

PAKISTAN-AFGHANISTAN RELATIONS: IMPLICATIONS OF TRANSIT TRADE ISSUES FOR THE REGION OF SOUTH ASIA

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***Abstract:** Afghanistan is a landlocked country and has been largely relying upon Pakistan for its external overland trade. The issue of transit trade between the two countries remains a spar in their bilateral relations which has resulted in 41% reduction of Pakistan's exports to Afghanistan and poses serious implications not only for the two neighbors but also for the region of South Asia. Early resolution of the issues will remove bottlenecks in the realization of full economic potential of the two countries; secondly, will be instrumental in bringing peace and stability and will expedite economic integration of South Asia and Central Asia.*

Keywords: Pakistan, Afghanistan, transit-trade, implications, South Asia.

Introduction

Hardly any two neighbors share such deep religious, ethnic and cultural similarities as Pakistan and Afghanistan do; despite this extent of closeness the two countries have been at loggerheads perennially and struggling to develop a friendly poise in their bilateral relations. Consequently, they have come to be identified as alienated neighbors for the last seventy years. This is due to number of specifics resulting from differences with respect to “cross-border infiltration, refugees, drug trafficking, militant groups, and dispute over counterterrorism policy and dialogue with terrorist networks.

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These issues have impacts beyond the security sector complicating efforts to build stronger trade and economic ties.¹ The latest addition to the list is differences on transit-trade which are fraught with negative implications on two accounts: they have deeply impacted the trajectory of their trade relations which is evident from the fact that Afghanistan has re-routed more than 70% of its trade to Iran, India and China and this has resulted in 41.57% reduction in Pakistan's exports to Afghanistan; according available statistics, Pakistan recorded \$1.4 billion exports Afghanistan in 2018-2019 have come down from \$2.6 billion in 2010-2011 reflecting how fast Islamabad has lost its influence in its one and only captive market.² Secondly, these divergences constitute a standing impediment to the economic integration of Central Asia and South Asia which have not only high geo-political importance but are also endowed with vast untapped and underutilized natural resources.²

Pakistan and Afghanistan have had umbilical cord trade relations: Pakistan is relatively only viable option for transit trade for Afghanistan; on the other hand, Pakistan's trade with the Central Asian Republics traverses through Afghanistan. But their trade relations have been victim of historically strained political relationship. At the bottom of these adverse economic ties, in part, is the tendency of either country to blame the other for not taking steps to ease impediments to smooth trade: for example, Kabul claims that Islamabad has done nothing to address its grievances which pose bottlenecks to the smooth of trade between the two states; Islamabad, on the other hand, blames that Kabul has not taken effective steps to check illegal trade under the cover of Afghan transit trade which hurts Pakistani business community and causes losses in government revenues.³

Apart from trade in traditional commodities, cultural and language similarities provide the potential for expansion of trade in the service sector in education, healthcare and information

¹ The Future of Afghanistan-Pakistan Trade Relations", United States Institute of Peace Brief, Peace Brief 191, August 2015, www.usip.org/publications/2015/08/future-afghanistan-pakistan-trade-relations accessed on 12-12-2019

² Pakistan seeks upgrading of Afghan Transit Trade Agreement," Khalid Mustafa, The News International, 28 June 2019

³ Comprehensive Draft on Pakistan-Afghanistan Bilateral and Transit Trade Issues and Proposed Resolutions, April 2018." Pakistan-Afghanistan Joint Chamber of Commerce and Industry (PAJCCI)

technology. There is a need to nurture an environment of trust for economic prosperity across the border. Both countries are facing economic challenges, therefore, fruitful commercial relations between the two neighbors and better trade facilities will pave the way for increase in employment in both the states and they will be able to earn the much needed foreign exchange.

Economic Realism

Robust economic interaction plays a critical role, first, in promoting economic growth and ensuring provision of better quality of goods and services at competitive prices; secondly, it helps in diffusing political tensions between states. Economic Realism, a collateral variation of classical approach to the study of relations between states, calls for intense preference to economic relations and prioritization of trade and related aspect between states locked in a mire of hostile political relations. This prioritization requires that toxic political relations need to be sub- connected to economic ties, and thus will be helpful in developing a sustainable trust as a seminal phase, later on, to be used for broadened vision approach to outstanding political issues.

