

# Critical analysis of data of Afghan transit through Pakistan since 2010:

Trends, Issues, Challenges and Way Forward

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## Suggested Citation:

Shah, Z. (2023). Critical analysis of data of Afghan transit through Pakistan since 2010: Trends, Issues, Challenges and Way Forward. *Journal of Pakistan Administration*. 44(2). 114-144.

Received: July 23, 2023/ Accepted: October 30, 2023/ Published: December 31, 2023.

## Abstract

Pakistan extends the transit trade facility to Afghanistan under bilateral and international frameworks. British India extended this facility and so did Pakistan. But transit and trade has never been consistent. This research focuses on the trends of transit data, issues and challenges and the way forward for Afghan Transit and beyond. The study uses analytical and descriptive approaches. Qualitative data has been collected through interviews while quantitative data has been obtained from official records, research articles, websites, social and other media searches. The research concluded that the old transit trade agreement was not meeting the challenges of structured transit as per international best practices and a new treaty APTTA was signed in 2010 with the active collaboration of the international community and since then transit has passed through different phases. The paper explores the current legal and institutional transit trade regime and trends of transit trade since 2010 with specific focus on the last five years. It has passed through diverse phases due to mutual mistrust, weak institutional arrangement, smuggling, lack of proper infrastructure, transit trade security and data issues, The Paper also highlights the impact of international politics and the development of port infrastructure in Iran and Afghanistan by India. The paper advocates for a policy shift from geostrategic to geo-economic cooperation, focusing on

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mutual and transit trade. It emphasizes the need for regional connectivity, effective border controls, and breaking the transit smuggling nexus. Strengthening institutional arrangements, promoting transparency, and simplifying procedures are recommended to enhance transit trade and foster economic ties between the two countries.

**Keywords:** *Afghan, transit, transparency, agreement.*

## **1. Introduction**

Afghanistan is one among the 31 landlocked countries along with Mongolia, Turkmenistan, Lao People's Democratic Republic, Nepal, Bhutan, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan (Amin et al., [2020](#)). Being landlocked, Afghanistan mainly relies on Pakistan for transit trade with the rest of the world (Rahim, [2018](#)). The transit trade relations are governed under bilateral and international frameworks. Afghanistan avail transit facility through Pakistan and other neighboring countries in pursuance of the UN Convention on law of Sea ([1958](#)). Since the inception of Pakistan it has been allowing its territory for transit trade. These ties date back for centuries, when the cities of Balkh, Bagram, Kabul, Kandahar and Peshawar were main transit and trade hubs along the Silk Route (Parsa, [2017](#)). In the 19th century export of dried and fresh fruits and nuts from Kabul and Kandahar to India was one of the most lucrative business and Peshawar was an important base for a large number of bankers and financiers to finance this trade (Hanifi, [2011](#)). Transit is transport of goods of a landlocked country through the land of another country without imposition of fiscal and trade regulations prevailing in the country of transit. The World Customs Organization ([1965](#)) defines transshipment and transit as local and international transit. Pakistan signed Afghan Pakistan transit Trade Treaty (ATTA) and was renewed through APPTA, 2010. For Afghanistan, Pakistan can serve as a key transit route for access to Arabian Sea and for Pakistan, Afghanistan is the key to avail benefit from Central Asia's & Russia mineral wealth (World Customs Organization, [2017](#)).

Pakistan enjoys many benefits from Afghan transit trade in the shape of clearing agent, insurance company's charges, storage facilities, POL/Toll collection, use of hotels and restaurants, repair of vehicles and transportation charges at an average of 5% of the value of transit goods (Ahmad, 2023). Pakistan is continuously improving its transit services through Regional Improvement of Border Services (RIBS), Facilitation of Regional Transit Trade in CAREC ([n.d.](#)) and border connectivity. It has launched Integrated Transit Trade Management System (ITTMS) under CAREC which will be completed by 2023. The project was conceived by ADB in 2015 to develop physical infrastructure at three border stations Torkham, Chaman & Wagha to improve logistics super structure for the business environment between the two countries. Pakistan has adopted its own specific TT regimes and has signed a



number of bilateral and multilateral transit trade agreements with other countries. Afghanistan Pakistan Transit Trade Agreement (APTTA)- 2010 (Ahmed, 2010), Uzbekistan Pakistan Transit Trade Agreement (UPTTA) – 2021 (Bhutta, 2022), Quadrilateral Traffic & Transit Agreement (QTTA) -1995, ECO Transit Transport Framework Agreement (TTFA) -1998, Central Asia Regional Economic Cooperation (CAREC) – 2010, and Transport International Routiers (TIR) – 2015 are agreements signed by Pakistan with regional countries. China Pakistan economic corridor (CPEC) which can prove a harbinger of trade between Pakistan, Afghanistan and China. In view of this, Pakistan established the Directorate General of Transit in 2013 under enhanced jurisdiction / responsibilities and created four new Directorates (Khan et al., 2017) (Annex-I). Another reason was the recommendation of the Federal Tax Ombudsman FTO in the Afghan transit missing container case to establish such office. Pakistan took a number of steps to further regulate transit trade by tracking & monitoring mechanism, sealing of containers, transshipment of cargo through bonded carriers and customs integrated scanning system. Afghanistan has also signed a number of bilateral and multilateral agreements to cement economic ties among these countries. But transit trade is not consistent between two countries. Transit is a double-edged sword for Pakistan for having its benefits for Pakistan economy in transportation and service sector but at the same time causing huge loss to Pakistan's economy due reentering of transit goods into Pakistan. Afghanistan imports a variety of goods including construction materials from and through Pakistan and Afghanistan provides an opportunity for enhanced regional connectivity. Pakistan is exploring the China wakhān corridor as an alternate route to Tajikistan due to political turmoil in Afghanistan while Afghanistan has signed a number of treaties with neighboring countries to cement its economic ties with these countries. But still trade between the two countries and the rest of the region is the only option through each other's territories. The situation around the world is changing rapidly and the world is moving toward economic confrontation which necessitates both the countries to strengthen economic cooperation and trade linkages for the benefit of their own people. Afghanistan depends on Pakistan for transit trade for about 40 % of its trade as authentic data is not available of its transit through other countries but still transit trade is facing a number of issues and challenges which require immediate attention.

### 1.1. Statement of Problem

Afghanistan is a land locked country and depends on Pakistan for its imports and exports with the outside world for providing the shortest route to sea. The bilateral transit is governed under 'Afghanistan Pakistan Transit Trade Agreement (APTTA)' 2010 which offers a comprehensive mechanism. Despite several incentives extended under the same treaty, transit trade has not reached its optimum level and remained inconsistent in the past particularly after 2010. This variation in transit trade data needs an in-depth analysis to identify the

factors hampering transit trade and suggest a way forward to further strengthen the transit regime.

## 1.2. Scope of the Study

The study has been undertaken to analyze transit trade which is highly debated in Pakistan in the context of its benefits and impacts on its economy. The study examines transit trade data and identifies the looming issues and challenges adversely hindering transit trade. The scope of study is limited to the period since 2010. However, data from the last 5 years' is more focused to precisely arrive at the trends and other instigating issues and challenges resulting in this variation. The period is also important because ground realities have changed in the last three years by change in political regime and relatively peace in Afghanistan. The requirement of Afghanistan to import has decreased as most of its own people have fled away and the foreign troops have left the country. But contrary to this it is importing more during these years. As transit trade through Afghanistan is also linked with regional connectivity and hence the same also comes under discussion. Historical data of noncommercial trade for US/ISAF/NATO forces and bilateral trade between the two countries is excluded from the scope of study. Afghanistan transit trade with other countries is also not included due to non-availability/access to data. On the basis of this study a way forward has been suggested for the policy makers as how to strengthen administrative and regional arrangements for enhanced transit trade between the two countries.

