Pakistan-Afghanistan Relations: Pitfalls and the Way Forward

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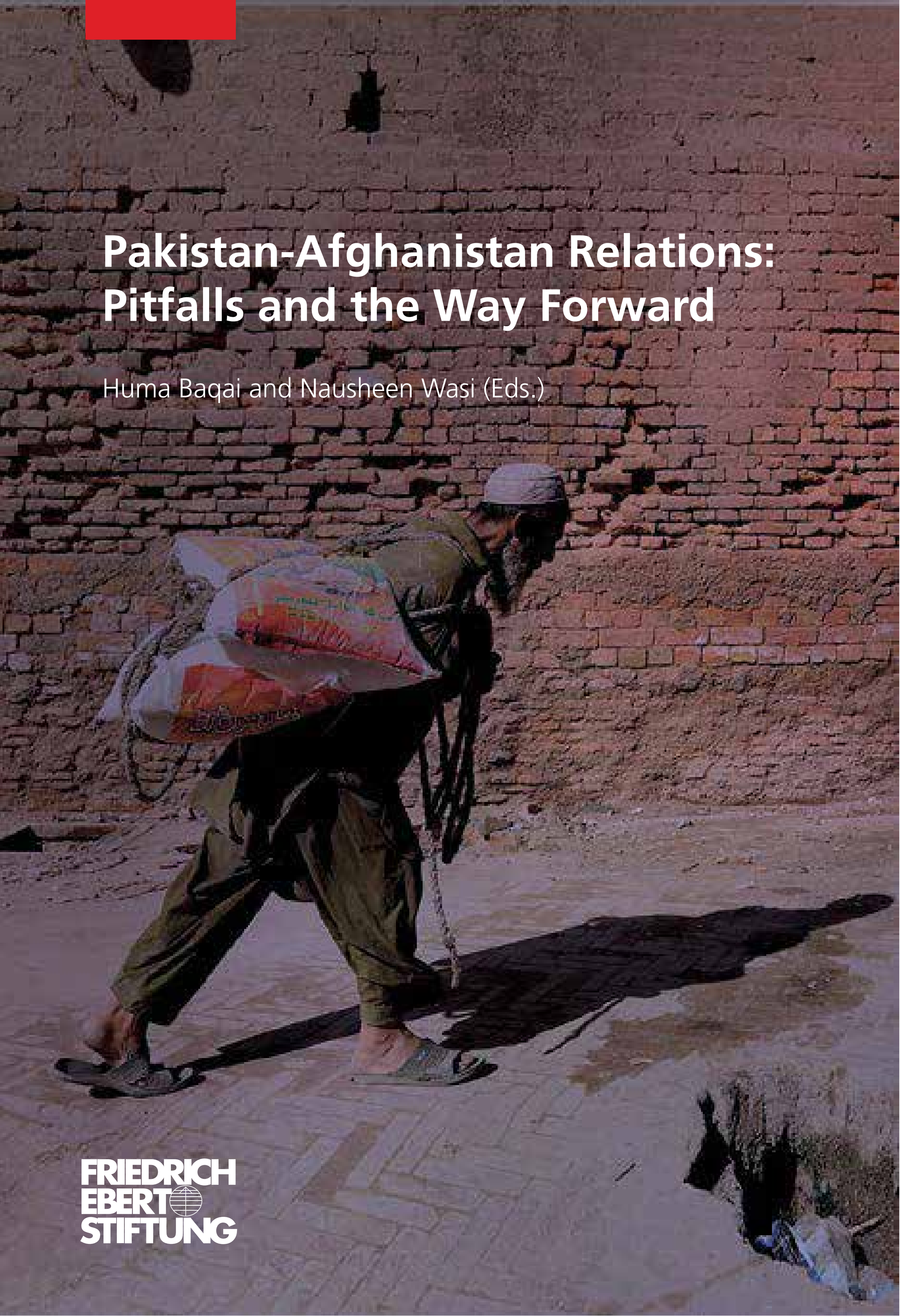

FRIEDRICH EBERT STIFTUNG

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Pakistan-Afghanistan Economic Relations: Basis for Cooperation

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I have always pitched a case for strengthening of trade and investment value chains between Pakistan and Afghanistan, liberal visa regime, and continued engagement which could allow Pakistan access to Central Asian economies via Afghanistan.[229] I also remain of the view that Pakistan can only optimize benefits from China-Pakistan Economic Corridor (CPEC) and envisaged Special Economic Zones (SEZs) if dividends of this economic corridor are offered to the neighboring countries including Afghanistan, India, and Iran.[230]

I have also firmly remained in the camp of those who believe that economic relations between countries need to be insulated from any downturn in political relations to the extent possible.[231] This chapter provides an analysis and understanding and discusses, options for enhancing transit trade via Pakistan including impact of possibly allowing Indian goods to reach Afghanistan through Wagah.[232]

The analysis is timely; President Biden in continuation with President Trump's policy on Afghanistan is standing by the peace deal with Taliban. Afghan President has shown flexibility and willingness to negotiate with Taliban. United States and Pakistan who grew distant after the 2014 attack on Army Public School in Peshawar and growing influence of China through CPEC, are once again approaching each other in the wake of Pakistan's relevance in helping to bring some elements of Taliban to the dialogue table.

The chapter argues that despite the availability of evidence on trade and transit measures required to promote welfare in the region, the actual progress on more liberal bilateral trade is only possible after deepening of political cooperation. Researchers who are able to produce timely and credible politically-informed economic analysis can shape the contours of bilateral political engagements. Hence evidence producers in future will need to think, work, and inform politically.

The next two sections update the potential gains from closer trade and transit ties. Section 3 discusses why Pakistan needs to move fast and expedite transit trade reforms if it wishes to protect its share in regional transit. One of the solutions can also be opening up and modernizing new transit routes – something we discuss in Section 4. This however has both political and economic costs and benefits which beg a careful and often a real-time analysis.

The research is based on a survey of 400 firms in Pakistan and 300 firms in Afghanistan[233]. These enterprises are involved in bilateral trade or provide transit services. This survey was facilitated by Pakistan-Afghanistan Joint Chamber of Commerce and Industry (PAJCCI). I also travelled to Kabul and had the opportunity to interview officials including H.E. Abdullah Abdullah, the head of High Council for National Reconciliation in Afghanistan. Finally, some findings have been drawn from focus group discussions hosted by Center for Research and Security Studies (CRSS) and Regional Peace Institute (RPI).

