest destination of Pakistani exports. For the last few years Pakistan trading ration towards Afghanistan has decreased due to raising of mistrust between the two. Afghanistan are dependent for many products which they import from Pakistan like milk, cream, animal and vegetable oil, cement, wheat, rice and house hold furniture etc. On the other hand Pakistan also import many thin from Afghanistan like Grapes, insects resins, Gold, Coal briquettes, Tropical Fruits etc. Afghanistan import all these products to Pakistan and other neighboring countries. Despite of import and export both the countries are dependent on each other for certain other things as well like. (Saeed Parto, 2012)

Elimination of militancy and terrorism:

Both Pakistan and Afghanistan are facing a burning and hot issue in the form of militancy and terrorism from the last few decades. Terrorist have safe heavens both in Pakistan and Afghanistan which are considered to be an everlasting threat to the national integrity of both the countries. Both the countries are dependent on each other for the elimination of violent extremism from the region. It had remained a dominant issue in the way of smooth trade between the two countries.

Strengthening of economy:

Both the countries share a long boarder area and also share cultural and religious values. Economic stability of both the countries are related to sound trading activities between the two countries. For the elimination of economic disparity between the two countries both are dependent on each other. (Ahmed, 2016)

Elimination of unemployment:

Unemployment is considered to be an important issue facing by both the countries. Both the countries are economically unstable and that's why can't provide services to their people properly. If relation between both the countries are good and smooth their economic position would be strengthen and ultimately both would be able to eradicate unemployment and thus give services to their own and also to each other people.

Despite of all these dependencies both the countries are dependent on each other on multiple ways which can't be fulfilled without strong ties and cooperation between the two. (Sethi, 2020)

Necessary steps to be taken for promoting Pak afghan trade:

Certain necessary steps should be taken for strengthening trade activities between Pakistan and its neighboring Muslim country Afghanistan. These should be

Greater use of modern technological methods and techniques:

For ensuring efficient and smooth trade between the two countries technological advancement and usage is necessary on both sides of the border. Pakistan is intended to build up state of the border stations on different crossing points of Pak afghan border like Torkham, Taftan, and Chaman etc. Different electronic systems are going to be developed. It would have the quality

of giving exact online time of the bilateral and transit trade. Other related issues should also be resolved by adopting advanced methods and techniques. The advancement of system and technology would curb the informal trade and thus will increase incentives for formal trade.

Insuring of Tariff reforms for Afghanistan and nearby Central Asian States:

Unsound custom duties on imports from Afghanistan side are considered to be a sort of constraint on trade relating partnership of both the countries. Minimizing Tariffs could be beneficial for promoting bilateral trade between the two countries. In Afghanistan there is fast rubber, plastic and paper and paper board industry. In Pakistan these sectors face high tariff as compare to neighboring India. (Mazhar, 2014)

Insuring outreach program:

Pakistani government has realized some problems and realizing many others facing by private sectors. Many responsible institutions in Pakistan like federal board of revenue, ministry of commerce are working to solve problems and issues like re exports related issues, upgrading trade facilitation at Torkham and Chaman. They are also trying to insure a proper border management system.

Trade in services:

For insuring efficiency sector regarding services should also be make efficient and functional. Services sector in Afghanistan is not too much as compare to Pakistan. Pakistani businesses have a lot of opportunities to utilize its knowledge and understanding regarding their involvement in the industries of Afghanistan. An agreement regarding trade in services should also be needed on treatment of double taxation. It could be done under the guidelines of PTA procedure. An updated study regarding the services trade between the two countries is also prerequisite. (Qayum, 2016)

Tajikistan inclusion and APTTA:

Afghanistan Pakistan transit trade agreement is of great importance. It has strengthened and will further enhance cross border trade between the two countries. It has insured a lot of opportunities for both the countries regarding strengthening their trading ties. Political rivalries between the two countries have led the creation of misunderstanding between the two countries. Certain necessary measures regarding upgrading APTTA should be taken like

various and multiple stakeholders should be invited and all their suggestions should be given proper weightage. According to some of the stakeholder's transit facility should also be extended to Afghanistan neighboring country Tajikistan.

Ensuring of an efficient Joint Economic Commission:

For the smooth and proper implementation of economic cooperation reforms between the two countries ensuring of an efficient joint economic commission is prerequisite and important. Certain necessary measures be taken for insuring of an efficient commission. It is necessary for JEC to meet once or two in each year regularly. JEC should also have to invite members of different take holders like Pakistan business council, think tanks and consumer association etc. They should have to discuss all the issues facing by both the countries. The JEC should have the position to review and see all the position of mega projects which affect both the countries. (Mazhar, 2014)

Trade corridors should be protected:

There are a lot of security problems regarding the security of trade between the two countries. Up to some extent Afghanistan has the capacity to make their trade corridors secured and protected. Regarding security afghan public protection force play their due role although there exist certain loopholes which led to the security problems in both the countries. Afghanistan is the shortest route for trade with Central Asian states and Russia. From Russia, Pakistan's export goods can enter the European market. The Ministry of Commerce, in recent briefing to a cabinet meeting, chaired by Prime Minister Shahbaz Sharif, pointed out that APTTA 2010 did not cover the multimodal bonded air-to-land transit of cargo (Bhutta, Z 2020). Certain steps have already been taken from afghan national security forces against different groups as there exist multiple groups with violent militant nature as Taliban, ISIS and other such groups of violent nature which should be controlled and protective measures should be taken against them.