## 2. Literature Review

A number of studies have been conducted by individuals and International Organizations on transit trade between Pakistan and Afghanistan. These studies highlight its benefits for both the countries and the challenges transit trade is facing. However, it has been noticed that most of these studies relate to the period before withdrawal of US forces from Afghanistan and the same covers noncommercial cargo at great length. The current study is more focused on commercial cargo. The Pakistan Business Council (2016) has analyzed transit trade between Pakistan and Afghanistan in the year 2016 and has observed that transit trade has tremendously decreased after signing of APTTA, 2010. But the said study is more focused on smuggled prone items and its adverse effects on the Pakistan economy. Pakistan transit trade with Afghanistan touched the lowest ebb during Covid-19 due to global supply chain disruptions and certain administrative actions taken by Pakistan causing different data patterns during the said period (Transit, 2010-2012). Pakistan Strategic Plan highlights the trends and technology intervention to facilitate Afghanistan Transit and has suggested steps to further augment the transit regime in Strategic Plan 2019-2024. The agreement, signed in October 2010, reflects long-standing UNCTAD recommendations on using trade-facilitation



arrangements to spur economic development in the region (United Nations Conference on Trade and Development, [2011](#)). Pak- Afghan Transit Trade Treaty 2010 and Pashtun involvement across the Durand line describe the impact of local trade on lives of people living in border areas. Rahim in his research work on Afghanistan Pakistan Transit trade on legal, administrative and agonies of landlocked countries highlight certain issues like closure of border crossings, barriers on trade with India, nonexistence of robust risk management system and security over skull provided in the APTTA,2010 but the study is not taking complete overview of transit trade issues (Rahim, [2016](#)). As per report, the World Bank Group works with developing countries' policymakers and private sector leaders to increase connectivity and facilitate trade, especially those that are landlocked and which face considerable challenges when it comes to tackling trade facilitation issues. Recognizing this, the World Bank Group invests heavily in connectivity, logistics and trade facilitation (The World Bank, [n.d.](#)). Hanifi ([2011](#)) in his book 'Connecting Histories in Afghanistan, 'Market Relation and State Formation on Colonial Frontier' highlights the close link between commerce between Kabul, Peshawar, and Qandahar. The book reveals how local Afghan nomads and Indian bankers responded to state policies on trade. British colonial political emphasis on Kabul had significant commercial consequences both for the city itself and for the cities it displaced to become the capital of the emerging Afghan state. Shah ([2018](#)) in his article "Post 2010 Afghanistan-Pakistan's Transit Trade, Implications of legal and illegal endeavors assess misuse of the Afghan Transit Trade and its impact on Pakistan's economy especially on the growth of smuggling and other illegal trade and all the probable reasons and factors related to the exploitation of the agreement, especially Pakistan-Afghanistan cross border smuggling causing undesirable impact on Pakistan's economy. Sultana ([2011](#)) in her research article on Pakistan-Afghanistan Economic issues and prospects published by Pakistan Institute of International affairs has highlighted how smuggling has impacted economic relations between the two countries. She has mainly focused on three types of smuggling. Smuggling of Pakistan commodities to Afghanistan. The total revenue impact is approximately 2-2.5 billion US dollars and estimated loss to Pakistan's economy in the year 2010-11 stood at 75% of its revenues. 32 Smuggled goods include flour, ghee and cooking oil, medicines, sugar, rice, fertilizers, garments and building materials from Pakistan. This has serious repercussions for Pakistan's economy and availability of essential commodities in the country. Similarly transit goods are being smuggled back to Pakistan which include electronic goods, power generators, black tea, leather, auto spare parts, and vehicles. All this proved disastrous for the social fabric of Pakistani society which is still reeling from its adverse effects. Threkeld and Easterly ([2021](#)) in their report on Afghanistan Pakistan ties and future stability in Afghanistan published by the United States institute of peace describe the importance of connectivity and trade both for Afghanistan and Pakistan

affected by five recurring factors including sovereignty concerns, security interests, geopolitical dynamics, cross-border ties, and connectivity and trade.

### **3. Research Methodology**

The study has used analytical and descriptive approaches for drawing conclusions and knowing trends of data. The research has adopted mixed approaches by using qualitative and quantitative data. Qualitative data has been collected through interviews with clearing agents and representatives of trade chambers while quantitative data has been obtained from official record, research articles, websites, social and other media searches. International trade Map and data of National Institute of statistics of Afghanistan (NISA) available on its Website have also been accessed. The requisite secondary data has either been obtained from WeBOC of Pakistan Customs maintained and operated by M/s PRAL or from Directorate General of transit trade Karachi. Interviews with the relevant stakeholders were held to know the nature and quantum of the issues in its historical and current perspective. Pakistan Customs Act, 1969 and different SROs issued by FBR from time to time have been consulted (Federal Board of Revenue, [n.d.](#)). Being part of the customs department, my personal experience is an added advantage in carrying out the research.

#### **3.1. The study Outline**

The body of the paper is divided into sections. After introduction, section one is on situation analysis and the trends of transit trade data and Section-two is about listing the issues and challenges of transit trade between the two countries. Section three concludes the discussion followed by Way Forward for policy makers.

### **4. Situation Analysis**

#### **4.1. Legal framework and analysis of data**

##### **4.1.1. International Treaties and Agreements**

Afghanistan avail transit facility through Pakistan and other neighboring countries in pursuance of the UN Convention on law of Sea ([1958](#)). Article-V of WTO Rules regarding Freedom of Transit, Revised Kyoto Convention of 1999 & SAFE Framework of Standards 2012 also provides a mechanism for transit trade of landlocked countries. On 8th July, 1965 UN signed “Convention on Transit Trade for Land-locked Countries” in its 35th plenary meeting. Articles 124 to 132 of the Convention address the rights of access and free transit of land- locked States and establish the general principles of access and free transit under Article 125. General Assembly resolution 1028 (XI) on the land-locked countries and the expansion of international trade also recognize the need of land-locked countries for adequate transit facilities in promoting international trade, and invite the member states to give full recognition to the



needs of land-locked member states in transit trade and, therefore, to accord them adequate facilities in terms of international law and practice (United Nations, [1965](#)).

#### 4.1.2. National Laws and rules made thereunder

Sections 126 to 129-A under Chapter XIII of Pakistan Customs Act, 1969 provides and allows Transit trade through territories of Pakistan. Different SROs have been issued under Custom Act, 1969. SRO 601(1)/2011 dated 13.06.2011 notified under SRO.450(I)/2001 chapter XXV(Annex-II) covers transit trade rules. SRO 121(1)/2014 dated 24.02.2014 is about movement of containerized cargo and CGO 03/2020 dated 17.04.2020 prescribes procedure for sealing and de-sealing of cargo at Karachi Ports & Port Qasim. Afghan transit trade Chapter XXI (Subchapter VII) of Customs Rules 2001 regulates the overall procedure of transit trade, Rule 328 of S.R.O.1017(I)/2022 dated 14.07.2022 covers customs integrated scanning system (Federal Board of Revenue, [n.d.](#)).