Overview of Bilateral Economic Cooperation

Afghanistan with a population of 38 million (2018), out of which 52.8 percent are youth, presents significant trade and investment opportunities for Pakistan and the region. Geographically a landlocked country, Afghanistan is gradually moving towards a high economic growth trajectory. While most of the development is driven by public investment, there is a growing private sector which is gradually starting to contribute to higher levels of savings and investment. Over the past two decades, there has been a conscious effort by the Afghan government and development partners to invest in improving trade and logistics infrastructure. Despite internal security issues, the country has put in place mechanisms that allow safeguarding of merchandise and reconciliation of trade-related flows.[234]

Afghanistan and Pakistan share a land border of 2670 km. The latter's seaports allow the former to route its imports and exports from Karachi and Gwadar to Pakistani border cities including Chaman and Torkham. It is now believed that Pakistan will also open more land trade routes through Angoor Adda, Kharlachi and Ghulam Khan Khel border terminals.[235]

In 2018-19 the total value of transit goods passing through Pakistan was 4.3 billion dollars out of which 4.1 billion was transit from Pakistan (i.e., imports of Afghanistan from the world which pass through Pakistan) and 0.13 billion was

233. The research was carried out in 2013.

234. "How can Trade Accelerate Afghanistan's Growth." *World Bank Group,* https://www.worldbank.org/en/country/afghanistan/publication/trade-as-a-vehicle-for-growth-in-afghanistan, accessed on 18 September 2019.

235. "NLC to Build New Border Terminal at Angoor Adda," https://nation.com.pk/04-Jan-2018/nlc-to-build-new-border-terminal-at-angoor-adda, accessed on 15 April 2020.

reverse transit (i.e., exports of Afghanistan to the world which pass through Pakistan). This cooperation in transit trade is apart from the bilateral trade of 1.9 billion dollar between the two countries – out of which 1.34 billion dollars was export of Pakistan to Afghanistan, and 0.51 billion was import of Pakistan from Afghanistan for 2018.

There are three main mechanisms which govern Pakistan's cooperation in bilateral and transit trade with Afghanistan. First, the Joint Economic Council allows both countries to discuss medium to longer term economic cooperation avenues and also follow up any revisions to Afghanistan Pakistan Transit Trade Agreement (APTTA) and draft preferential trade agreement (PTA).

Second, to streamline issues related to transit, Afghanistan Pakistan Transit Trade Coordination Authority (APTTCA) was set up. Finally, both countries also have a ministerial process where commerce ministers meet to discuss issues related to bilateral and transit trade. Besides these three arrangements, there are working committees at the border with members from the customs and other border control authorities.

In 2018, both countries agreed to the Afghanistan-Pakistan Action Plan for Peace and Solidarity (APAPPS).[236] This process sought inputs from five joint working groups on issues related to politico-diplomatic, military, intelligence, economic and trade, and refugees' issues. In August 2019 a Technical Working Group of Afghan officials met with Pakistan's Adviser to Prime Minister on Commerce to exchange their concerns and proposals. At the time of writing this text the Advisor was expected to visit Afghanistan once COVID-19 related lock downs are eased, to continue this process.

The 2019 visit of President Ashraf Ghani to Islamabad rekindled hopes of a revised APTTA (as the grace period under the agreement matures in 2020), and PTA between both countries. In his meeting with Pakistan's Prime Minister, the Afghan President also discussed expediting transboundary cooperation projects including the Central Asia-South Asia (CASA 1000) electricity transmission line and Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline. This process will strengthen further if US dialogue with Taliban succeeds overtime.[237]

At a business-to-business level, both countries have allowed PAJCCI to represent the private sector and discuss issues faced by the trading community. With offices in both Karachi and Kabul, this chamber is now also a part of most

236. "Ghani, Abbasi Agree to 7 Key Principles for Action Plan," https://tolonews.com/afghanistan/7-principles-agreed-afghanistan-pakistan-action-plan, accessed on 27 November 2019.

237. Samad, (2020).

government-led or track-II dialogues between the two countries. This forum continues to push for expediting negotiations towards revised APTTA and PTA to boost transit and bilateral trade volumes.

The track-II dialogues continued to pave way for enhancing mutual understanding around economic cooperation even during times when government to government dialogue had stalled. CRSS, in collaboration with its Afghan partners, continues to undertake Pakistan-Afghanistan track-1.5 and track-2 initiative called "Beyond Boundaries." This initiative started in October 2015 as part of the center's efforts to help improve relations between the two countries and enhance people to people contacts.

Pakistan's Regional Peace Institute also undertakes a track-II initiative with the aim to take an appraisal of the ongoing reconciliation process in Afghanistan; strengthening economic engagement, academic exchanges and social linkages – integral to expanding bilateral connectivity for development, and post-reconciliation Afghanistan; and institutional mechanisms to ensure peace and stability. In 2018, Afghanistan's total exports stood at 875 million dollars out of which 458 million was export to Pakistan. Major export items include edible fruits and vegetables, mineral fuels and products, carpets, cotton and raw hides. While Pakistan topped the list of countries where Afghanistan was able to export, the other major countries include: India, China, Turkey, Iran, and UAE. Most of these countries have also provided some sort of preferences to Afghan traders enabling easy entry of their goods.

In the same year, Afghanistan's total imports from the world stood at 7.4 billion dollars out of which 2.1 billion were imports from Pakistan. Key items imported from Pakistan include milled products, cement, cereals, sugar and sugar confectionary, animal or vegetable fats and oils, wood products, and pharmaceutical items. Pakistan is no more the leading country for sourcing imports by Afghan traders. In 2018, Iran was the leading country from where Afghanistan imported 2.5 billion dollar worth of merchandise followed by China and Pakistan. The other major countries supplying to Afghanistan include Kazakhstan, Uzbekistan, Japan, Turkmenistan, and India.[238]

On the import side, Iran has been the top buyer of Afghan goods since 2014. The financial embargo on Iran has prompted a higher reliance on trade in barter terms which is equally preferred by the Afghan traders, particularly those operating near the Afghanistan-Iran border. Apart from Iran and Pakistan, the only other country which has a significant share in imports from Afghanistan

238. Recent literature advocates a large untapped potential for Pakistan. For example, see: "Pakistan Trade with Regional Partners – India, Iran & Afghanistan." *Pakistan Business Council,* 2018.

is India due to: a) lower tariff rates allowed under South Asian Free Trade Area (SAFTA) to least developed countries, and b) recently opened route for India's imports from Afghanistan through Chabahar port of Iran.[239]

Literature on Afghanistan's comparative advantage is now starting to emerge in scientific studies. It has been explained that Afghanistan has comparative advantage in exporting animal and vegetable materials.[240] The potential to improve comparative advantage exists in product groups which include vegetables and fruits, tea, spices, feeding stuff for animals, and made-up textile articles.[241]

Recent literature also indicates that signing of bilateral PTA could help Afghanistan boost its exports to Pakistan. Other operational issues which require attention include rules related to quarantine, product certifications, and frequent changes in tariffs and para-tariffs which ultimately cause uncertainty regarding terms-of-trade. The rules around inspection and quarantine were cited to be more strictly applied by Afghanistan's neighbors during food exporting months. In the case of several exports of Afghanistan the overall duties charged are more than the SAFTA rates owing to regulatory duties, levied by neighboring countries.[242]

The Ministry of Commerce in Pakistan informed that the draft of the PTA was shared with Afghanistan in 2014 after latter's request during the 10th Afghanistan Pakistan Joint Economic Commission (JEC) meeting. At that point the Afghan team assured of early response on the draft however it was only in January 2020 that a formal communication was received from the Afghan side on this subject. The Afghan side has provided its comments and requests for changes in the draft to Ministry of Commerce in Pakistan. The reasons for such delay seem to be weak political engagement at official level during these years.