However, in the case of Pakistan and Afghanistan, their awry political relations stemmed from contradictory positions on the Durand Line have been an overriding factor in influencing the trajectory of their overall ties. Consequently, the two neighbors have never been able to develop a paradigm that facilitates them to pursue their relations along pragmatic lines. Peaceful and stable political interaction between Pakistan and Afghanistan can be a potent driver for promotion of trade and economic cooperation between them but also essential from the viewpoint of economic integration of South Asia with the Central Asia.

Objectives

There is a long list of issues that have been hampering smooth trade, both bilateral and transit, relations between Pakistan and Afghanistan. They all are, in the context of broader paradigm, relevant; however, there is a need to identify seminal irritants the address of which may result in environment conducive for attending other issues. The present research identifies the factors which have been discussed and solutions have been prescribed.

Transit-Trade between Pakistan and Afghanistan

Afghanistan is one of the forty nine countries which are landlocked* and rely on their coastal neighbors for external trade. Pakistan, a southern neighbor of Afghanistan, per se is obliged under international law and conventions to furnish facilities to Afghanistan for its imports and exports. And it has been duly providing the transit-trade facilities to Afghanistan since coming into existence in August 1947 under the relative provisions of the two laws: the United Nations Convention on the Law of Sea** and of the General Agreement on Tariffs and Trade (GATT)***. The United Nations Convention stipulates that “land-locked States shall enjoy freedom of transit through the territory of transit states by all means of transport.”⁴ Similarly, the GATT provides that “there shall be freedom of transit through the territory of each contracting party, via the routes most convenient for international transit, for traffic in transit to or from the territory of other contracting parties.”⁵

The Afghan Transit Trade Agreement (ATTA) 1965

The two countries remained engaged in transit-trade till 1965 when they took first significant step towards formalization of their engagement and signed Afghanistan-Pakistan Transit Trade Agreement* (APTTA). Given the frigid and hostile trajectory of their political relations during the height of Cold War inasmuch as the two neighbors were associated with opposite international alignments, the signing of the APTTA was a positive development and

* According to Article 124(a) of United Nations Convention on the Law of the Sea (UNCLS), “‘land-locked State means a state which has no sea-coast.’ And Article 124(b) transit state means “a State, with or without a sea-coast, situated between a land-locked State and the sea, through whose territory traffic in transit passes.

** United Nations Convention on the Law of Sea (UNCLS): Part X, ‘Right of Access of Land-Locked States to and from the Sea and Freedom of Transit,’ Articles 124-132.

*** General Agreement on Tariffs and Trade: The Text of the General Agreement, Geneva, July 1986.

⁴ Article 125: United Nations Convention on the Law of the Sea

⁵ Article V (2), General Agreement on Tariffs and Trade: The Text of the General Agreement, Geneva, July 1986.

was indicative of the fact that the two neighbors were pragmatic enough to agree, even in an environment of acute political divergence, on something critically related to their economic interests. But the most important aspect of the Agreement was the provision which stipulated that “nothing in this Agreement or its Annexes will affect in any way the political stand of the two countries or the political difference existing then, and the Contracting Parties fully reserve their rights with regard to these subjects.”⁶

It was “decided at the time of concluding the agreement that the ATTA would be renewed after five years.”⁷ But due to cataclysmic developments in Afghanistan in the 1970s and 1980s coupled with unstable relations between Islamabad and Kabul the issue of renewal could not be discussed; therefore, the 1965 Agreement continued to be a regulator of Afghan transit trade for more than three decades till 2010 when the two neighbors, after taking into consideration the following changes, revisited it: The dissolution of the Soviet Union in 1991 led to the opening up of the region of Central Asia to the outside world and Pakistan realized the long awaited necessity of revisiting the 1965 ATTA* because the Agreement did not give Pakistan the right to export products to the Central Asian Republics (CARs) via land routes through Afghanistan. This necessitated a new transit trade treaty between Pakistan and Afghanistan that would allow trade access to Pakistan traversing Afghanistan and reciprocal land approach to Afghanistan to Indian markets via Pakistan.