SRO 151(I)/2004 dated 10.03.2004 issued by the Ministry of Commerce prohibits bringing of Cigarillos and cigarettes, tobacco substitutes, and auto parts in Afghan Transit. Under Rule 484-N of Customs Rules, 2001 notified by SRO. 450(I)/2001 prohibits transit of arms, ammunition & military equipment to Afghanistan. CGO 10/2012 also prohibits 24 different precursors in transit to Afghanistan (Federal Board of Revenue, [n.d.](#)) (Annex-III).

#### 4.1.3. Bilateral Agreements between the two countries ATTA, 1965

The Afghan Transit Trade Agreement (ATTA) came into force on March 02, 1965. The agreement allowed movement of cargo through Karachi Ports & Port Qasim, and identified two transit routes, (i) Torkham (ii) Chaman. It covered the movement of Afghan goods through Pakistan railways only but later on in November 2004 carriage of goods by road was allowed through National Logistic Cell (NLC) which was the only transport company for carriage of Transit goods (Amin et al., [2020](#)).

#### 4.2. APTTA 2010

The transit trade of both commercial and noncommercial cargo increased many fold after the US launch of war on terror in Afghanistan. Afghanistan attracted not only foreign investment but there was an inflow of noncommercial transit trade for NATO and ISAF forces stationed in Afghanistan. Due to these changes in the global arena and the developments made in the field of digitization, automation & containerized handling of cargo led to the necessity of drafting a completely new agreement with Afghanistan. APTTA negotiation started in 2008 and was finally signed on 28<sup>th</sup> July 2010 but it got fully operationalized from 12<sup>th</sup> June 2011 (Amin et al., [2020](#)). Under the new agreement, movement of

transit cargo through Karachi Ports, Port Qasim & Gwadar port was permitted through licensed Bonded Carriers. Ghulam Khan included a new crossing border point. Pakistan allowed commercial cargo to India via Wagah and Pakistan access to central Asian states was recognized. Pakistan was allowed transit trade to Iran via Islam Qila and Zaranj border, with Uzbekistan via Hairatan, with Tajikistan via Ali Khanum, Sher Khan Bandar and with Turkmenistan via Aqina and Torghundi. The agreement provides for Afghanistan Pakistan Transit Coordination Authority (APTTCA) to monitor, facilitate and implement the Agreement and financial guarantee was introduced to cover the impact of duty/taxes as a deterrence to recover duty/taxes against pilferage of goods (Pakistan Business Council, [2020](#)).

#### 4.3. Functional Jurisdiction of Directorate General of Transit Trade (DGTT)

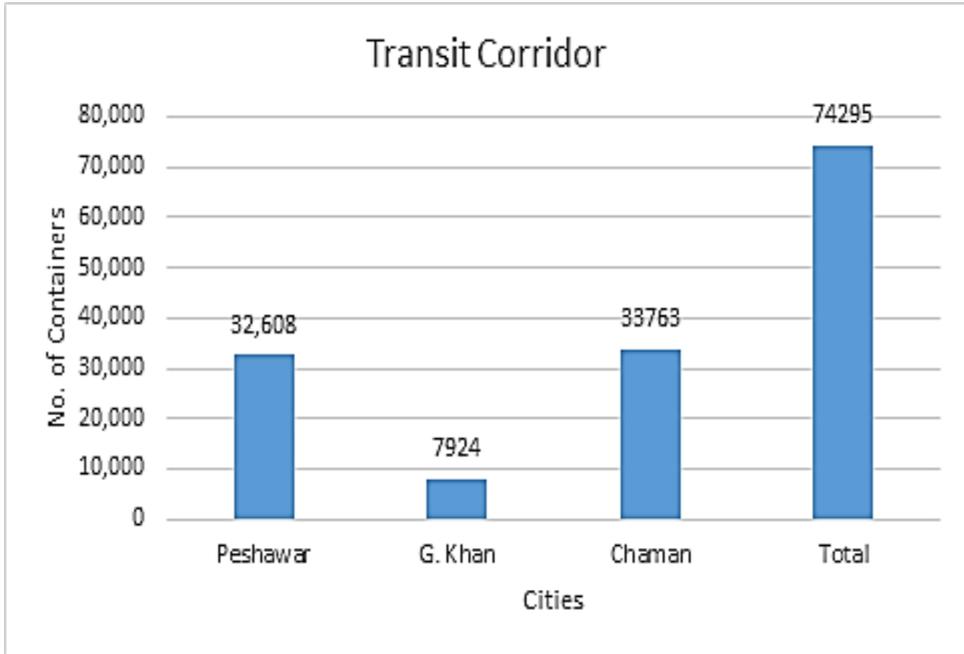
The scope of bilateral transit trade with Afghanistan and with the rest of regional countries is increasing because Pakistan has signed a number of transit and bilateral treaties with these countries. Hence, the Federal Government established a new office of Directorate General of Transit Trade in 2013. The Directorate General is responsible to enforce international agreements, treaties, and conventions besides domestic laws, transit rules and regulations and procedures of transit trade. These functions were being handled by different Collectorates before 2013. But under the new arrangement DGTT is empowered as a single entity for handling end to end operations of tracking, monitoring, sealing, and licensing of bonded carriers. M/s TPL Trakker (Pvt) Ltd. has been licensed by the Directorate General of Transit Trade to ensure that all transit cargo whether by seaports or land customs stations across Pakistan is secured through tracking devices and seals and to transport it through licensed bonded carriers. The DGTT also secured a financial guarantee equal to the amount of duty/taxes involved in goods transiting through Pakistan (Federal Board of Revenue, [n.d](#)).

#### 4.4. Existing corridors for transit cargo:

Pakistan has a 2694 KM long border with Afghanistan. Under the existing transit regime of CGO.10 of 2021 forward transit cargo is made through Karachi ports, Port Qasim, Gwadar and at border crossing points of Torkham, Chaman, and Ghulam Khan. In the first three quarters of the year 2022-23, forward cargo of 43.9 % was made through Torkham, 10.7 % through Ghulam Khan and 45.4 % through Chaman for a total of 74,295 containers.

**Figure 1**

*Forward Cargo through Afghan Borders (2022-23)*



*Note:* Directorate General of Transit Trade (Federal Board of Revenue, [n.d.](#)).