According to the Afghan traders, the reasons for this lack of interest from Kabul could be due to the lack of trust, which weakened in the aftermath of arbitrary regulatory duties by Pakistan and abrupt border closures and Iran's increased capacity to provide substitutes of Pakistani goods.

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239. "Afghanistan Sends First Exports To India Via Iran's Chabahar Port." https://www.rferl.org/a/afghanistan-first-exports-india-chabahar-iran/29787862.html, accessed on 29 November 2019.

240. Wani, Nassir Ul Haq, "Trade Compatibility between Afghanistan and India: An Empirical Evaluation." https://mpra.ub.uni-muenchen.de/86432/1/MPRA_paper_86432.pdf, accessed on 17 September 2019.

241. Vaqar Ahmed, Saad Shabbir, Saad, "Trade & Transit Cooperation with Afghanistan: Results from a Firm-level survey from Pakistan." *Sustainable Development Policy Institute.* http://hdl.handle.net/11540/6693.

242. See proceedings from the meeting organized by Center for Research & Security Studies, https://crss.pk/beyond-boundaries/beyond-boundaries-iii/pak-afghan-youth-dialogues-2/better-trade-relations-between-pakistan-afghanistan-can-help-reduce-poverty-concludes-crss-8th-pak-afghan-youth-dialogue/, accessed on 29 November, 2019.

The respondents in a survey conducted in 2019 informed that a reduction in trade taxes and border related charges could help in reducing incidence of informal and illegal trade. The lack of mutual recognition of product standards also increases transaction costs faced by Afghan traders. These traders even if in possession of certificate from Afghanistan are asked to produce certificate from Pakistan's Department of Plant Protection.

The respondents from Pakistan's Federal Board of Revenue (FBR) informed that several such issues would get resolved once the National Single Window (NSW) facility is ready and the Electronic Data Interchange (as seen in the case of transit trade) is available for bilateral commercial trade. This will allow sharing and reconciliation of trade data in real time on both sides. NSW will also be expected to streamline and possibly merge the multiple guarantees desired by Pakistani authorities, namely, financial insurance, transport operator, cross border certificates, and tracking devices.[243]

The respondents also explained that visa and travel regime in Pakistan is unwelcoming for Afghan business persons. A regime of business friendly, long term multiple entry visas may be allowed on reciprocal basis. The relevant provincial government departments in Quetta and Peshawar need to address accommodation issues faced by Afghan business persons. In 2019 there have been refusal by Pakistani hotels to host Afghan guests. It is also due to these reasons that established Afghan business persons who previously use to base themselves in Peshawar for operating in the region, have now moved and opened branch offices in UAE.

The issue of rationalizing trade taxes comes up often during interactions with Afghan government or traders. They believe that the export of primary goods or raw materials from Pakistan is usually tax free if bound for any other country except Afghanistan. This in turn increases the cost of production in Afghanistan's manufacturing sector. Similar requests for tariff rationalization are forwarded by Pakistani traders. For example, it was noticed that higher tariffs have been levied on several Pakistani exports including cement, plastic materials, pharmaceuticals, PVC pipes and beverages. However, such high levels of tariffs are not seen in the case of imports from India, Iran, Turkey or other Asian economies.

Regular communications on both sides need to be encouraged as currently there are frequent changes in customs duty rates by both governments; mostly without the knowledge of business community. There remains uncertainty

243. See draft of 'The Pakistan Single Window Act, 2019'. http://download1.fbr.gov.pk/Docs/2019721571628176FirstDraftPSWAct-2ndJuly,2019(1).pdf, accessed on 29 November 2019.

around the negative list on both sides. Such lists have not been recently updated and hence leave room for discretion by border officials.[244]

The team at PAJCCI also cited several illegal payments faced by Afghans while trading with Pakistan.[245] Table 1 presents estimates of these payments.

Table 1: Unauthorized payments faced by Afghan traders (2018)

Service	Place & Department	Figures in Pakistani Rupees
Political representative	Political representatives authorized in the tribal area	4200
Municipality fee for export of goods from Pakistan	PDA Hayatabad	2000
From Afghan border to Wagah border/ other cities	Charged at every check post	8000
Transporters		2500
Gate pass fee for Afghan exports	Border police	5000
Machini check post	Local militia/police	2200
Illegal charges by the security on Afghan export and import	Hayatabad	1750
Road fee on cargo from Lahore to Kabul	Municipality of Lahore	3000
Weight assessment fee (Actual = PKR 700)	Torkham	2500

Source: *PAJCCI*

With a renewed focus on Afghanistan peace and reconciliation process, US along with Afghan government and Taliban have been engaging in dialogue lately. There has not been a significant break though, however due to several factors including, US trying to push the peace agenda, and challenges imposed by COVID-19 may trigger a reconfiguration of local political economy which could prompt success of reconciliation dialogue.

The survey reveals that Pakistan's role in these recent peace dialogues has increased trust between the two neighbors – a prerequisite for moving towards

244. The APTTA document only provides a list of banned items.

245. Sayed Waqar Hussain, "The Impact of Afghan Transit Trade on NWFP's Economy." Also see Adil Khan Miankhel, "Channelizing Afghanistan to Pakistan Informal Trade into Formal Channels."

increased levels of bilateral trade. A key lesson that I advocate, keeping in view the above-mentioned ups and downs in bilateral trade ties, relates to embedding participatory evaluation methods while implementing such reforms which can trigger economic cooperation. Such an approach will involve the stakeholders, including firms on both sides, in a regular evaluation process. I would also go a step further to suggest that participatory evaluation should take place at every stage - design of the bilateral trade, transit, or tariff policy, collection and analysis of pre and post-change statistics on trade flows, and the reporting of findings before any policy or procedural changes are made.

Transit Trade: Some Emerging Developments

Afghanistan borders with six countries namely China, Iran, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. However Kabul being one of the largest and populous cities, and having proximity to Torkham, allows Pakistan the geographical and cost advantage over other countries (see Table 2). The other three priority routes including, Turkeministan-Azerbaijan-Georgia (Poti Port), Uzbekistan-Kazakhstan-Russia-Latvia (Riga Port), and transit route via Iran are longer in distance as compared with Karachi-Torkham-Kabul or Karachi-Chaman-Kandahar. However, as Afghan exports grow and the country is allowed preferential market access by advanced economies, the most lucrative markets will be in the European Union region, for which Iran and Turkmenistan remain the most efficient route.

Table 2: Afghanistan's Main Trade Transport Routes

Transit Country	Transit Port	Transit Route		Destination
Pakistan	Karachi	® Peshawar ® Quetta	® Torkham ® Spin Boldak	® Kabul ® Kandahar Herat
Pakistan	Gwadar	® Chaman	® Spin Boldak	® Herat ® Kabul Kandahar
Iran	Bandar Abbas	® Islam Qala	® Herat	® Kabul ® Kandahar
Iran	Chabahar	® Zahedan	® Zaranj	® Kabul Herat

Updated from: World Bank (2004)[246]

246. "Trade and Regional Cooperation between Afghanistan and its Neighbors" *Poverty Reduction and Economic Management Sector Unit. World Bank Group,* Report No. 26769, 2004.