Secondly, technological, transportation and communication changes were a catalyst for the re-visit of the Agreement: besides, it allowed the transport of Afghan cargo by Pakistan Railways, whereas, most of the transit-trade is carried by road nowadays; fourthly, customs and other procedures that facilitated and expedited the Afghan trade were archaic and, consequently, provided an opportunity for pilferage and smuggling. Finally, advancement in logistics too necessitated the revision of the Agreement because when it was signed in 1965 there were no

⁶ Article XIII, Text of the Afghanistan Transit Trade Agreement, 1965 (ATTA).

⁷ Article XIV, Text of the Afghanistan Transit Trade Agreement, 1965 (ATTA).

* A transit-trade agreement may be defined as an “agreement between a land-locked state and a transit state for formally allowing the former to conduct its external trade by using the designated ports or points of the latter.” This is writer’s own definition.

containerized cargo. Later on, the phenomenal improvement in international logistics, supply chain and information technology rendered the ATTA obsolete.⁸

The Afghanistan-Pakistan Transit Trade Agreement (APTTA) 2010

The signing of the latest and amended version of the Afghanistan-Pakistan Trade Agreement (APTTA) took place in 2010 after months of negotiations between the two countries which were encouraged by the United States. It was the second most important achievement of the two countries in as many years of their relations. The new Agreement is described as comprehensive version which defines transit routes, mode and nationality of transport, bank guarantees and insurance cover from traders and transporters. Prior to the signing six rounds of negotiations took place between Kabul and Islamabad and eventually was concluded in the presence of Hillary Clinton, the then American Secretary of State.

The signing of the APTTA was indicative of the fact, first, that Pakistan and Afghanistan are, despite the alienated tenor of their bilateral relations, pragmatic not to allow their ties to reach in the cul de sac and they were capable of overcoming differences and resolving issues that bedevil their relations.⁹ And, “even in politically difficult times, Afghan and Pakistani policy makers seem to be willing to advance towards regional economic integration.”¹⁰

The United States regarded the signing of the Agreement as a victory of its administration which had been encouraging the two countries to develop close relations. Richard Holbrook, who was the Special Envoy for Afghanistan and Pakistan and was present at the signing of the Agreement, observed that “bringing Islamabad and Kabul together has been a goal of this administration [*President Obama*] from the beginning. This is a vivid demonstration of the two countries coming closer together.”¹¹ According to the statement issued by the US Embassy in Islamabad after the signing of the APTTA: “The deal represents the most significant bilateral

⁸ “Afghan-Pak Transit Trade: A Few Clarifications,” Makhdoom Amin Fahim, *The Nation*, July 28, 2010.

⁹ “Pakistan-Afghanistan Relations: A Pakistani Narrative,” Rahim Ullah Yousufzai, Pakistan Institute of Legislative Development and Transparency, March 2011, ISBN: 978-969-558-210-7, p-9

¹⁰ “Afghanistan-Pakistan Sign Trade Agreement,” *Denver Post*, July, 18, 2010, <http://www.denverpost.com/2010/07/18/afghanistan-pakistan--sign-trade-agreement> accessed on 02-12-2019

¹¹ Pak-Afghan Trade Deal Signed,” *The Express Tribune*, July 19, 2010.

economic treaty ever signed between Pakistan and Afghanistan.”¹²Hamid Karzai, the then President of Afghanistan, “congratulated the people of both countries on the signing of the agreement and called it a major step for the regional trade and for the path of its development.”¹³The President of President, Asif Ali Zardari commented “the Agreement was a most welcome development for the region that would not only boost trade of the two countries but would also contribute to peace and stability in the region.”¹⁴

However, not intended to underestimate the value of the APTTA and the enthusiasm and efforts put into it by both the countries, it was also a reflection that the two countries still lack that degree of trust which would help them to channelize their resolve without the encouraging prod of the third but influential party. That was why, it was criticized as US sponsored and brokered for the benefit of India.¹⁵ However, certain quarters expressed their apprehensions that interests of Pakistan had been compromised at the behest of some external powers. For example, there was a concern that the new Transit Agreement allowed passage of Indian goods through Pakistan’s Wagah land border routes. But this impression had been categorically denied by the incumbent Government of Pakistan stating that no such facility had been granted to India. Pakistan has granted, under the new Agreement, the facility to Afghan trucks to “move goods to the border crossing at Wagah, east of Lahore, and lorries leaving goods there to carry Pakistani goods back to Afghanistan. It did not however agree to allowing India transit route to Afghanistan.”¹⁶