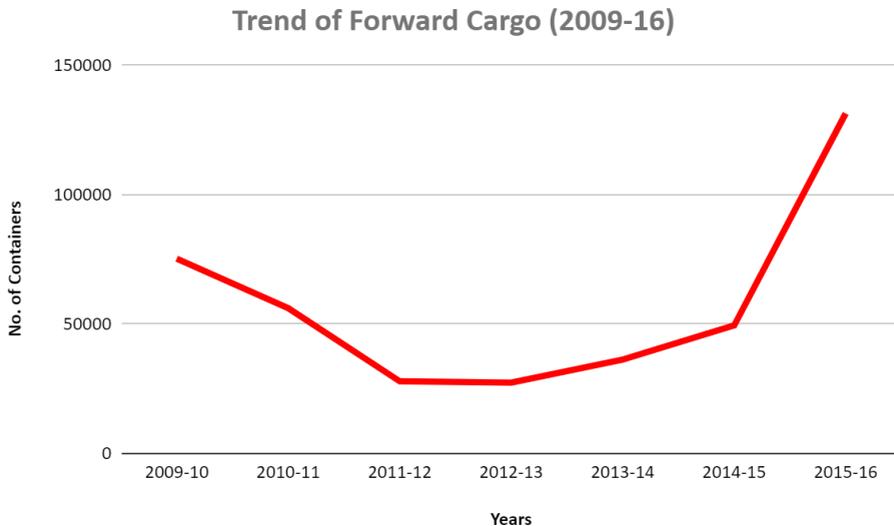
#### 4.5. Data trends since 2010 to 2016:

In ancient times the Silk route connected Afghanistan with Central Asia and the Indian subcontinent. But now the situation has reversed and today Afghanistan depends on Pakistan and other neighboring countries for its transit trade with the world. The transit trade between Pakistan and Afghanistan has undergone many phases but the study divides it into pre and post APTTA, 2010. Afghanistan had access to the Sea even through British India but the relations became hostile when Afghanistan opposed Pakistan entry into the United Nation in 1947. There were numerous border skirmishes and frequent border closures. But the incident of 9/11 dramatically changed world politics and the war on terror impacted bilateral and transit between Pakistan and Afghanistan. The forward transit cargo in 2009-10 reached 75288 containers of total value of Rs.151 billion, 56203 containers of Rs. 143 billion in 2010-11, 27924 Containers in 2011-12 of total value of Rs. 100 billion. In the year 2012-13, 27401 containers of Pak Rs. 142 billion and 36274 containers of total

value for Rs.188 billion were transported in 2013-14. It achieved the highest number of more than 1025000 containers in the year 2015-16 as against 49504 containers in 2014-15 for Rs. 255 billion.

**Figure 2**

*Trend of Forward Cargo*



*Note:* Data from Pakistan Customs

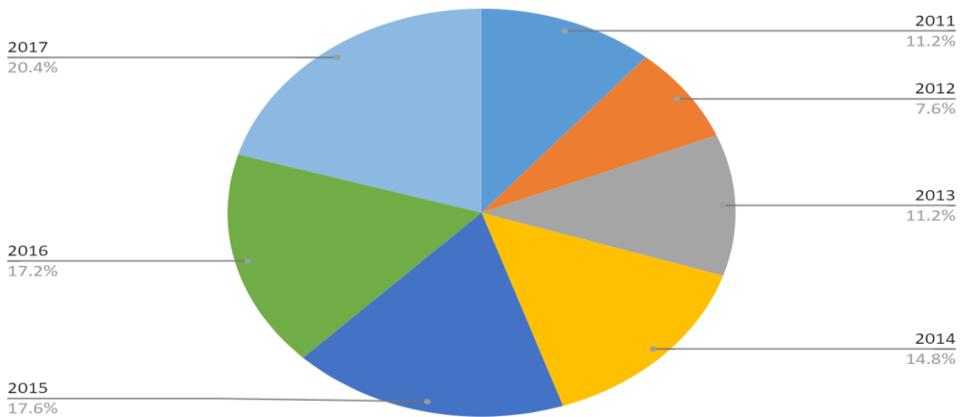
The above data shows that the number of containers fell from 75,288 in 2009-10 in subsequent years. The decrease was due to the fact that new regulations were introduced in the transit regime. The new transit trade APPTA 2010, diverted trade from Pakistan to other neighboring countries and it touched an all-time low during 2011-12, 2012-13, and 2013-2014. SRO 121(1)/2014 dated 24.02.2014 for containerized cargo was issued which also reduced transit trade. Another reason for decrease was transit trade scandal that transit goods are pilferages on its route to Afghanistan. The political unrest due to terrorism acts in Pakistan by Tehrik e Taliban Pakistan (TTP) was also one of the reasons for less transit trade. The Political situation which changed dramatically in Afghanistan with Indian interference to marginalize Pakistan's role in Afghanistan trade. India concentrated on development of road connectivity and linkages. India helped in establishment of Iranian Chabahar Sea port, constructed 218 km Zaranj -Delaram road in Nimruz province and Kandahar-Herat Ring road to connect it with Chabahar. Iran has also started working on a railway line from Chabahar to Zahedan to connect the Iranian rail network. And most of the transit trade was diverted towards Iran. The addition of new

routes for Afghan cargo reduced Kabul's reliance on Pakistan (Trend News Agency, 2023). However, data shows that the quantum of smuggling is increasing with each passing year. Pakistan, on the other hand was deprived from the spillover benefits of Afghan transit trade leading to unemployment of people connected with the goods transport industry but Pakistan achieved 44% and 43 % share in the total import of Afghanistan through Pakistan in the year 2016 and 2017. The percentage graphic representation is as under:

**Figure- 3:**

*Trend of Forward Cargo*

Share (%) vs. Year



*Note: Trade Map*

The analysis of data shows that the situation got reversed when corrective measures were undertaken by Pakistan resulted in a slow 35.6 % increase in 2015-16 which stood at Rs.650 billion. The steps included roll out of modules for physical uploading of all T-1 and receipt of cross-border certificates (CBCs) under electronic data interchange (EDI) which developed linkages with Afghan customs. Pakistan allowed transportation of transit goods through railways to reduce transportation cost carrying 400 containers a week to Torkham. Pakistan allowed multimodal facilities, an international best practice which increased transit trade. Pakistan also brought transit trade under Risk Management System (RMS) and 75% of Afghan transit consignments were allowed through green channels. Steps were also taken to clear 20 percent cargo requiring scanning within two days and 5pc in three days.

#### 4.6. Data trends since 2018

Since 2017-18 data shows an increasing trend in the share of Pakistan in total imports of Afghanistan from the outside world. Pakistan's share is US\$ 3.95

billion in total imports of US\$ 7.79 billion which makes 51% of its share in imports of Afghanistan. As evident in the following table, Pakistan has consistently gained its share in Afghanistan Transit trade. Its share increased to 71%, 80%, and 83% in the year 2018, 2019, and 2020, respectively.

**Table 1**

*Afghanistan's Trade and Transit Trade 2011-2020 (USD Billion)*

Afghanistan's Trade and Transit Trade 2011-2020 (USD Billion)				
Year	Imports World	from	Import via Pakistan	Share (%)
2017	7.79		3.94	51%
2018	7.4		5.22	71%
2019	6.77		5.39	80%
2020	5.31		4.43	83%

*Note: Trade Map*

According to the most recent data from Pakistan Customs, National Statistics and Information Authority (NSIA) and Trade Map for 2021–2022, the transit trade via the Pakistan route is around \$8.4 billion, out of which 83% of the forward cargo (Imports) is through Pakistan.

