

# Central Asia-Caucasus Analyst

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Stephen Blank

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*Central Asia- Caucasus Institute*  
*Silk Road Studies Program*

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# THE CENTRAL ASIA-CAUCASUS ANALYST

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*The Central Asia-Caucasus Analyst* is an English-language journal devoted to analysis of the current issues facing Central Asia and the Caucasus. It serves to link the business, governmental, journalistic and scholarly communities and is the global voice of the Central Asia-Caucasus Institute & Silk Road Studies Program Joint Center. The Editor of the Analyst solicits most articles and field reports, however authors are encouraged to suggest topics for future issues or submit articles and field reports for consideration. Such articles and field reports cannot have been previously published in any form, must be written in English, and must correspond precisely to the format and style of articles and field reports published in *The Analyst*, described below.

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## **Submission Guidelines:**

**Analytical Articles** require a three to four sentence Key Issue introduction to the article based on a news hook. Rather than a general, overarching analysis, the article must offer considered and careful judgment supported with concrete examples. The ideal length of analytical articles is between 1,100 and 1,500 words. The articles are structured as follows:

**KEY ISSUE:** A short 75-word statement of your conclusions about the issue or news event on which the article focuses.

**BACKGROUND:** 300-450 words of analysis about what has led up to the event or issue and why this issue is critical to the region. Include background information about the views and experiences of the local population.

**IMPLICATIONS:** 300-450 words of analysis of the ramifications of this event or issue, including where applicable, implications for the local people's future.

**CONCLUSIONS:** 100-200 words that strongly state your conclusions about the impact of the event or issue.

**Field Reports** focus on a particular news event and what local people think about the event. Field Reports address the implications the event or activity analyzed for peoples' lives and their communities. Field Reports do not have the rigid structure of Analytical Articles, and are shorter in length, averaging ca. 700-800 words.

Those interested in joining *The Analyst's* pool of authors to contribute articles, field reports, or contacts of potential writers, please send your CV to: <scornell@jhu.edu> and suggest some topics on which you would like to write.

## **Svante E. Cornell**

Research Director; Editor, Central Asia-Caucasus Analyst  
Central Asia-Caucasus Institute & Silk Road Studies Program  
Paul H. Nitze School of Advanced International Studies, The Johns Hopkins University  
1619 Massachusetts Ave. N.W., Washington, D.C. 20036, USA.  
Tel. +1-202-663-5922; 1-202-663-7723; Fax. +1-202-663-7785

# AFGHANISTAN AND PAKISTAN SIGN TRADE AND TRANSIT AGREEMENT

*Gulshan Sachdeva*

*Kabul and Islamabad recently signed the Afghanistan Pakistan Trade and Transit Agreement. Under the agreement, Afghan trucks are allowed to carry Afghan transit export cargo to Pakistani ports and also to the Indian border. If implemented, the agreement has the potential to boost Afghanistan's development and regional trade. While it excludes Indian exports across Pakistan for the time being, over time it may also create insurmountable pressure within Pakistan and Afghanistan to open up trade across the border with India, thus providing a substantial stepping stone in the integration of South and Central Asian economies.*

**BACKGROUND:** After seven rounds of bilateral Joint Working Group meetings on trade and transit, the Commerce Ministers of Afghanistan and Pakistan signed a "Record Note" called Afghanistan Pakistan Transit Trade Agreement (APTTA) on July 18, 2010. The note was signed in the presence of Pakistani Prime Minister Yusuf Raza Gilani and U.S. Secretary of State Hillary Rodham Clinton. Since the deal was signed on the eve of a major conference on Afghanistan, it was expected to contribute to the success of the much discussed Kabul conference.

According to this note, Pakistan will facilitate Afghan exports to India through the Wagah border crossing (near the city of Amritsar in Indian Punjab). Afghan trucks will be allowed to carry Afghan transit export cargo on designated routes to Pakistani sea ports and also up to the Indian border where Afghan cargo will be transferred on to Indian trucks. It was also agreed that no Indian exports to Afghanistan will be allowed through Wagah "at this stage". However, it was decided that "a feasible proposal in this regard could be discussed at an appropriate time in the future". For this purpose, "Pakistan will provide a side letter to Afghanistan giving this

Understanding". To make transportation economical on return, the Afghan trucks will be allowed to carry goods from Pakistan to Afghanistan. To tackle the issue of unauthorized trade, both countries have agreed to install tracking devices on transport units and customs to customs information sharing (IT data and others). In addition, it has been agreed that financial guarantees equal to the amount of import levies of Pakistan will have to be deposited by authorized brokers or customs clearing agents, which will be released after the goods exit Pakistan.