Glitches in Smooth Trade

The signing of the 2010 Agreement was a significant way forward and was expected to streamline both strands, bilateral and transit, of trade between Pakistan and Afghanistan but there

¹² “Afghan Goods Head for India,” Syed Fazl-e-Haider, Daily Times, July 20, 2010.

¹³ “Afghan-Pakistan Transit Pact Signed,” Aljazeera Television, July 19, 2010, www.aljazeera.com/news/asia/2010/07/20107193110185521.html accessed on 12-12-2019.

¹⁴ “Pakistan, Afghanistan Sign Transit Trade Agreement, Outlook India International, October 29, 2010, www.outlookIndia.com/newswire/story/pakistan-afghanistan-sign-transit-trade-agreement/699250 accessed on 02-12-2019

¹⁵ “Cabinet approves Afghan transit trade agreement,” Ahmad Hassan, Dawn, October 07, 2010.

¹⁶ Op. Cit. “Afghan Goods Head for India,” Daily Times, July 20, 2010.

are certain glitches which have been hampering the smooth operation of transit-trade between the two countries so much so that, according to Shinwari, President, Sarhad Chamber of Commerce, if they persist, Afghan traders involved in transit-trade and buy goods in markets in Karachi, Lahore and Faisalabad will divert to Iran where they can buy goods in Zahidan, Mashad and Tehran.¹⁷

In order to streamline bilateral and transit trade between Pakistan and Afghanistan, there is need to identify areas which have been impeding the growth of trade and need improvement. A comprehensive draft on ‘Pakistan-Afghanistan Bilateral and Transit Trade Issues’ had been prepared under the auspicious of Pakistan-Afghanistan Joint Chamber of Commerce and Industry (PAJCCI) in April 2018 after stakeholders’ feedback across the border to highlight the challenges to trade between the two neighbors. The Comprehensive Draft contains a long list of issues which need to be addressed for facilitating the cross border bilateral and transit trade.¹⁸ Generally, the factors may be divided into two broad categories: The first category relates to implementation of Afghanistan-Pakistan Transit Trade Agreement 2010, and is more political in its content as involves a third state, India, which has territorial dispute with Pakistan and shares no border with Afghanistan but has deep political and significant influence over Afghan policymakers and the positions they are taking in their interactions with their counterparts in various bilateral and multilateral forums.¹⁹ On the other hand, the second category of issues is bilateral but they are mostly technical or procedural and less political in nature and consequently tractable and may be resolved by resorting to any mechanism provided in the Agreement;* but if there is no agreement between the parties on the resolution within the ambit of method mentioned in the Agreement may be resolved by utilizing international standards. However, the article focuses upon the given below specifics because if they are addressed to, the depth of

¹⁷ “Pak-Afghan Trade Halves due to Transit Trade Glitches,” Tahir Khan, The Express Tribune, October 24, 2016.

¹⁸ Op. Cit., “Comprehensive Draft on Pakistan-Afghanistan Bilateral and Transit Trade Issues and Proposed Resolutions, April 2018.”

¹⁹ Ibid.

* The Agreement provides for Dispute Settlement Mechanism: Section XI, Article 39-Article 49. Text of the Agreement

unnatural mistrust which mars their relations could be reduced to a great extent and the resulting seminal environment may be used for bolstering facilitation for the address of other issues.