The efficiency of various routes also depends upon regional arrangements towards trade facilitation. For example, a landlocked economy like Afghanistan stands to gain significantly if there is further accession to Transport Corridor Europe Caucasus Asia (TRACECA)[247] multilateral agreement Programme which was initiated by Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Iran has recently joined this arrangement. Second, the arrangements under Central Asia Regional Economic Corridor (CAREC) could open up new transit possibilities for Afghanistan. CAREC corridors 5 and 6 aim to rehabilitate and upgrade the Salang Corridor – a viable land route linking the north and south of Afghanistan.[248]

Some bilateral projects could also materialize in the medium term, which could enhance the transit trade possibilities for Afghanistan. These include Afghanistan - Uzbekistan 75 kilometer railways link that ends at Mazar-e-Sharif in Afghanistan. Most of the transit arrangements on the western side are rail based, while in the case of eastern borders these are road based arrangements. For further development of rail roads, pledges have been offered by Asian Development Bank (ADB) and for road sector development portfolio is being supported by World Bank Group (WBG).[249]

Afghanistan is also actively working on implementation of Cross Border Transport Agreement (CBTA) between Afghanistan, Kyrgyzstan and Tajikistan. If trade related documentation is harmonized, and Transport and Trade Facilitation committee of CBTA recommends, there could be an extension of APTTA to include Tajikistan. Afghanistan is now also a member of TIR – convention dealing with internal road transport. The TIR regulations have been drafted and capacity building of concerned custom officers at the border for the implementation of TIR and green lanes at border crossing points is under way.[250] In our consultations we were informed that APTTA and TIR can complement each other in future.[251]

247. TRACECA programme is aimed at strengthening of economic relations, trade and transport communication in the regions of the Black Sea basin, South Caucasus and Central Asia owing to active work based on political will and common aspirations of all member-states.

248. CAREC has mobilized more than $34.5 billion investments that have helped establish multimodal transportation networks, increased energy trade and security, facilitated free movement of people and freight, and laid the groundwork for economic corridor development.

249. See "World Bank to Help Build Peshawar Kabul Highway." https://www.dawn.com/news/1328851, accessed on 29 November 2019.

250. MoCI, "Afghanistan and Regional Trade Arrangements, Presentation at World Trade Organisation. https://www.wto.org/english/thewto_e/acc_e/3_afganrta_e.pdf, accessed on 17 September 2019.

251. The Ministry of Commerce in Pakistan has also conducted a research exercise to compare the legal regimes governing APTTA and TIR. The support to conduct this exercise was provided by Pakistan Regional Economic Integration Activity (PREIA) project.

Other important agreement is the Lapis Lazuli Trade and Transit Agreement.[252] This will allow Afghanistan access to black sea and Europe. The route opened in 2018 linking Afghanistan to Turkey via Turkmenistan, Azerbaijan and Georgia. The corridor begins at Torghundi in the Herat Province of Afghanistan, and enters Türkmenbaşy - the port on the Caspian Sea in Turkmenistan. The route then continues on to Baku in Azerbaijan, and connects onward to Tbilisi in Georgia. Here access to the Georgian ports of Poti and Batumi is also possible. In its final leg, the corridor connects with cities of Kars and Istanbul in Turkey.

In 2016, China also initiated a rail link with the Afghan city of Mazar-e-Sharif via Kazakhstan and Uzbekistan. This is a weekly service that completes the 7500 kilometers journey in 15 days – half of the time required by maritime option. This rail link is expected to be connected with future rail roads planned to reach Herat. Partial funding for these plans is expected through the ADB supported programme - CAREC Corridor 3 and CAREC Corridor 6.

In the coming days the possibility of Chabahar being the key competitor to Karachi and Gwadar ports for Afghan transits will continue to remain slim due to the financial embargo on Iran and straining of Iran-US and Iran-Saudi Arabia ties. The promised Indian investment for Iran's port and railways also has not materialized at the pace desired by Tehran.[253] At the time of writing this paper, there is a talk regarding possible attack of US and NATO forces on Iran. Iran's diplomats in Pakistan have emphasized to look into possibilities where Chabahar and Gwadar ports can complement each other.[254]

While several factors determine a landlocked country's preference to route its imports via any transit destination, however in the longer term the decisions are based on factors which comprise logistics performance index (LPI). A key reason why Iran was able to attract a large part of Afghanistan bound cargo away from Pakistan's Karachi port was due to better LPI ranking – 44 compared with Pakistan's 122 out of 160 countries in 2018.[255]

252. https://tolonews.com/business/five-nations-sign-lapis-lazuli-corridor-agreement

253. "Iranian move Frustrates India's Regional Ambitions," *Asia Times,* July 16, 2020. https://asiatimes.com/2020/07/iranian-move-frustrates-indias-regional-ambitions/, accessed on 9 August 2020.

254. "Chabahar not a Rival to Gwadar, Iranian Envoy Tells Pakistan," *DAWN,* May 27, 2016. https://www.dawn.com/news/1261006, accessed on 16 April 16, 2020.

255. For details and updates: https://data.worldbank.org/indicator/LP.LPI.OVRL.XQ?locations=PK

Pakistan's Transit Trade with Afghanistan

In 2017 the number of twenty-feet containers coming to Pakistan under APTTA was 72821 out of which 70311 containers were commercial while remaining were non-commercial. A decline in transit via Pakistan was seen after 2016. This decrease in the value of cargo passing through Pakistan is seen for both commercial and non-commercial goods. This period also marked strained political relations between the two neighbors.

We also observe the emergence of new countries which have recently become suppliers to Afghan markets. While China continues to lead this list, Malaysia, India, and Indonesia are witnessing growing shares. Given Afghanistan's growing demand for consumer goods, the major items coming through APTTA arrangement include food products, pharmaceuticals, and electronic items for household use. In 2019 top imports through APTTA included fabrics, photosensitive semi-conductor devices, vegetable oils, sugar, palm olein, armoured vehicles, and weapons.

According to the survey and assessment, the key factors responsible for declining levels of Afghan transit via Pakistan (over the recent past) include overall rising costs associated with transportation via Pakistan, shipping detention fees, complex scanning and examination process at sea and land ports, guarantees related to insurance, and often cited unauthorized payments. Apart from these process-related issues, there remain some structural issues which weaken the certainty related to timeliness and safety of Afghan transit.[256]

Afghan traders interviewed as part of this exercise explain how in the past, unanticipated border closures by Pakistan, unnecessary delays at ports and border trading points, delays in opening up new transit routes, demurrage charges, and lack of promised transit trade facilitation at Karachi port, had prompted them to consider alternative transit routes.