Currently, Afghan transit goods in Pakistan are transferred under the Afghan Transit Trade Agreement (ATTA) signed by the two countries in 1965. Under the agreement, five transit routes are available for transit trade from Pakistan: These are 1) Peshawar-Torkham and vice versa; 2) Chaman-Spin boldak and vice versa; 3) Ghulam Khan Kelli; 4) Port Qasim; and 5) Karachi Port. Sheds and open spaces are earmarked in the Karachi Port area known as Afghan Transit Areas for handling Afghan Transit. Under the agreement, Afghan goods transiting through Karachi port are exempt from Pakistani duties or customs tariffs. In addition, rail or other transportation charges are



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required to be the same as those charged for goods destined for Pakistan.

In the past, the Pakistani authorities have complained that many goods that were sent to Afghanistan under the transit agreement have in fact been smuggled back into Pakistan. Consequently, transit trade in several types of goods have been prohibited and placed on a negative list, on which tobacco and auto parts remain since 2006. Afghanistan believes that under the UN convention on transit trade for landlocked states, Pakistan is bound to provide transit trade facilities to Afghanistan. Similarly, controlling the smuggling of Afghan transit goods within Pakistan is primarily the responsibility of Pakistani authorities. Therefore, custom duty charges on goods under the negative list are actually a violation of the ATTA.

**IMPLICATIONS:** The APTTA was reached after years of negotiations, active U.S. encouragement and promises of billions of

dollars of aid to Pakistan. The major difference between the old ATTA and the APTTA is that under the new agreement, Afghan exporters will be allowed to use their own trucks to carry exports to Pakistani sea ports and to the Wagah border. To the benefit of Pakistan, there are also many provisions to tackle the issue of unauthorized trade.

Once implemented, the APTTA could provide a major boost to the Afghan economy and regional trade. According to the ADB Statistics, India has been the number one export market for Afghan products since 2005. The main exports to India are edible fruits, nuts and asafetida. Obviously, this deal will for the first time provide an opportunity for Afghan producers of fruits, dry fruits, carpets and marble to ship their goods across Pakistani territory to the vast consumer market of India and beyond. This is important for the long term sustainability of the Afghan economy through its own resources. Apart from internationally acceptable and verifiable standards of sealable trucks, the APTTA also allows export of perishable goods in transit in open trucks and other transport units. This is important as Afghanistan traditionally used to export plenty of fresh fruits like grapes, melons and pomegranates to India.

It has also been reported that as a reciprocal gesture, Pakistan will be able to export its goods to Central Asia through Afghanistan. Although this clause is not part of the record note, Afghanistan does allow transit of Pakistani goods to Central Asia even without a formal agreement. At the moment, Pakistan's exports to Central Asia are quite insignificant. Still, this provision will have positive implications for Pakistan's economy in the long run. Within this broader framework, this is an important start for linking the South and Central Asian economies. In this way, Afghanistan's policy of promoting the country as a "land bridge" between different regions may become a reality in near future.

Interestingly, immediately after the conclusion of the Kabul conference, the Pakistan Commerce Ministry press release clarified that the APTTA agreement "has not yet been signed by the two countries". Technically, after vetting from the Law Ministry, the agreement should have been presented to the Cabinet for approval. However, once the process of negotiations was complete, this should have been a mere formality. Various trade and transport bodies within Pakistan have also raised a series of objections. It seems that, on the pretext of security issues related to India, that powerful transport lobbies within Pakistan are trying to derail the process. They fear that their monopoly over Pakistan-Afghanistan transport will be challenged by Afghan truckers. The Pakistani Prime Minister has announced that he has set up a committee comprising of the Ministers of Finance, Foreign Affairs and Commerce to brief the political parties and the parliamentary National Security Committee to clarify any misunderstandings. These developments indicate that Pakistan's Cabinet is not going to clear the deal in a hurry.

**CONCLUSIONS:** If the APTTA deal is properly honored, it will be a huge step forward for Afghan exporters. It could provide a boost for the Afghan economy and may build trust among South Asian neighbors. At the moment this is only a partial agreement clearly designed to exclude India. In the currently tense relations between India and Pakistan, this was an expected outcome. However, successful implementation of the APTTA may carry the seeds of a very different future. It may create insurmountable pressures within Pakistan and Afghanistan to open up trade across the border with India. Similarly, Indian policy makers may also realize that it is possible to work with Pakistan. The success of this venture has the potential to rejuvenate the South Asian Association for Regional Cooperation (SAARC) and South Asian Free Trade Area (SAFTA); bring South and Central Asian economies together and radically transform India's continental trade in the future. While looking at already emerging domestic political and commercial opposition in Pakistan, the immediate task is to convert the record note into formal agreement so that Afghan producers start exporting their goods. Otherwise, it will be another story of signing some agreement under external pressure but avoiding its implementation on one pretext or another.

**AUTHOR'S BIO:** Dr Gulshan Sachdeva is Associate Professor at the School of International Studies, Jawaharlal Nehru University, New Delhi. Since 2006, he has also headed the Asian Development Bank and The Asia Foundation projects on regional cooperation at the Afghanistan Ministry of Foreign Affairs in Kabul.