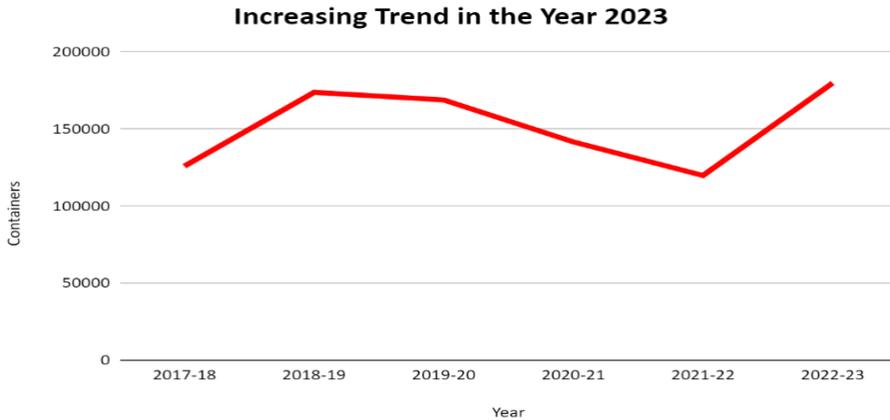
After the expiry of APTTA 2010, the Afghan president visited Pakistan and it was agreed to increase bilateral trade. On their request, the Ministry of Commerce (MOC), Pakistan eased out transit trade. Diagnostic analysis of the Afghan transit clearance data for the past three years reveals that Afghan transit trade volume has witnessed a gradual increase over the years. Currently, due to the comparatively stable regime in Afghanistan coupled with easing out of the transit trade, the overall transit volume is picking up pace in the current year of 2022-23. The total transit volume for forward Afghan transit during July to April CFY 2022-23 has reached 125,613 TEUs from 74,599 TEUs for 2021-22.

The declining trend in 2020-21 was due to Covid-19 pandemic which caused global supply chain disruption and delayed clearances at ports. In the recent financial year of 2022-23 the forward cargo under transit has increased 68% as compared to previous two consecutive financial years.



**Figure 4**

*Transit Trade Volume in 2023*



*Source: Pakistan Customs*

The reasons for such an enormous increase in transit trade is due to various factors and the main reason is easing out of transit trade. Currently, the transit cargo shipments are processed by Customs on the basis of GD, BL, packing list and commercial invoice only and without LC. Pakistan Customs Act, 1969, Custom Rules pertaining to Afghan Transit or APTTA 2010 do not prescribe any document(s) pertaining to mode of payment nor are there any other such stipulations / requirements from the State Bank of Pakistan. Hence, it has made transit very easy for the Afghan importers. The provision of 100 % appraisement was removed vide SRO 1013(1)/2021 dated 5.8.2021 and auto assessment was introduced vide Rule 473(2) of the Custom Rules, 2001. Now all GDs are auto-assessed by the Customs Computerized System (CCS) on patterns of GDs filed for local home consumption. Secondly, under Rule 473(3) of Customs Rules 2001, the only option available with Customs to verify the declaration of goods in AT GDs is 20% scanning of transit consignments. But the limitations of scanning equipment and capacity of the scanning officers, customs controls are not effective. Under Rule 473(2) of SRO 1013(I)/2021 dated 5.8.202, 5% GDs were selected for mandatory examination which is not now carried out. Similarly, Rule 475(5) stipulated that "All packages containing transit goods destined for Afghanistan shall indelibly bear the marks and numbers "In Transit to Afghanistan" but the aforesaid provision has been

omitted vide SRO. 1303(I)/2020 dated 2.12.2020 (Federal Board of Revenue, [n.d.](#)).

The total quantum of trade was approximately 1.52 billion in 2021-22 in trade between the two countries but Afghanistan has a total of \$7.24 billion worth of trade and the quantum of transit trade is very large.

The data for the year 2021-22 also shows an increase in import of White cane sugar for Rs. 81,531 million, photosensitive conductors and solar panels are RS. 52,879 million which are not smuggled prone items. It has been reported that this increase in solar panels is attributed to development in the agriculture sector of Afghanistan for irrigation purposes and energy consumption. But diagnostic analysis of the data manifests an increase of 75% in the import of smuggling prone goods during 2022-23. The data reflects that Afghanistan is importing the goods more than its actual need. Scrutiny of the data retrieved from M/s PRAL led to the conclusion that there has been a constant surge in the quantity and value of these goods in transit trade particularly in the year 2022-23. This data reflects rising trends (in TEUs) in the transit flow of fabrics, tea and tires as compared with the declining trends in imports to Pakistan. It is suspected that such items tend to find their way back into Pakistani markets due to the long, difficult and porous border. In the year 2022-23, a total of 2079 GDs were filed under Afghan transit trade as against 1767 GDs during the year 2021-22 for tea under chapter 0902 which shows an increase of 68.5 % while correspondingly the import during the last two years in Pakistan have decreased from 5050 GDs in 2021-22 to 4880 GDs during 2022-2. Similarly, the GDs filed under Afghan Transit for tires in the year 2021-22 & 2022-23 are 2484 and 4632 respectively which shows 86.4% increase and import GDs filed in Pakistan for tires in year 2021-22 & 2022-23 are 5042 and 2420 which shows a (52) % decreased. These trends show a positive correlation between Afghan smuggling into Pakistan. The data for cotton fabrics, artificial fabrics (filament & staple), garments (Knitted and not Knitted) for the year 2021-22 and 2022-23 also show 6181 and 11478 in Afghan Transit GDs with 85.6% increase while there is corresponding decrease of (17.7) % during the said period. Lastly, the Afghan transit GDs of Machinery and Electrical appliances for the year 2021-22 and 2022-23 also show an increase of 162.3% and the import GDs show a decrease of (34.2) %.

### **Figure 5**

*Comparison of trends in imports of Pakistan and Afghanistan*





Source: Pakistan Customs

In order to discourage transit trade, analysis of dwell time shows an increasing trend and during the year 2021-22, out of 32486 only 47 GDs were cleared on the same day while 5345 GDs were completed in more than 7 days. Similarly, during 2022-23, only 33 GDs were completed the same day out of 43122 GDs. It took more than 7 days to complete 14532 GDs. All the remaining GDs were completed in a time period of 2 to 6 days. It shows that dwell time is increasing day by day but correspondingly, transit trade is increasing day by day.

## 5. Issues and Challenges

The analysis of data shows that various factors are responsible for the change in quantum of transit trade. The factors are consistent but different in nature instigating a number of issues and challenges hampering transit trade between the two countries:

### 5.1. Political Mistrust

Due to political mistrust and persistent turmoil, security is always a primary concern and trade has always been of secondary importance in mutual relations. Despite having economic interdependence on each other the transit relations were victims of political hostility. Pakistan for the first time closed its border in 1950 on border skirmishes and smuggling of goods into Pakistan. The trade hostility was even evident in 2016 when Afghan president Ashraf Ghani

threatened to block Pakistan trade with Central Asian states (Syed, [2016](#)). Pakistan wants access to Central Asian states and enhanced regional connectivity under RIBS but the previous regime in Afghanistan resisted the same on the plea of allowing Indian goods to Afghanistan via Wagha border (Javaid & Siraj, [2022](#)).

The situation is not different even today and the border was closed at Chaman due to border tussle during the current regime of Taliban. Pakistan desires to include Afghanistan in the China Pakistan Economic Corridor (CPEC) but political hostility continues due to TTP violent activities from Afghanistan against Pakistan LEAs. The TPP has their hidden spaces in Afghanistan from where they operate. The new interim set up is not recognized by the international community as legitimate rulers which also hamper regional connectivity and transit trade in the region.

Political distrust and instability in the region for the last few decades have disrupted the economic environment in the region. It is now the high time to build peace constituencies in both countries to make it easier with increased bilateral trade and the facilitation of transit trade. After the evacuation of foreign forces from Afghanistan, Pakistan's geographic location, potential partnerships, connectivity, and transit trade can play an important role in bringing political trust and confidence. Afghanistan has to remove the apprehension of the world community and to abolish safe heavens of terrorists to include it in CPEC and other projects.