Right of access to sea and transit should be secured:

Afghanistan being a land locked country have been honored with the right of access to sea for trading purposes. Through this right they have the opportunity to enjoy freedom of transit through these states. For enjoying this right agreements should be signed between the parting states. An agreement between Pakistan and Afghanistan has signed in the form of APTTA which have facilitated both the countries especially Afghanistan to greater extent in trade

sector. This right of Afghanistan should be fully protected from Pakistan side and both the countries should have to abide by the principles and guidelines of the agreement. (Saeed Parto, 2012)

Ensuring of free zones and custom facilities:

For ensuring a convenient traffic in transit all custom related facilities and relief should be insured. On the other hand all the possible steps should be taken to ensure free zones at the entry and exit points of ports in the transit states. All these should be done under the agreements between the transit and land locked states.

Improvement and cooperation should be insured regarding means of transport:

For insuring an efficient trade system between the two states cooperation regarding means of transport should be insured. As both the countries like Pakistan and Afghanistan are passing through a developmental phase that's why both these might be facing certain challenges like inadequate equipment, port installations etc. In such cases both the states mean land locked and transit state will overcome the problem by mutual cooperation and consensus. (Khan, 2016)

Elimination of unnecessary delays and difficulties:

Transit state have to adopt all possible measures in eradication of unnecessary delays and other hurdles of different nature. In case of occurring such issues it's the bound responsibility of both the transit and land locked state to take all the necessary measures for the speedy eradication of the problem or issue. Also, hundreds of Afghan refugees facing extreme delays in the approval of U.S. visas protested in Pakistan's capital Sunday, as an American program to help relocate at-risk Afghans fleeing Taliban rule stalls (VOA 2023).

Insuring of effective transit facilities:

Afghanistan and Pakistan have signed two transit agreements in 1965 and 2010 respectively. These agreements were signed to facilitate Afghanistan with transit facilities and access to seaports for trading purposes (Owais, M 2018). Both the states have to insure efficient transit facilities. It had been decided in the APTTA that both states will cooperate and facilitate each other in transit trade. Both states will opt such ways which can led both the states to mutual development and economic prosperity. (Rahim, 2018)

Insuring of people to people contact:

For efficient trade relation between countries it is necessary that there should be a harmonious and smooth people to people relation. In the case of Pakistan and Afghanistan it is very clear and observable that both the countries share a long border of almost 2250 kilometers. Despite of sharing a long border both the countries also have their common religious, historical and cultural links which led to strong bond of connectivity between the two countries. Unfortunately relation between Pakistan and Afghanistan are not too much smooth and satisfactory which led to creation of tension between the two countries. For insuring effective trade relation people to people contact should be promoted. Flexible visa policy should be adopted and other such initiatives should be taken to overcome visa relating hurdles.

Insuring of preferential trade agreement:

Insuring of such an agreement would not only facilitate access of afghan market goods in the Pakistani market but would also address and tackle the problem of smuggling and illegal transfer of goods. A sound roadmap for tariff rationalization should also be the part of this agreement. Despite of it measures related to nontariff should also be polished and improved. Infrastructure development should be insured as without proper roads and railway tracks trading hurdles might not be overcome easily. Both the countries have to focus over infrastructure development and facilitate transportation. (Khan, 2016)

Conclusion:

We can summarize the above discussion as both the states have to retain good and peaceful relation with each other. Without taking certain necessary and prerequisite measures both the states can't attain their desire objectives and goals. For enhancing trade between the two countries it is necessary that negotiation should be started between Pakistan and Afghanistan trade officials regarding different things like clearness process of customs, transporting vehicles insurance, opting of necessary safety measures of containers. Monitoring and tracking of consignments, obstacles on port, rail and road projects and issues regarding banking channels. On Pakistani side certain necessary measures should be taken like insuring of cogent afghan policy and it should have the opinion of economic, security and foreign advisors. Various institutions like ministry of finance, planning commission, and other relevant institutions have to insure a first loss equity fund. Work on the ongoing projects like rail and road should be expedited in both the countries. Civil society working on Afghanistan and

Pakistan trade cooperation should be strengthened. Trade summits between the two countries should be done on annual basis. Sound economic reforms from both the countries for technical assistance from both the countries should be insured. From Pakistani side ministry of commerce with cooperation of custom officials have to insure an updated assessment regarding lacking facilities which led to the curtailment of cross border transit and other trade activities. Support of FBR should also be taken for formalizing the ongoing and growing illegal trade between the two countries. For improving trade Afghanistan have to take positive steps for improving regulatory institutions relating especially to competition, oil, gas and those authorities which regulate mining.

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