Non-Renewal of Afghanistan-Pakistan Transit Trade Agreement (APTTA) 2010

Afghanistan-Pakistan Transit Trade Agreement could provide a vital platform to the official and private stakeholders of both the countries for discussion and address of their concerns. But its non-renewal is the principal obstacle to smooth conduct of transit trade between Pakistan and Afghanistan and paving way for smuggling of goods from Afghanistan into Pakistan. At the time of the signing of the Agreement, it was agreed that “the Agreement shall remain in force for five years from the date it comes into forces and shall be automatically renewed for a further period of five years thereafter.”²⁰ However, the two neighbors failed to reach an agreement regarding renewal of the Agreement in September 2015 when Afghanistan insisted that India be included in transit treaty negotiations and the trilateral agreement involving Pakistan, Afghanistan and Tajikistan.²¹

Issue of Indian Inclusion in APTTA

Generally, a weaker state employs balance of power policy in its relations with a relatively stronger neighbor. It involves either powerful regional countries or extra-regional states to counterbalance the political influence of its powerful neighbors. The weaker state in its quest for the above policy focuses on developing as broad cooperation as possible so that the stakes of the third state remain high. Afghanistan has been using the Indian card with a view to balancing Pakistan's role in its domestic affairs. After the fall of the Taliban, Kabul and New-Delhi nexus resurged and India is projecting its soft image in Afghanistan by focusing on economic ties. If Pakistan regards Afghanistan its backyard because of political, economic and strategic aspects of their relations, India, according to Hamid Karzai, provides “emotional strategic depth”²² to the Afghan people. Indian policy is to build upon this emotional premise for realizing its security and economic objectives.

²⁰Article 54, Text of the Afghanistan-Pakistan Transit Trade Agreement, 2010 (APTTA).

²¹ “Afghanistan, Pakistan Resume Transit Trade Talks,” Dawn, July 13, 2019.

²²“India's interests in Afghanistan and Central Asia,” Daily Times, October 24, 2019.

The present surge in deterioration in trade relations of Pakistan and Afghanistan is ascribed to India, the country which shares no border with Afghanistan but has historical, cultural and trade ties with Kabul. New Delhi has had a defining historical role in shaping the present trajectory of their relations. Before the present impasse, it was the political dimension of Indian role which weighed in their relations. After the fall of the Taliban, India renewed its presence in Afghanistan with emphasis upon extending development aid to Afghanistan and it “has been doing immense development work in the war-ravaged country that spans across building roads, dams, highways, schools and even parliament. With its assistance exceeding \$3billion, India is the 4th biggest donor to Afghanistan’s rehabilitation.”²³ Indian interests in Afghanistan stems largely from India’s broader regional rivalry with Pakistan, which impedes Indian efforts to establish stronger and more direct commercial and political relations with Central Asia.”²⁴ It regards Afghanistan as a gate way for enhancing energy and economic collaboration between South and Central Asia.

The Agreement provides Afghanistan the facility to carry its transit-trade with India traversing through Pakistan: Kabul can send its consignment to Wagah, a border crossing point between Pakistan and India situated East of Lahore. But the facility is restricted to single-border crossing: Trucks carrying Afghan goods will enter into Pakistan and will travel up to Wagah “and off load their export consignments destined for India on the Pakistani side of the border. From here they will be shifted to Indian trucks under proper supervision. Afghanistan will reciprocate Pakistani trucks carrying consignments for export to Central Asian Republics up to their borders.”²⁵ Afghanistan, however, wants this facility be converted into two-way: access to Indian imports into Afghanistan via Wagah rather than Karachi port.

The extent of significance which Afghanistan attaches to Indian inclusion in ATTA can be gauged from the fact that Ashraf Ghani, the incumbent president of Afghanistan, threatened to shut down transit route for Pakistan to Central Asia if Islamabad did not allow Kabul to engage

²³“India’s Development Aid to Afghanistan Exceeds \$3Billion,” Times of India, January 4, 2019 available at https://m.timesofindia.com/india/indias-development-aid-to-afghanistan-exceeds-3bn/amp_articleshow/67379066.cms accessed on 22-02-2020.

²⁴“Fear of Encirclement Shapes Pakistan’s Policy: US Report,” Dawn, November 8, 2019.