## 5.2. Weak Institutional arrangements

There are numerous issues at the institutional level. Transit trade between the countries is governed under APTTA, 2010 which has expired in 2021. The same has not been renewed/ reviewed since then. It is extended mutually for a period of six months. The ministerial meetings and new trade summits are not being entered due to non-recognition of the Taliban regime by the international community. APTTCA meetings are not called to remove any issue facing the transit trade from 2020. Operational liaison meetings, and electronic data interchange (EDI) are not operational. Resultantly steps have not been taken for simplification of process and implementation of international best practices under the transit regime. APTTA provided a robust mechanism for redressal of any issue related to transit trade through APTTCA & CJWG Platforms but both of them are incapacitated and dormant. Access to Afghan ASYCUDA and user IDs have not been provided to Pakistan Customs to consult data on a real time basis. Pakistan is more focused on geo-economic integration with Central Asia over historical geopolitical interests. Such engagements and connectivity could create broader economic opportunities for Afghanistan and a positive drive for relations between the two countries (Threkeld & Easterly, [2021](#)). Through a new treaty APTTA, 2010 requires further simplification of processes and avoiding cumbersome transit procedures to create a conducive atmosphere



for transit trade.

### 5.3. Transit-Smuggling Nexus

Border control got weak soon after the USSR invasion of Afghanistan when millions of Afghan fled into Pakistan. The number further increased after the US withdrawal from Afghanistan and now 3.7 million Afghans reside in Pakistan. Due to loose border control and the shared economy of Afghanistan and border areas of Pakistan comprising Ex FATA became the main cause of smuggling. The phenomenon of enroute pilferage has also been an issue which necessitated a monitoring and tracking system. The data shows that Afghanistan is importing goods more than their requirement in transit despite the fact that US and other allied forces have withdrawn from Afghanistan and a large number of the population has fled the outside world after Taliban assumption of power. According to DGTT data there is an unprecedented increase in smuggled prone items in transit. The import of smuggled goods has decreased in Pakistan and its transit to Afghanistan has increased. There is a 68 % increase in transit of these goods.

Pakistan has undertaken fencing of borders and a major portion has been completed but inflow of transit goods continues. Though anti-smuggling powers are exercised by border agencies, there exists no coordinated mechanism among these agencies to interdict smuggled goods. The interdiction becomes a challenge inside the country once goods enter the country due to legal and administrative reasons. Pakistan customs faces problems in coordination with Frontier Corpse (FC), Pakistan Rangers (PR), Pakistan Coast Guards and Pakistan Maritime Security Agency (PMSA) in interdiction of smuggling.

There is more than one reason for continuous smuggling like long porous border, shared economy of people living on both sides of border, lack of proper anti-smuggling infrastructure and nonexistent of industry in these areas. Smuggling is the main economy for people living on both sides of the border. However there are other dimensions like corrupt and corrupt practices and high tariff rates which prompt smuggling into Pakistan (Shah, 2018). Afghan transit trade has undermined Pakistan's manufacturing industry and also the legal imports of many items, especially tires and spices being already available at low prices. Smuggling of transit goods on a large scale has deprived the country of revenues of billions of rupees (Qassem & Durand, 2008). Curbs on imports in 2022-23 due to current account deficit and dollar paucity, provided incentives to misuse the facility of transit to Afghanistan due to weak control on the western border of Pakistan. Similarly, the whole economy on the western borders of the country is built around smuggling due to paucity of other economic options in the areas. Smuggling is also considered an antidote for preventing insurgency Baloshistan.

#### 5.4. Transit Trade Security

Under international laws and treaties, trade security is an international obligation and requires steps related to safe transportation, involved finances, and integrity of cargo to ensure safe global supply of transit goods. The security concerns have made transit trade costlier due to fears of enroute pilferages and safe transportation of goods in Pakistan.

The transit trade security has increased responsibilities of border agencies, Police, customs, immigration and civil administration many fold in Pakistan. The transportation of transit without any fee also affects roads and infrastructure as well.

Transit trade facility is covered under IPO and Afghan transit is done as per IPO procedures and hence many Customs procedures are not required like to check animal quarantine, plant protection, smuggling of wildlife, environment hazards goods, but there are numerous challenges in dealing with clearing agents, goods forwarders, labor unions, Authorized Economic Operators (AEO), importers, exporters, trade representative bodies, licensing, and other guaranteeing/ insurance bodies that the same are in place and performing as per law. Trade security also demands advanced information sharing, real time data sharing, documentation, visibility, chains of control and guarantees for goods transited, and robust Risk Management System (RMS) to oversee any misuse.

#### 5.5. HR shortage

One big challenge is the shortage of Human Resources. Earlier The Directorate General was looking after Afghan Transit trade but now new avenues are being opened and transit trade agreements with Tajikistan and Uzbekistan have been signed and hence Human Resource is required for transit trade. The responsibilities of inland transshipment and TIR have been assigned to DG Transit with enhanced responsibilities of bonded carriers licensing. The current working strength is not enough to ensure a safe transit regime.

#### 5.6. Delay in CRF/module development

The different transit modules are still under development like the reverse transit module and the Afghan cross-stuffing WeBOC module. Gwadar port is yet to be fully covered under WeBOC. Software and coverage of multi model transportation and particularly air-land modules Islamabad to Torkham is not operationalized. There is no separate and dedicated software development wing for the development and deploying of transit modules under the Directorate General of Reforms & Automation.

#### 5.7. Lack of infrastructure at Exit Crossing points

Pakistan has established a transit Trade facilitation regime and shared border

management with Afghanistan. However, procedures at borders have not been simplified to align it with the Trade Facilitation Agreement (TFA) nor requisite infrastructure is available. Both the Customs administrations are working without sharing real time data and there are no dedicated terminals for transit goods at crossing stations. Pakistan customs has an elaborate system of customs transit regime from entry points at Karachi, logistic facilities through rails and vehicles, online WeBOC system and pre-defined exit crossing points at Torkham, Ghulam Khan & Chaman but still establishment of required infrastructure in the shape of dedicated terminals, scanning facilities and exchange of sharing in advance data and other technological interventions are main challenges. ITTMS is yet to be completed. Temporary admission documents (TAD and air-land multimodal transit are not yet operational. The non-existence of Inter-agency border management, mutual border controls, and non-adoption of international protocols are areas which require due attention.

Non-availability of high-speed internet, shortage of electricity, proper examination areas, non-availability of scanners and electronic weigh-bridges at Exit Stations are also main reasons for long clearance time. Higher Container Rents charged by the shipping lines for the Afghanistan bound transit cargo. To counter higher detention/ security Afghan cargo cross stuffing rules have been notified but are yet to be implemented at Karachi ports/off dock terminals and proper well trained HR is deputed at ports and in Reforms and automation. Simplification of processes and procedures must be implemented under Revised Kyoto protocol and World Customs Organization WCO transit trade guidelines. Digitization of documentary requirements and automation of processes will make transit speedier and efficient. Complex, non-transparent, burdensome procedures cause unnecessary delays by raising different costs. The project will revamp the entire infrastructure including integrated administrative offices, widening roads, layout new angled vehicle parking, installation of multi-lane traffic lanes, erection of new pedestrian processing facilities along with new canopies and bridges (Najma, [2019](#)).