To expedite the redressal of above-mentioned grievances, respondents were of the view that APTTCA process may be restored and regular meetings should be undertaken by both sides. A key issue preventing APTTCA process is Afghanistan's desire to allow its trucks to go all the way to Wagah – Attari border instead of the current arrangement where these trucks can only go up to Peshawar. From Peshawar, Pakistani trucks take their cargo up to Wagah border. Views from Pakistan's customs was that there are no restrictions on Afghan

256. See "Trade- low Hanging Fruit in Af-Pak ties.' https://dailytimes.com.pk/10035/trade-low-hanging-fruit-in-af-pak-ties-i/, accessed on 27 November 2019.

trucks to go all the way to Wagah, however it does not make economic sense as their trucks will not be allowed to carry back Indian goods to Afghanistan.

Additionally, Afghanistan wants that once allowed access to Attari, then on the way back these trucks may be allowed to bring India's exports to Afghanistan. The Afghan authorities have offered that if Pakistan obliges to such an arrangement, the former can consider Pakistan's request to allow its merchandise to reach Central Asian states. On this point, the Pakistani officials informed that they needed to conduct an assessment to see if Indian merchandise also reaches Central Asian states via Attari, and how it would impact Pakistan's competitiveness.[257]

We were also informed that India on its own may not be interested in APTTA as no official request had ever been received from New Delhi. According to some, India understands that if it officially demands access to Afghanistan via Pakistan, it will have to reciprocate when Pakistan requests for access to India's eastern neighbors. The official's from Federal Board of Revenue (FBR) were of the view that the issue of allowing Afghan trucks to pick Indian goods at Attari could be discussed once APTTCA meetings are resumed, however it may not be economically feasible for Afghan trucks to go all the way to Karachi.

The respondents lamented that despite sophisticated trade clearance software on both sides, there were recurrent issues related to data reconciliation. The real-time reconciliation of data related to transit trade could over time reduce the incidence of informal trade, under invoicing, and smuggling.

Due to the frequent changes in rules governing APTTA, it was emphasized during our meetings with stakeholders that regular joint outreach activities to create awareness regarding rules and regulations may be organized by both sides. This will also allow officials from both sides to meet in an informal setting and strengthen trust which in turn could help future reform. The low number of each country's bank branches across the border also pose increased information and transaction costs related to settling trade payments.

The Afghan traders in our interviews did complain regarding the diminishing price competitiveness of transit via Pakistan. For example, we were informed, handling charges incurred during arrival to and exist from sea port amount to approximately USD 200 to 270 depending upon the container size. These charges are exclusive of customs in the case of bilateral trade (Table 3) and higher than other transit options available to Afghanistan.

257. The business associations in Pakistan also haven't produced such research to our knowledge.

Table 3: Costs incurred during arrival to and exit from seaport (2018)

Destination	Payments	
	20 ft container	**40 ft container**
Karachi Port	200-250 USD	250-270 USD*
Port Qasim	Same	Same

Exclusive of custom duties; source: PAJCCI

While Karachi port is preferred because of quick custom clearance process and ability to handle more containers effectively, however in the case of heavy load on this port, it is the discretion of port authorities to divert the traffic to other ports, which in turn can increase time related uncertainties for Afghan importers. The operation timings could also differ depending upon the port, for example, vehicles can go from Karachi port only at night but at Port Qasim, day and night operations are available. As per the current practice, mostly non-commercial items come through Port Qasim. There are varying cost estimates for transporting containers from Karachi port, port Qasim, and Wagah to Chaman and Torkham (Table 4).

Table 4: Transit costs from seaport to land border and port exit (Rs.) 2018

Routes	Payments	
	20 ft	40 ft
Karachi port – Torkham	180-190 K	270-290 K
Karachi port - Chaman	20-25% more than Torkham due to security-related costs	
Port Qasim – Torkham	Almost 10K less than Karachi port	
Port Qasim – Chaman		
Wahga – Torkham	90 K	108-110K
Wahga – Chaman		

Source: *PAJCCI*

The high security and detention charges and other fee by shipping companies have also encouraged Afghan importers to look for alternate countries. For example, in 2018, Afghan importers were paying a security deposit of PKR 300,000 (on average) for 20 ft and PKR 600,000 (on average) for 40 ft container. The shipping lines usually promise to refund security deposits upon return of empty containers, however, these refunds materialize with significant time delays. These responses have been endorsed by Pakistan's Ministry of Commerce and according to the ministry's own estimates, security deposit at Bandar Abbas (Iran) is USD 300 for 40ft and USD 150 for 20ft container compared to USD 5000 and USD 3000 respectively in Karachi. Besides these there are some unauthorized charges explained in Table 5. The unauthorized costs as percentage of total transit cost were 10.1% as per 2018-19 estimates.

Table 5: Transit costs faced by Afghan Cargo (2018-19)

	Transit Stage	Unauthorized charges (PKR)	Authorized Cost 20ft (PKR)
Karachi	Terminal Operator Charges charged by the Shipping Line		12,000
	Port Handling Charges charged by the Port		14,312
	Excess payment to transporter - Costs incurred due to scanning / examination of containers	10,000	
	Clearing Agent Fee		10000
	Demurrage		
	Insurance Cost (average)		7000
	Tracking on container		5600
	Unexplained charges in relations to above steps	2700	
Enroute	Toll tax	1000	8000
Torkham	Bonded Carrier Freight (Khi to Torkham/Jalalabad)		125,000
	Customs	1200	
	Clearing charges		8000
	Khasadars (local police)	1900	
	NHA		610
	NLC		2500
	Peshawar Development Authority		500
	Unexplained charges in relations to above steps	4900	
Total		21,700	193,522
Unauthorized cost (% of cumulative)			10.1

Source: *PAJCCI and Ministry of Commerce, Government of Pakistan*

The monopolistic powers available with the bonded carriers also need to be regulated. The inland freight charges for Afghan cargo are much higher than cargo bound for Pakistan's own use. Sufficient bonded trucks are not available in Karachi due to which on several occasions containers are stuck at the port with traders having to pay increased rents and port demurrages.

The physical examination and scanning of Afghan cargo still remains complex and subject to discretion of officials at Karachi port. APPTA allows scanning 5 percent of container consignment based on risk management profile, however lately the norm has been to check 80 percent of cargo which in the case of perishable items had led to loss of quality. Consequently, the traders end up paying destuffing and restuffing of container charges at the port.

Delays in the processing of cargo are also taking place due to lack of capacity of scanners installed at the Karachi port. The scan report reaches the officials after more than the allowed three-day limit. Even Pakistani transporters have complained of the frequent breakdown of scanners at the Karachi port which in turn could take up to 2-3 days of repair time.

The APTTA document highlights items which are banned from movement under transit trade. However, to protect Pakistan's local markets from being flooded through smuggled goods, some further items have been curtailed outside of APTTA. These include consumer household products, tires, tiles, electronics (LED and mobiles), poultry, yarn, auto parts, steel, clothes, and footwear items. The Afghan side sees these measures as a violation of APTTA.

