

Implications of Pak-Afghan Transit Trade for Regional Security

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Abstract

Pak-Afghan relations have almost remained far from being normal and under the grip of allegations and counter allegations due to several bilateral political issues. However, trade relations have remained unrestrained from several decades. Afghanistan as a landlocked state always relied on Pakistani ports for its trade requirements with the rest of the world. Despite ups and downs in the relations, Pakistan provided trade provision to Afghanistan under the 1965 trade agreement which was replaced in October 2010 with an agreement providing better trade facilities to Afghanistan with India. Pakistan has security concerns over India, as Indo-Afghan trade will reduce Pakistan's imports of goods. A growing Indian presence in the form of huge investment in Afghanistan has threatened Pakistan's security. Trade has great potential for Pakistan, India, and Afghanistan but security and sincerity are required for implementation of such agreements.

Key Words: Transit Trade Agreement, Security Implications, Regional Connectivity, Pak-Afghan Relations

Introduction

Pak-Afghan Relations have always remained at a very low ebb, since independence. Being a next-door state Pakistan under his foreign policy endlessly ranked Afghanistan in his priority list. Peace and stability in Afghanistan are indispensable for peace in Pakistan. Usually, both states relations are considered by mutual mistrusts and lack of self-assurance, in which third-party played a decisive role to destabilize both countries relations. Despite convergence and divergence in the relations trade between Pakistan and Afghanistan has ever been blocked. Pakistan was optimistic about the trade potential with Central Asians Republics. And the signing of Pak-Afghan transit trade would provide trade facility to Afghanistan with India through Pakistan. While Afghanistan would

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enable Pakistan trade relations with Central Asian states. It is to be noted here that, 2010 Pak-Afghan Transit Trade Agreement was the provision of transit facilities to the concern states. It was not about the bilateral trade between Pakistan Afghanistan or India.

The Rebuilding of Trade Relations

The growing civil war in Afghanistan in the wake of 1990s drove the Pakistani policymakers with a strategic dilemma (Rashid 2008, p.26). That, how to restore their influence on Afghans, especially access to CARs markets for its trade? The non-coastal Central Asian states are rich of natural resources having benefits for Pakistan, and Pakistan warm water costs are helpful for such states for their trade purpose with rest of the world (Ali 2008). Trade agreements have great potential for Pakistan, as Afghanistan is considered key to Central Asia and Pakistan wants access to Central Asian markets for expansion of its trade. For the expansion of the trade market with South Asian Republics (CARs) Afghanistan along with CARs states included in the Economic Cooperation Organization (ECO) in 1991 (*Dawn* 2012, June 27).

History of Pak-Afghan Transit Trade Agreement: 1960s

Under International law, Pakistan provided transit facilities to Afghanistan. Notwithstanding several hitches in two countries relations since Pakistan's independence transit trade between the two countries had infrequently discontinued (Haque 2011, p.2). Trade has a great possibility for Afghanistan through Pakistan and a matter of concern, for which on several occasion Afghanistan raised the issue of Pakhtunistan. To incorporate the Baluch majority areas into Afghanistan through Baluch insurgency, supported by Indian intelligence to create security instability for Pakistan (Gartenstein & Vassefi 2012).

Since Pakistan's independence Afghanistan avail trade opportunity through Karachi port. During, Prime Minister Daud period cross border accident worsens the scenario and both countries reached to close the border in 1961, which greatly affect the trade of landlocked Afghanistan. In 1963 Shah of Iran helped détente between the two neighbors. President Ayub Khan (1958-1969), wants to settle the trade issues through negotiations for which he visits twice in 1964 and 1966 respectively.

Political Efforts for Trade Development

Pakistan democratic government and the military set-up constantly seeks a responsive government in Afghanistan. Shah Mahmoud Qureshi, the then Foreign Minister of Pakistan, declared that peaceful Afghanistan is in the best of interests

in Pakistan. Pakistan's armed forces views are also on the same page regarding peace and stability in Afghanistan (Dawn, 2010). For friendly relationships signing of (APTTA) trade facility shows the cooperation from Pakistan side. Through such cooperation, Afghanistan possesses the trade opportunity since Pakistan's independence and the innovative APTTA provides more trade facilities to Afghanistan with India through Pakistan. Correspondingly, the CARs republics are rich in natural resources need trade corridor to export their energy resources to South Asia. Pakistan has been in pursuit of enhancing influence in Afghanistan for trade with CARs. The new trade agreement provides the opportunity to Afghanistan to export its products to Pakistan and India, and Pakistan gets the opportunity to trade with CARs using Afghan territory. The APTTA indicates the 'non-zero-sum' game or prisoners dilemma in which both countries cooperate at the expense of others to get more advantage at less cost vis- a' - vis India. This bilateral trade agreement added to the importance of Pakistan as a trade corridor both with commercial and non- commercial logistics (Hussain & Latif, 2012).