Afghan government is not interested in implementing TAD, Pakistan issued the rules unilaterally, what actually Afghan s really want it that if TAD is implemented, whereby Pakistan trucks will be allowed to enter Afghanistan and beyond without road taxes, the Indian trucks be also allowed to take transit goods from India to Afghanistan.

#### 5.8. Non sharing of data

Both customs administrations are not sharing data on a real time basis. Feeding of T-1s in WeBOC by Afghan Customs is a mandatory requirement in terms of Rule 484D-(1)(b) of the Customs Rules 2001 without which insurance guarantees furnished at the office of departure by Afghan importers cannot be released. Presently a huge number of T-1s are pending receipt in the system

from the Afghan side leading to non-release of insurance guarantees which has left open transactions in the system (Federal Board of Revenue, [n.d.](#)). This pendency is a serious concern because it is the document which confirms the arrival of goods in Afghanistan. According to both the RKC and the TFA, the documentary requirements for transit should be limited to the data necessary to identify the goods and meet the transit requirements but Afghan Customs is not performing its required duty to upload these documents. This issue is also due to lack of computers literate people in Afghanistan Customs, a lot of workforce trained by the US simply fled away on Taliban take over and to this date this deficiency is not catered to.

### 5.9. Border Closures

The political temperature between the two countries has led to frequent border closure in the last few years. The border closure not only impacts transit trade but these border closures cost millions of dollars in trade loss to both countries and particularly as for perishable goods such as fruits and vegetables. Farmers and small traders are hard hit when loaded trucks are stranded on the border for days and weeks (Parsa, [2017](#)). There are a number of instances when the crossing points were closed for goods and people posing serious economic and humanitarian problems. In August, 2016, Pakistan closed the Chaman-Spin Boldak crossing point when miscreants from Afghanistan set the Pakistani flag on fire. In the past border closure took place after a suicide attack on a Sufi Shrine which killed at least 80 people in February, 2016. The sudden closure left thousands of Afghans stranded on both sides of the border (Rahim, [2016](#)). While bringing peace and stability mega projects like Tajikistan, Afghanistan, Pakistan and India (TAPI) may be started and completed and the desire of Afghanistan and other Central Asian states for inclusion in CPEC could be realized. The current regime needs world recognition to negotiate such agreements which are vital for their own development as well as regional connectivity.

### 5.10. Miscellaneous problems at Port at Karachi

A number of issues on part of Terminal operators in the shape of long time to scan transit containers and for having limited capacity of scanning 50-60 containers per day. They also ground containers with a single day gap which are marked for examination under RMS. Grounding time taken by Terminal Operators is 12 Hours for re-stuffing of cargo and uplifting of containers after examination. Release of Original B/L or surrender message from the Port of Loading cause delay of 2 days for around 30 % of Commercial Cargo. When the container gets out of charge then TPL Trackers are causing a delay of 6 to 12 hours and time is taken by the Bonded Carrier in arranging the Vehicle.

### 5.11. Transparency and anti-corruption measures:



EDI is the need of Pak Afghan transit to verify that the goods have reached Afghanistan in the same quantity and container. The exchange of data on a real time basis is required to avoid any misuse of transit trade. Under the arrangement Afghan customs should give access to Pakistan customs of certain fields of ASYCUDA to know and verify transit Trade data. These actions will not only bring transparency in the system but will reduce corruption and corrupt practices in the long run.

## 5.12. Strengthening the role of Joint Chambers and Private Sectors

The main beneficiary of Afghan transit trade on both sides of the border is the Private sector which is represented by Trade bodies. The joint chamber of Afghanistan and Pakistan can play a vital role in trade and transit promotion between the two countries. Such bodies to play its role to discuss, coordinate, mobilize resources and resolve issues pertaining both the countries. Chambers can play their role in getting and uploading T-1 s and in case of failure appropriate penal action may be initiated to avoid any fraud in future by bringing suitable amendment in the ATT Rules. Similarly, it is recommended that border trade committees should be activated to discuss local issues for removing bottlenecks in the safe and easy transportation of transit trade.

## 6. Conclusion

The above discussion leads to the conclusion that transit and trade must be the primary concern for the mutual good of people living on both sides of the border. However, the same is facing serious challenges in security, political, infrastructure and in economic realms. The institutional arrangement is also very weak which requires transit trade regulations and more focused attention on online filing of GDs, more regulations of financial controls in the form of financial instruments, insurance mechanisms and revolving guarantee system.

The transit trade data trends are greatly associated with political and economic situations. The quantum of transit trade through Pakistan has increased when the transit regime is eased out and has shown negative trends when transit is made stringent. The available infrastructure at the border point is not state of the art due to which delays are occurring and thus leading to increase in cost. The procedures at borders are neither standardized nor simplified for lack of coordinated border management as envisioned in WCO Transit guidelines and Revised Kyoto protocol. Scanning facilities, complete automation and dedicated terminals are not readily available which need more technological intervention. State of the art road and rails linkages networks are required for transportation and timely carriage of transit goods. Afghanistan can be provided more space by accommodating in the China-Pakistan Economic Corridor for more transit trade with China and the rest of the world.

Afghanistan has agreed upon almost 41 bilateral trade, economic, and investment agreements, and five multilateral agreements but still depend on Pakistan for its trade. This economic and geographic interdependence and bilateral gains compel them to reinstate trade and transit on priority and keep it isolated from political issues. The main beneficiaries of APTTA over the years have been Afghanistan and Pakistan's private sectors which found wider market alternatives to export and import of each country.

The transit trade through Pakistan has its nexus with smuggling of goods into Pakistan resulting in a black economy in the country. High tariff rates, non-completion of fencing of borders, inadequate controls at borders and nonexistent border markets are main reasons for smuggling. A preferential trade agreement and new transit trade agreement between the two countries would give more market access to Afghan goods to the Pakistani and address the issue of smuggling. As part of this agreement Afghanistan supports the transit of Pakistani exports to Central Asia and Pakistan can allow the transit of Afghan exports to India via sea.

Pakistan should go for regional transit regimes with Central Asia, China and Russia in view of changing economic dynamics but it is dependent on peace in Afghanistan through a legitimate government recognized by the world community to enter into international memorandum of understanding and international treaties. The options available with both the countries is to bring peace in its respective countries and to work for regional and economic integration for mutual development and benefit of its own people and in the whole region.

Transit trade require people-to-people interactions as a pre-condition for easy movement of people and goods across the borders. It requires a local and easy solution in timely issuance of visas and simplifying procedures by ensuring one window operations at border crossing points. There are a number of non-tariff barriers for which no proper mechanisms are in place. These non-tariff barriers require intervention at institutional and policy level to facilitate trade by reducing Physical, sanitary and phyto sanitary inspections, use of bonded carriers, trade simplification of processes, and documentation of data. Afghan Pakistan Joint chambers and other trade bodies can play an important and effective role in cementing transit. The conflict between Pakistan and Afghanistan leveraged by India and Iran is in fact a big bottleneck. The trade via Iran is cheap but it continues through as a large number of Afghan are settled in Pakistan.

## **7. Way Forward**

### **7.1. Shift from Geo Strategic to Geo Economic:**

The best option available with both countries is policy shift from geo strategic



to geo economic. It is proposed that a land-locked to land-linked approach should be adopted with Afghanistan and the rest of the entire region. In order to remove obstacles Afghanistan needs a legitimate government recognized by the international community to make it possible for Afghanistan to enter into international treaties.