As per the interviews conducted, occasionally there are incidents where items in transit get leaked or come back to Pakistan after unpacking in Afghanistan. Such incidents are on a decline due to the fencing at the border. Causes of leakages include occasional hike in trade taxes in Pakistan, porous border, smuggling, and informal trade.[258] Leakages of these products affect adversely the domestic industry of Pakistan and preventive measures in this regard are needed to be taken to lessen the leakage. Border fencing on Afghanistan-Pakistan border could help some aspects of smuggling, however, leakages within the boundary of Pakistan still need administrative controls. At the same time, there is a need for an independent evaluation of the currently existing tracker system for both transit and reverse transit.

258. Vaqar and Saad, op. cit.

In a survey conducted in fall 2019 the items reported by PAJJCI members as being leaked included tiles, electronic items i.e., LED, mobile phones etc., poultry, yarn and clothes, tires, vehicles and parts thereof, steel, footwear, cement, used items and raw material with high regulatory duties. Total value of reported leaked items was approximately 215 million dollars as per responses compiled from the interviews and latter validated through cross-check with a different group of respondents.

Opening New Transit Trade Routes

This section provides details regarding emerging transit possibilities for Afghanistan. It also discusses impacts in the event route via Wagah is allowed for imports and exports by Afghanistan from India. It is widely assumed that for Punjab-based traders and exporters from India, movement via Wagah could result in dividends originating from transport and location economies.[259] This is the most economical route through which Indian cargo can reach Kabul.

There are other competing routes which pose higher direct and indirect transport, logistics, warehousing and insurance costs. However, studies argue that such transport related advantages to countries like Pakistan and Iran could be offset if Afghanistan with support from development partners is able to expedite the investments under Afghanistan Transport Sector Masterplan 2036.[260] The new routes such as the rail links between Turkmenistan and Afghanistan's city of Mazar-e-Sharif and road links between Chabahar port of Iran and Zaranj in Afghanistan have received attention in recent literature and could prove to be competition for other routes.

To help support efficiency improvements, a multi-model approach has been adopted by Afghanistan, its neighbours and development partners. The recently approved or under preparation projects indicate urgency of governments in the region to improve their domestic road networks and consider trans-boundary connectivity via air, road and rail linkages (Table 6).

259. The route from Wagah to Chaman has not been discussed for the time being given the relatively low trade volumes expected to pass through Balochistan in current times.

260. See ADB Afghanistan transport sector master plan update (2017–2036) Mandaluyong City, Philippines: *Asian Development Bank,* 2017.

Table 6: Recently Approved Interventions by Development Partners

Link	Section	Cost ($m)	Financing Source	Current Status
Tajikistan - Afghanistan	Dushanbe - Shir-Khan Bandar	150	World Bank	Under preparation
Afghanistan	Baghlan - Bamyan	136.3	World Bank	Under construction
	Salang road and tunnel	60	World Bank	Under construction
Afghanistan - Pakistan	Kabul – Jalalabad	140	ADB	Under construction
	Jalalabad – Torkham	125	Govt of Pakistan	Completed
	Torkham Border Transit	ADB is financing upgrade of cross-border infrastructure.		
Pakistan	Peshawar-Torkham (KPEC)	402.75	World Bank	Pending ECNEC approval World Bank approved 2018

Source: *World Bank, 2019*[261]

The Asian Development Bank is also supporting efforts under the CAREC program which allows four of its transport corridors to pass through Afghanistan (Table 7). These will connect Afghanistan with China through Kazakhstan, Kyrgyz Republic, Turkmenistan, and Tajikistan.

Table 7: CAREC

Corridor	Route
CAREC 1	Europe-East Asia (KAZ, KGZ, and XUAR)
CAREC 2	Mediterranean-East Asia (AFG, KAZ, KGZ, TAJ, TKM, UZB, and XUAR)
CAREC 3	Russian Federation-Middle East and South Asia (AFG, KAZ, KGZ,TAJ, TKM, and UZB)
CAREC 4	Russian Federation-East Asia (MON, IMAR, and UXAR)
CAREC 5	East Asia-Middle East and South Asia (AFG, KGZ, PAK, TAJ, and XUAR)
CAREC 6	Europe-Middle East and South Asia (AFG, KAZ, PAK, TAJ, TKM, and UZB)

261. https://www.worldbank.org/en/news/factsheet/2019/10/01/khyber-pass-economic-corridor-kpec

AFG: Afghanistan; KAZ: Kazakhstan; KGZ: Kyrgyzstan; TAJ: Tajikistan; UZB: Uzbekistan; TKM: Turkmenistan; XUAR: Xinjiang Uygur Autonomous Region of the People's Republic of China; PAK: Pakistan; MON: Mongolia; IMAR: Inner Mongolia Autonomous Region of People's Republic of China

Source: *CAREC Secretariat*

Alongside the above mentioned efforts Afghanistan National Railway's Plan has received encouraging attention from the development partners. With a total estimated cost of USD 11 billion, the plan aims to bring efficiency in both passenger and cargo traffic – connecting various major cities of Afghanistan with vital border points (Table 8 and Table 9).

Table 8: Afghanistan National Railway Plan Investment Program, 2017-2036

Railway	Kilometers	Cost per Kilometer ($ million)	Total Cost ($ million)
Herat-Qala I Naw-Marmana-Sheberghan-Mazar-e-Sharif-Khunduz	1,105	1.9	2,100
Torkham-Jalalabad-Kabul-Parwan-Bamyan-Baghlan-Kunduz-Mazar-e-Sharif	772	1.9	1,467
Kunduz-Sherkhan border	88	1.9	167
Sheberghan-Andkhoy-Aqina	100	1.9	190
Kushk-Torghondi	47	1.9	89
Herat-Ghoryan-Chah Sorkh	149	1.9	283
Kunduz-Takhar-Badakhshan-Wakhan	700	1.9	1,330
Herat-Ghor-Bamyan Railway	550	1.9	1,045
Herat-Farah-Delaram-Kandahar-Kabul	1.141	1.9	2,168
Kandahar-Spin Boldak	96	1.9	182
Delaram-Zarang	222	1.9	422
Gereshk-Baram Chah	385	1.9	732
Contingencies (15%)			1,001
TOTAL	**5,355**		**11,176**

Source: *AFRA 2016. Afghanistan National Railway Plan, Kabul*

Table 9: Investment Priorities for Railways

Rank	Projects	Project Cost ($ million)	Comments
1	Kushk-Toghondi	89	Vital border connector
2	Kunduz-Sherkhan border	167	Vital border connector
3	Herat-Qala I Naw-Marmana-Sheberghan-Mazar-e-Sharif-Kunduz	2,100	High-priority Northern Line with best prospects for viability
4	Herat-Ghoryan-Chah Sorkh (Iran)	283	Vital border connector
5	Delaram-Zaranj	422	Mineral resources; regional integration; link to Chabahar Port
6	Sheberghan-Angkhoy-Anqina	190	Important border connector
7	Kandahar-Spin Boldak	182	Important border connector
8	Herat-Farah-Delaram-Kandahar-Kabul	2,168	Important southwest section of the rail ring with access to border crossing points
9	Torkham- Jalalabad-Kabul-Parwan-Bamyan-Baghlan-Kunduz-Mazar-e-Shairf	1,467	Western ring section of dubious viability; low Afghanistan Railway Authority (AFRA) priority
10	Kunduz-Takhar-Badakhshan-Wakhan	1,330	Potentially important link to the People's Republic of China; dubious viability, low AFRA priority
11	Herat-Ghor-Bamyan Railway	1,045	Link not essential and unlikely viable; low priority also accorded by AFRA
12	Gereshk-Baram Chah	732	Parallel north-south link
	Contingencies	1,001	
	TOTAL	**11,176**	