Trade has great potential for both countries. Nasrallah Khan Babur, the then interior minister of Pakistan, expressed the concern that Pakistan's support towards the Afghan Mujahidin was driven by an idea of opening a caravan or trade to the newly independent CARs states in 1994. For this purpose, he held two trips by road to observe the route personally, from Quetta in Pakistan to the Central Asian States entering China through the Turgut Pass and Pakistan through the Khunjerab Pass (Khan, 2011; p. 51).

Importance of APTTA for Afghanistan- Pakistan and for the Region

- For Afghanistan, APTTA provide transit with India and to the world market;
- Imports and exports to promote foreign investment and growth; and reduce the delay of goods at borders.
- Pakistan will get access to the Persian Gulf and Central Asian markets;
- Make the job facilities, increased traffic and lower transit costs;
- An atmosphere of bilateral and trilateral relations will be established through transit trade (*Drives Trade Document 2010*).

Afghanistan due to its geo-strategic location has the capability to provide Pakistan with direct routes to the CARs region as well as to be a regional hub for trade with the Middle East, China, Central, and South Asia. Due to, perverted law and order situation, lack of modern road transport vehicles of international standard, lack of adequate regulatory framework and non-availability of facilities for transit to CARs are the major hurdles that to hamper Pakistan trade to CARs states. Pakistan's trade with Afghanistan increased from a mere \$70 million in the days of the Taliban to \$1.2 billion in 2006. Pakistan supplies mostly the construction material to Afghanistan after the US intervention. Pakistan has provided the US

\$300 million for several projects, the most significant of which was the construction of the Turkham- Jalalabad dual highway which has completed, and Karzai joined PM Shaukat Aziz to inaugurate in 2007 (Khan 2011; pp. 173-74). President Musharraf during his official visit to Kabul on January 7, 2009, tried to mend the barter barricades and expanding cooperation to curb drug trafficking. According to Afghan foreign minister Dr. Rangin Dadfar Spnata, that President Musharraf led to alleviate the misperceptions prevailing between the two countries because of frank and open talks. Both countries delegations on this occasion raised hopes for new expansion in the transit corridor. President Musharraf, during his visit, put forward the idea of land mines on Pak-Afghan border to stop illegal cross borders of traders from both the sides (*Tribune* 2007, September 7).

A New Expansion in Pak-Afghan Transit Trade Agreement: 2006-2011

Until 2011 ATTA of 1965 was in practice, but due to the new urgency old agreement of 1965 looked outdated. The new advancement of scientific progress and the existence of new problems in both states relations and to monitor and regularized trade potentials, divert both countries towards new transit agreement (Nuri, 2012). For removal of trade barricades, strengthens of economic ties to ensure free drive of goods and improvement of trade volume joint working groups set up from time to time to discuss pros and cons of the issue; first round of negotiations was started in 2006 and then followed in 2008. After thorough deliberation, the first Memorandum of Understanding (MoU) signed on May 6, 2009. In presence of US secretary of state Hillary Clinton, the MoU was signed by Afghan and Pakistani commerce ministers, attended by Karzai and President Zardari (Afzal 2010). Since keeping in view, the previous shortcomings of 1965 ATTA both the sides addressed to resolve each other concerns in a positive manner. Different meeting of both states departments held from time to time. Inputs received from the public and private sector stakeholders; the main concern for Pakistan was smuggling in the garb of transit trade, the new treaty addressed this issue. To resolve many concerns, at last, this historical document signed on October 28, 2010, in Islamabad the capital of Pakistan and operationalized on June 21, 2011 (Khan 2011). Finance Minister Hazrat Umar Zakhilwal from Afghan side and his Pakistani counterpart Dr. Abdul Hafeez Sheikh signed the documents. The 'two states signed a 'Note for the Record' on July 18, 2010, Pakistan approved to permit Afghan trucks on the ply through Karachi and Wagha to carry Afghan goods (Khan 2010, p.173).