²⁵ Op. Cit. “Afghan-Pak Transit Trade: A Few Clarifications,”

in direct trade with India through its land routes. He announced in October 2017 that the Afghanistan and Pakistan Trade Agreement had expired and ordered the stoppage of Pakistani trucks into Afghanistan.²⁶ In pursuance of his President's statement, the Afghan Transport Ministry spokesman had announced that "the Afghanistan and Pakistan Trade Agreement (APTA) has expired. Before this Pakistan did not allow Afghan trucks to enter its territory, so now we do the same, and after this, Pakistani trucks will be unloaded at borders and Afghan trucks will carry the goods to Hairatan and Sher Khan Ports."²⁷

Pakistan's View Point

Pakistan has ruled out the possibility of converting the Wagah border facility into two-way and linking access to Afghanistan via Wagah border for transportation of Indian goods, arguing that transit trade is not trilateral issue in anyway. According to Abdul Razzak, Prime Minister's Adviser to Commerce, "We have asked Afghanistan for not linking trade access through Wagah border and they agreed to it because the transit trade was bilateral issue and it was not trilateral thing to bring any other into it."²⁸

Islamabad contends that it has no international obligations to allow access to Indian goods through Wagah border. Therefore, there is no possibility of allowing India to trade with Afghanistan through this channel. "We do acknowledge that Pakistan is supposed to honor the international conventions and it has been doing so since 1960s, but India's issue is of different in nature."²⁹ Pakistan argues that allowing transit-trade facility to Indian goods was the bilateral issue between Islamabad and New Delhi and its possibility could be discussed with New Delhi after resumption of Pak-India Composite Dialogue (PICD).³⁰ Before the signing of the

²⁶ "Pakistan, Afghan Transit Trade: New Opportunities and Challenges," Najma Minhas, <http://www.globalvillagespace.com/pakistan-afghantransit-trade-new-opportunities-and-challenges/amp/#aoh=157199964221&referrer=https%3A%2Fwww.google.com&tf=From%20%251%24s> accessed on 12-01-2020

²⁷ Ibid.

²⁸ "Carrying Indian Goods: Pakistan Rules out Access to Afghanistan via Wagah Border," Mehtab Haider, The News International, August 08, 2019.

²⁹ "Thorny Issues in Transit Trade," Dawn, July 19, 2010.

³⁰ Ibid.

second version of the APTTA in 2011, Afghan Minister for Finance, Hazrat Omar Zakhiwal, who led the Afghan delegation, had raised the issue of allowing transit facility for India goods via land route to Afghanistan; however, it was agreed by both parties that “feasible proposals in this regard could be discussed at an appropriate time in future.”³¹

Issues Underlie Pakistan Refusal

At the bottom of Pakistan’s refusal are three vital issues: Islamabad fears, first, that “giving access to India through land routes to Afghanistan actually means giving complete control of Afghan and Central Asian markets to India as India exporters have more products to sell in Afghanistan, which are more competitive as compared to Pakistani goods.”³² Secondly, Pakistan feel concerned that Indian goods would without paying duty and taxes end up in the Pakistani black market in the same manner that was common under the 1965 ATTA. Under the cover of the transit trade, a massive unauthorized economy booms and this would have grave negative trade implications for the industry and revenue sources of Pakistan. Islamabad argues that Afghanistan’s demand of India is uncalled for as India is a competing economy of Pakistan and affect the business within Pakistan.³³ Pakistani authorities fear an influx of Indian goods in the black market. This is to avoid the situation found after the 1965 agreement when Indian products without paying duty and taxes, flooded the black markets in Pakistan.³⁴ Besides, allowing India will also damage Pakistan’s manufacturing sector because of the preferential treatment given to Indian goods by the Afghan government. It has imposed 18% custom duty on Pakistani products, in addition to non-traffic barriers to discourage Pakistani exports. At the same time, Indian goods enjoy zero rated duties.³⁵ Thirdly, according to M. Ishaq, former Vice-president of Sarhad Chamber of Commerce and Industry (SCCI) imports from India through Wagah Border can be transported in Indian cargo facilities and that may increase security threats to Pakistan.³⁶ In addition to the smuggling challenge, Pakistani governments will perhaps not like

³¹ Business Recorder, July 19, 2010.

³² Business Recorder, July 07, 2010.