## 7.2. Pak-Central Asian Transit and regional connectivity

1. Instead of adopting the Kabul-centric transit approach there should be regional and global transit regimes. Economic blocs in the shape of Customs Unions for the purpose of ECO, CAREC, CPEC, and Central Asian are needed in the region with Afghanistan and in case of difficulties the option of Wakhan corridor may be explored.
2. It is recommended that Pakistan further strengthen the TIR regime which will have a positive impact on transit trade at regional level. All the regional countries need to take maximum benefit of this international arrangement through China.
3. It is proposed that regional connectivity through roads and rails be built through a multimodal approach of transportation for enhanced Regional Improvement Border system (RIBS).

## 7.3. Coordinated Border Control

Transit trade has spillover benefits for Pakistan. Transit trade cannot be discouraged when the goods are smuggled into Pakistan. It is proposed that

1. For controlling and eliminating smuggling we need to strengthen our enforcement regime through effective anti-smuggling. Customs Coordinated and better Border Management (CBM) Force shall be evolved immediately in line with international best practices like Australian Border control and customs.
2. Border fencing is the proper initiative undertaken by Pakistan to reduce smuggling and human trafficking from and to Afghanistan. It should be completed at an early date.
3. Corruption and corrupt practices of agencies at borders whether transit goods come via Pakistan or Iran, it finds its way into Pakistan. Hence, the border management should be strengthened with adequate, trained and honest workforce.
4. All border points should be strengthened with Scanners, CCTV cameras, real time data interchange and simplification of processes.

## 7.4. Breaking Transit Smuggling Nexus

One of the main reasons for smuggling in Pakistan is revenue generation from imports. This instigates smuggling of transit goods due to major differences in

duty/taxes.

1. Therefore, Pakistan needs tariff rationalization to discourage smuggling of Afghan transit goods into Pakistan.
2. Afghanistan is importing more than its requirement in transit trade. It is proposed that FBR take up the matter with the Ministry of Commerce for inclusion of smuggling prone items in the Negative List of SRO 151(I)/2004 dated 10.03.2004 or to fix quota of these items.
3. The Federal Government extends anti-smuggling powers to border agencies from time to time but still there is no close coordination and mechanism among these agencies. The anti-smuggling regime can be strengthened through formal arrangements among these agencies.
4. Pakistan needs to bring improvements in its current investigation, prosecution and adjudication system to apprehend the real beneficiaries of smuggling. The system should be smart enough to reach smugglers and to punish them as per law. The data of those involved in smuggling should be maintained and the money earned from smuggling should be brought under the AML regime.
5. As there is no established industry in the border area and the local population meet their daily life necessities from the other side of the border and hence border markets on the model with Iran should be made functional for breaking nexus of smuggling on a larger scale.
6. Customs controls, especially 5% examination, at least 10% assessment and mandatory marking on packages "goods in transit" may be reintroduced on priority to control the current surge in transit trade.

### 7.5. Development of Physical Infrastructure:

APTTA,2010 envisioned appropriate infrastructure developments by making availability of terminals, transport, better documentation, online processes and trade friendly guarantee systems. The same objective has partially been achieved.

1. Pakistan needs to coordinate and cooperate with the Asian Development Bank to complete the project 'Integrated Transit Trade management system'(ITTMS) by the target year of 2023. Completion of the project will enhance connectivity through roads/highways and railways and reduce transportation cost.
2. A national policy on transit related issues plus the development of connectivity infrastructure domestically and with the regional states are prerequisite to serve as a transit trade hub.
3. In this connection CPEC's western route efficiently connects



Pakistan with Afghanistan and western route's development would add regional connectivity to CPEC ultimately catching more Afghan transit trade.

4. In this regard the border customs stations' needs upgrade in terms of infrastructure and installation of scanning machines at exit points at Torkham and Chaman and on the other side of the border and will help in eliminating unnecessary delays.

## 7.6. Effective institutional arrangements:

APTTA,2010 had a total life of 5 years which was extended for another 5 years but now it stands expired.

1. Hence there is a need for permanent institutional arrangement on top priority by having a fresh transit treaty.
2. Collaboration & frequent interaction through APTTCA & CJWG platforms is required to resolve problems confronting transit trade.

## 7.7. WeBOC Interface/Initiatives for Transit Operations:

1. Pakistan needs to adopt geo-fencing of transit enroute to eliminate illegal movement of goods and making global transit supply chains more secure.
2. EDI is required between TPL Tracker system, and Terminal Operators for scanning, uploading of weightment data in the WeBOC.
3. The processes under the new scheme for Transport Operators, revolving insurance guarantee and Green channel for GD assessment also require implementation in letter and spirit.

The establishment of a separate Directorate of Reforms and Automation is also required to meet the challenge of digitization and automation of different processes of transit and the TIR.

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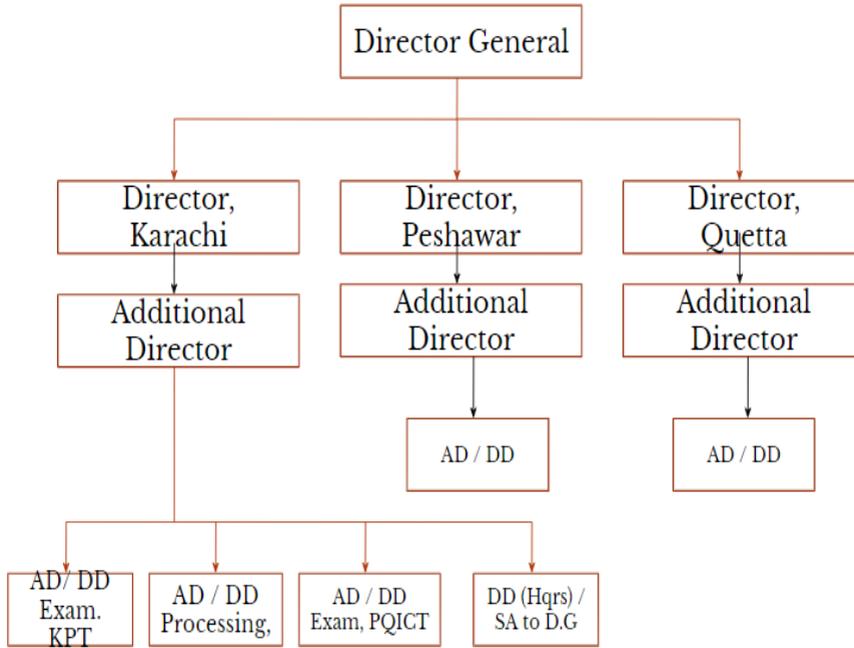
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Annex-I

## DIRECTORATE GENERAL TRANSIT TRADE ORGANOGRAM



**Annex-II**

**Table 2**

*Distance between cities*

No.	City	Km
1	Karachi - Jalalabad	1,682 km
	Chabahar - Jalalabad	1,998 km
	Bandarabas - Jalalabad	2,273 km
2	Karachi - Khost	1,355 km
	Chabahar - Khost	1,885 km
	Bandarabas - Khost	2,008 km
3	Karachi - Kandhar	0924 km
	Chabahar - Kandhar	1,350 km
	Bandarabas - Kandhar	1,470 km



**Annex-III**

**Transit Cargo Cycle:**