A Move in the Right Direction

This agreement has great potential for both the countries and considered a move in

This agreement has great potential for both the countries and considered a move in the right direction on future acute of action, a milestone of democratic set-up will defiantly pave the way for further CBMs as well assigned at the start of peace process in which trade potential was not included but considered a positive response from both the sides. Both countries agreed to start bilateral trade by finalizing details of the installation of the biometric system and tracking devices on transport units; and agreed on a railway track to link both states on different points for easy access to each other needs and tarred goods (Kakar 2010). The signing of APTTA welcomed by Pakistan's major political parties, civil society and chamber of commerce and industry (Nuri 2012). Some of the people's concern that not only trade but business exchanges, joint investment, tourism, health, culture, sports, and education will help supplant the process, should be included in the agenda of normalization of relations. It will be a 'win-win' situation for Pakistan and Afghanistan (Nuri *ibid.*). "This agreement has been under discussion for 43 years and without resolution, Afghanistan and Pakistan have reached an important milestone in their efforts to generate foreign investment and stronger economic growth and trade opportunities," Hilary Clinton observed (Mayer 2009).

Difference between 1965 and 2010 Trade Agreement

As the 1965 ATTA restrict Pakistani vehicles to Afghanistan and Afghan vehicles not allowed to proceed beyond Peshawar. But the revised pact resolved such restrictions. APTTA open new trade ways for both the countries; provides 10 extra transit flight paths in Pakistan and eight new corridors in Afghanistan. Pakistan will benefit from Central Asian markets (Afghanistan 2010). To resolve additional trader's problems on November 25-27, 2010 Makhdoom Amin Fahim and his Afghan counterpart hold several meetings. The concentration was to diligence the trade problem and easy access to Pakistani ports. Pakistan accepted the demands of Afghan authorities (Siddique 2012). It was suggested from the Pakistani side that, apart from the APTTA, the Preferential Trade Agreement (PTA) that would provide potential to both states goods on concessional lines (Ali 2008).

Final Round of Signing Ceremony

The APTTA of October 2010, so long beneficial to the Afghanistan export with India (Yousaf 2011). The final round of trade agreement signed on October 28, 2010, at Kabul superseded ATTA of 1965, the signing was witnessed by Richard Holbrooke the US Special Representative for Afghanistan and Pakistan (*Dawn* 2010, July 19). Such agreement also provided Afghanistan strategic access to Gawadar and port Qasim to give the opportunity to Afghan traders and farmers to expand their trade to the Central Asian countries. This agreement will enable Pakistan as a corridor for transit trade with other regional states too. APTTA

operationalized on June 12, 2011, during (July-September 2011) import and export to Afghanistan 39% increased respectively with rising in several transshipment of containers (Nuri 2012). The revised pact was signed in the democratic era of Pakistan and Afghanistan was under consideration from a long time, considered en route for economic co-operation on both sides as part of CBMs. Nonetheless, an encouraging step for Pakistan and Afghanistan to reconcile the mistrust and blame game through bilateral trade.

Establishment of Pak-Afghan Transit Trade Coordination Authority

In the appearance of any kind of disputes, Pak-Afghan Transit Trade Coordination Authority (PATTA) was established on January 12, 2011 setting by both states to keep in tack the trade agreement and resolve trade-related issues. It was also suggested that the present APTTA will be operationalized for five years term. After five years it will be renowned, and if needed it can amend before the prescribed time period (Nuri 2012).

The Afghan traders had some concern over Karachi port, but Pakistan Finance Minister Dr. Hafez Sheikh said that it is an administrative issue which will be resolved with the passage of time. But despite all these barricades, trade relations among both the states are on track (Siddique 2010). The APTTA excursion started, it proves the perception wrong that both states relations are under blame-game, mutual tussles, confusion and accusations throughout history. But the trade relations going from decades between Pakistan and Afghanistan. Be sure that trade facilities will open an era of economic expansion ability to transport goods and people efficiently. Karachi Port and Port Qasim are linked by the railway line to Peshawar and Chaman and Pakistan railways has carried out a feasibility study for linking Gawadar to the rail network has great potential for Afghanistan.