Source: *Asian Development Bank*

A research was conducted in 2019 to look into gains for Afghanistan, India, and Pakistan if transit trade between Afghanistan and India was allowed through Wagah-Attari border. For ease of simulation exercise, data of top 22 export items of India comprising more than 75 percent of total Indian exports to Afghanistan was used. For the ease in interpreting the results only transport and port clearance costs were considered while assuming other costs constant i.e. road fee, gate charges, weight assessment fee, informal payments, municipality fee and any other charges in erstwhile FATA region inside Pakistan. As the cost incurred by Indian exporters falls due to shorter transit route so a favourable net welfare effect is expected.

The cost to Indian exporter per 20ft container will decrease by 931 dollars and for 40ft container the same cost will decrease by 1,339 dollars.[262] The estimated annual total number of expected containers from India is 27,442 for 20ft and 41,170 for 40ft specification during 2019. Therefore, the annual total cost of Indian exporters will decrease by 25.55 million dollars for 20ft containerized cargo and 55.13 million dollars for 40ft containerized cargo.

The main export categories from India which stand to gain include gents clothing, shawls and scarves, medicaments, sportswear, synthetic woven fabric, sugar, wheat, and made-up textiles.

In 2018-19 India's total exports to Afghanistan stand at 709 million dollars out of which 514 million go through APPTA while the remaining 195 million dollars go through other routes, most notably Iran. Once the route via Wagah is allowed there is a possibility that a large chunk of USD 195 million (particularly those items falling under the agriculture and livestock categories) could pass through Pakistan (i.e., Wagah).Afghanistan's total exports to India currently stand at 719 million dollars out of which 252 million go through APPTA while the remaining 467 million dollars go through other routes, most notably Iran. Once the route via Wagah is allowed there is a possibility that a large chunk of 467-million-dollar worth of commodities could pass through Pakistan.

It is more likely that most of the agricultural goods from India like vegetables, animal meat, dairy produce, live trees and plants, raw hides and crop will go to Afghanistan through Wagah to Torkham. Major share of these agriculture related produce comes from the Indian Punjab that shares the Wagah border with Pakistan. The total exports of India to Afghanistan under these categories are around 65 million dollars. These are the potential exports in which India's comparative advantage could enhance, if routed from Wagah.

Currently, the Indian exports, transiting through Pakistan, majorly follow the route of Pune, Karachi and Torkham; only small quantities in sporadic frequency pass through Gwadar-Chaman route. Export route via land-sea-land cost also

262. Currently the total cost of 20ft container is USD 1396 and for 40ft container the same cost is USD 1955. For 20ft container if we split the overall cost, then port and misc. charges stand at USD 225 and transport (including octroi) is USD 1171.

involves multiple guarantees including land and sea insurance. A comparison is provided of transportation cost of 20ft and 40ft container from Karachi port to Torkham and from Wagah to Torkham. The 20ft standard size container has a maximum load capacity of 22 tons whereas the 40ft standard size container has max capacity of 26.6 tons. The estimated cost savings may be seen in table 10. Major gainers are textile, pharmaceuticals, sugar and construction material.

Table 10: Magnitude of cost saving for India[263]

Container Size	20 ft	40 ft
Total number of containers (Afghan imports)[264]	27,447	41,171
Per container USD cost (Karachi to Torkham)[265]	1396	1955
Total cost (Karachi to Torkham- million USD)	38.32	80.49
Per container cost in USD (Wagah to Torkham)	465	616
Total cost (Wagah to Torkham- million USD)	12.76	25.36
Cost saving (million USD)	25.55	55.13

Source: *Calculation based on data provided by DG Transit Trade office; price estimates by PAJCCI.*

Time saving is an additional advantage for India if it starts exporting from Wagah to Afghanistan. These calculations are based on two-rounds of interview with PAJCCI members. If transit via Wagah is allowed Indian export consignments saves 1 and a half day while going to Torkham. The route to Chaman is longer from Wagah in comparison to Karachi and therefore will involve an additional half a day.

We also look in to the implications of containerization via railways and reduction in cost of transit. Based on the review of cost of transit cargo train from Karachi to Peshawar, the average km per ton transport cost is estimated for the cargo train (Table 11). It is also assessed how much cost will be saved if this facilitation for transit trade is initiated by Pakistan.

263. The analysis for cost savings is done for the top 22 export items of India to Afghanistan as it comprises more than 75% of total exports of India. Hence, the results can only be generalized for the other exported products also.

264. Estimation of number of 20ft and 40ft containers is made based on the information provided by transporters.

265. A 20ft container is allowed 22 tonnes. Per tonne price from Karachi is USD 63.4. Per tonne price from Lahore (Wagah) is USD 21.14 per tonne.

Table-11: Estimates of Transit Trade Cost through Railway from Karachi to Peshawar[266]		
a.	Per km cost for 1 ton Railway load (USD)[267]	0.007
b.	Transport cost of road container (per km of 1 ton load)[268]	0.036
c.	Karachi to Peshawar distance (km)	1590
d.	Transport cost on railway from Karachi port to Peshawar (per km of 1 ton load); [d=a*c]	11.01
e.	Peshawar to Torkham distance (km)	52.6
f.	Transport cost of road container from Peshawar to Torkham (per km 1 ton load) [f=b*e]	1.894
g.	Total load transported during transit (ton)[269]	1667413
h.	Total cost of transit through railway (1 ton load per km) [h=d+f]	12.902
i.	Total cost of transit through railway for Indian goods landing in Karachi (Million USD) [i=g*h]	21.513

Source: *Calculation based on data provided by DG Transit Trade office; price estimates by PAJCCI.*

Table 11 exhibits that the total cost incurred after operationalizing the railway option from Karachi to Peshawar for Indian exporters is 21.51 million dollars per year. This estimate will apply to non-India exports as well and only includes transport cost. The cost of transit from Karachi to Torkham through railway for one ton load is 12.9 dollars while for road is 57.26 dollars. The cost saving, if railway route is operationalized, will be USD 44.36 per one ton load.