Impacts of APTTA on Both States Relations

With the establishment of trade advancement in both countries, old disputes will resolve with the passage of time and traders on both sides of the border will defiantly pave the way for normalcy in the relations. Some of the virtuous effects on both countries i-e, almost 70,000- 80,000 Pakistanis are involved in different developmental projects in Afghanistan and about 1.7 million Afghan refugees are in Pakistan and engage in different employments in Pakistan for their earnings (Nuri 2012).

On the economic front, Pakistan's remains the largest trading partner of Afghanistan, bilateral trade between the two states reached \$2 billion in 2014. Afghanistan has been the third largest destination for Pakistan's exports. Afghan trade regulated through Pakistan under APTTA with the rest of the world. Pakistan prolonged provision to Afghanistan under practical support program, popularly

most of the projects are completed (Zulfikar 2015). In a post-2014 scenario, a rapid decrease can be noted in both states commercial and non-commercial tariffs. Non-commercial goods reduced to half, due to the withdrawal of US troops, while commercial goods condensed from 75,000 to 35,000 metric tons in 2014. As most of the transit shifted from Pakistan to Iran, due to upgraded infrastructure, better roads and extra charges of Pakistan on Afghan transit cargo (Zulfikar 2015).

Indian interests in Economic Potential of Afghanistan

At the 6th Heart of Asia' conference in India in 2016, India offered to lead two confidence-building measures, intended to support Afghanistan and integrate it into the regional economy. India is of the view that it can take Afghanistan a leading economy in the region. The 'New Silk Road' narrative, whereby Afghanistan will 'regain its historical role as a land-bridge between South Asia, Central Asia, the Middle East and Eurasia' has some adhesive friction in India. However, with enhancement in trade links with Pakistan, there is a possibility of Afghanistan becoming a hub for trade, transportation, and energy in the region. In June 2012, India called Hearts of Asian states summit on Afghanistan in Delhi, to suggest ways and means for the exploration of energy projects, search of minerals, investment in infrastructure, telecommunication, small scale industries, education and in the agriculture sector. Afghanistan's profitable minerals deposits particularly attracted India (Gareth 2013). Since 2001, almost 100 Indian companies invested in Afghanistan infrastructure and development. A joint venture of Indo-Afghan investors also established worth the US \$20 million. Both states are also cooperating in defense capacities, almost 400 Afghan Security Forces got training in Indian Military Academy (Gareth 2013).

Conclusion

Trade between Pakistan and Afghanistan is already taking place: only it stands in need of regularised and properly monitored for mutual benefits (Nuri 2012). Transit trade agreements provide leverage and stake to regional partners. There is a big captive market waiting for Pakistan, there is a huge demand for Pakistani goods to Afghanistan due to proximity. In 2010 Pakistan exported goods to Afghanistan worth was \$1.2 billion as compared to \$1.7 billion in 2011, and informal Pak-Afghan trade has climbed to \$4 billion. Pakistan along with other nations also invests in Afghanistan mostly on – education, health, and transportation about \$330 million (Nuri *ibid.*). Almost half of the population in Afghanistan is unemployed and same is the instance with Pakistan, and the situation is deteriorating with the passage of time. So, the need is to increase trade to generate unemployment.

Some of the reservation regarding PATTA, which is highlighted on the Indian side. Pakistan is not allowing Afghan export with India, which is not the case. In the meantime, Afghanistan wants import of the same goods as Pakistan from India. Which was not part of APTTA signed between the two states. For Pakistan's safety and robust evaluates are necessitated to concede Indian export to Afghanistan through with Pakistan territory (Afzal 2010). The need for provision has great potential for Pakistan and India. In terms of best security appropriate for Pakistan, Afghanistan should avail trade opportunity with India.

Such tripartite confluence of trade-based interests can possibly carry \$6 to \$8 billion royalty to Pakistan. All the adjacent three states India, Pakistan and Afghanistan for trade interests requires collaboration from each other to resolve the strains (Haider 2009). Afghanistan should tackle Pak-India nexus in a favorable way that in future both countries not use the land of Afghanistan for their proxy's battlefield (Siddique 2009). To strengthen the friendly affinities cooperation are required in every field as well as stress on economic development projects which is key to fortify the relations.

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