Economic logic demands that it should allow Afghan trucks to pick up Indian goods at Attari. In my opinion, this arrangement is akin to allowing India access to Afghanistan and beyond even if India's own trucks do not pass through Pakistan. Such an arrangement will be feasible for Pakistan once, (a) India is also willing to allow Indian trucks to carry Pakistani goods to India's other neighbors, and (b) Pakistan's agriculture exporters to Afghanistan are provided same facilitation as seen in Indian Punjab. Opening up to foreign competition at the

266. The analysis transit trade cost is done for the top 22 exports of India to Afghanistan as it comprises more than 75% of total exports of India. These results can be generalized for the other products also.
267. Taken from Pakistan Railway website
268. SDPI Survey Unit
269. Data from DG Transit Trade Office

end of the day is a political decision. Hence researchers in this space will need to think and work politically while assessing even the pure economic gains.

Issues for Future Engagement

It goes without saying that more frequent meetings between Afghan and Pakistani trade officials is need of the hour. As per the 2019 survey, this was a major suggestion by the business community on both sides. Several issues including faster customs clearance processes; insurance of transport vehicles, containers and consignments; tracking and monitoring of consignments; role of Special Regional Offices (SROs) hurting bilateral trade; credit facility for traders; currency swaps and several non-tariff barriers (NTBs) require continued engagement in the interest of ease in conducting trade. Ministry of Commerce in Pakistan and FBR should revisit obsolete SROs that are acting as NTBs and hurting the bilateral trade. Several of these SROs are now obsolete however continue to burden the traders and often times restrict trade. Better trade dispute resolution mechanisms can be envisaged through inputs from PAJCCI.

The Ministries of Commerce in both countries should institutionalize a dedicated Afghanistan-Pakistan desk with research, monitoring and evaluation capabilities. This unit will: a) coordinate the implementation of decisions undertaken at various government forums, and b) undertake specific research tasks related to Afghanistan-Pakistan bilateral trade and investment cooperation. This will also regularly allow both sides to update current assessment on the missing facilities curtailing cross border transit and commercial trade. Weak border-related trade infrastructure was pointed out as a key constraint in our survey.

Transit reforms related to transportation, customs and border controls will also have a quick impact in terms of increasing formal bilateral trade. Pakistan railways had initiated test runs to carry goods in transit. An evaluation may be undertaken if this measure has led to anticipated gains. Timely completion and effective management of Torkham-Jalalabad dual carriageway and Chamman–Kandahar rail link can also slash the transit costs.

Pakistan with help of development partners should continue improving automation of trade flows at border points. Afghanistan may be supported by FBR for putting Weboc-like systems at new border points where trade is being allowed. Where automation and conventional trade-related infrastructure may not be possible, both sides could consider establishing ‘border haats’ which have been successful in the case of several Asian economies.

Expediting work on ongoing road and railways projects linking the various cities across the Afghanistan-Pakistan border should remain a medium to long term agenda. Likewise, air cargo and passenger flight options for business community need to be increased. Business persons on both sides may be allowed visa-on-arrival facility. This is also expected to help boost bilateral trade-in-services. For example, Pakistan's private hospitals and diagnostic centers have immensely benefited from providing timely and quality service to Afghan patients. This can be scaled up in future.

The banking channels between the two countries should be expanded to curtail informal trade flows, illegal flow of money and related transactions. This will also be important from the view point of recent demands put forward by Financial Action Task Force (FATF). For Afghanistan it is difficult to transfer foreign currency abroad particularly in larger amounts. This issue can be addressed if both countries accept each other's currency for trading purposes. Bilateral Foreign Direct Investment (FDI) cooperation may also be facilitated through easing of foreign exchange controls by State Bank of Pakistan (SBP), particularly with a viewpoint to enhance investment cooperation with Afghanistan. An additional measure required from both sides is to allow investors cross-border investment through both government and automatic route.

The civil society organizations and think tanks working on Afghanistan-Pakistan trade cooperation should be strengthened by the governments and development partners. They should independently hold annual Afghanistan-Pakistan economic summits which also benefit from the presence of investors and business community of both sides. Cooperation between media outfits is need of the hour. Television channels on both sides could partner for airing evidence-based talk shows which explore and exhibit the trade and investment cooperation potential. This will also enable people on both sides to see stories of success resulting from closer business to business relations. The relevant sports board on both sides could also look into the potential of 'cricket diplomacy' in bringing the two sides closer.

Apart from the civil service on both sides, interaction on trade cooperation should also be prioritized during parliamentary engagements. The parliamentary committees on commerce and trade on both sides may like to increase frequency of their dialogue. For effective promotion of 'make-in-Pakistan', Trade Development Authority of Pakistan could collaborate with PAJCCI to increase frequency of export goods exhibitions inside Afghanistan.

The planned trans-boundary cooperation projects in the Central Asian region should go beyond the currently ongoing work on CASA-1000, TAPI and some road sector projects. A high-powered working group comprising of experts from Afghanistan, Pakistan and select Central Asian countries should be facilitated to meet regularly so that an inventory of projects can be planned. Such projects will strengthen economic and political interdependencies in the region

The scholarships allowed to Afghan students can be scaled up with the help of private sector universities in Pakistan which have better academia-industry linkages not just in Pakistan but also across the region and beyond. Also, business schools in both countries could partner and arrange study trips for faculty and students enabling each other to see how business partnerships can be strengthened.

Both countries must come together to push for normalization of South Asian Association for Regional Cooperation (SAARC) process and regular meetings of SAARC Heads of State Summit in which several important transport and energy cooperation agreements are expected. Counties which are part of Economic Cooperation Organization (ECO) and Shanghai Cooperation Organization (SCO) can be asked to help in putting SAARC process back on track. Ultimately connectivity in South Asia is bound to help other economic blocs in the region.

I also observe that economic cooperation with Afghanistan is a subject which is spread across various ministries in Pakistan. Economic Aid Division (EAD) leads the Joint Economic Commission meetings. MoC conducts bilateral and transit trade dialogue. There is no active investment cooperation process. There were occasions when heads of both central banks also met. Perhaps there is a need now to have a dedicated desk which keeps track of various decisions and meetings between both sides.

To end this chapter on a positive note, I would recall an anecdote that I presented at the Seventh Round of Afghanistan Pakistan Bilateral Dialogue on Strengthening Economic Engagement by Regional Peace Institute.

> "After several months of decline in Afghanistan Pakistan trade, we finally started to see an uptick during late-2018. Afghanistan was once again among the top export destinations for Pakistan in the fourth quarter of 2019. We asked the authorities what had changed. There was still no progress on JEC, APTTA and PTA. To explore this further we were asked to sit with the border control authorities and customs department officials on both sides. To the pleasant surprise of most of us,

this increase actually came about due to the cooperation of a few customs officials on both sides who were willing to walk over and discuss with each other every time some formality, truck permit, container specification, and tracker requirements were found missing. Their personal working relationship and sense of responsibility towards achieving higher trade traffic on both sides made this happen. This for us was a lesson in leadership. Many a times we await decisions from the higher political authorities whereas the solution lies in the hands of those who are able to exercise their own job description in the most loyal manner. It is in this anecdote we find reasons to attach greater importance to people-to-people cooperation between Afghanistan and Pakistan."

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