³³ Op. Cit. “Pakistan, Afghan Transit Trade: New Opportunities and Challenges,”

³⁴ Ibid

³⁵ Op. Cit., “Thorny Issues in Transit Trade,”

³⁶ Ibid.

to hand over to India much-needed road access to Central Asia without any direct negotiations leading to quid pro quo.³⁷

Primarily, the underlying issue is political, i.e. Islamabad fears that New Delhi will use its influence in Kabul to encircle it and such a situation will pose existential threat. Therefore, it is not prepared to allow India to have transit-trade access to Afghanistan via Wagah border; secondly, Pakistan would like to use Afghanistan as a conduit for enhancing regional commerce and transportation links with the CARs. A strong Pakistani grip on the northern trade routes would diminish the value of Iran's Chabahar port and Indian-built Zaranj-Delaram road, which connects to the Kushka-Herat-Kandhar highway, thereby undermining India's efforts to expand its own economic ties with Afghanistan and Central Asia.³⁸

Effects of Pakistan's Policy

Non-implementation of the Transit Trade Agreement due to Pakistan's refusal to grant India the right to conduct its trade with Afghanistan via Wagah border has deeper implications. First, it has resulted in decline bilateral as well as transit trade:

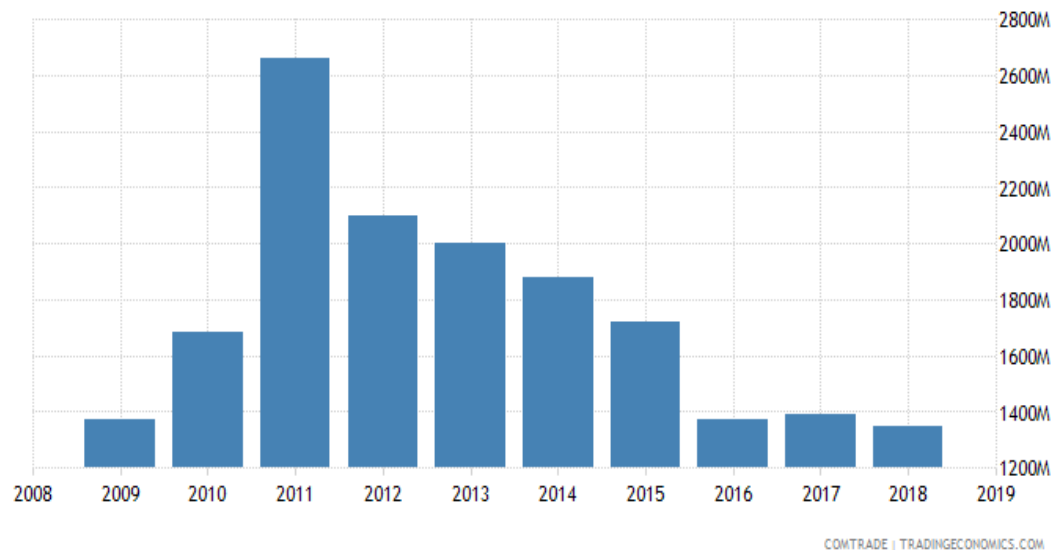
Pakistan Exports to Afghanistan

Pakistan Exports to Afghanistan was US\$1.35 Billion during 2018, according to the United Nations COMTRADE database on international trade.

Figure 1

³⁷ Op. Cit, "Pakistan, Afghan Transit Trade: New Opportunities and Challenges,"

³⁸ "Pakistan-Afghanistan Transit Trade: Pre and Post APPTA Scenario," Shabir Ahmad Khan, KausarTakrim& Hayat Gul in , Journal of Management Sciences, Volume XI Number1 , 2017



Secondly, it has driven Afghanistan to shift its focus to other regional neighbors in order to lessen its dependence on Pakistan and has diversified its external trade routes. For example, the 215 km long Zaranj-Delaram highway on the Pakistan border in the southwestern province of Nimruz bordering Baluchistan, built by the Indian Border Roads Organization with the cost of \$110 million connects the Iranian Chabahar Port to one of the districts of Zaranj city.³⁹ Likewise, the Aqina Port constructed in the northern region of Afghanistan “gave an incentive to Afghan businessmen to import goods from Central Asian countries especially from Turkmenistan while the new Lapis Lazuli route is another alternative way for Afghanistan to trade with other countries.”⁴⁰ The explicit intent of these projects is to break Pakistan’s monopoly on Afghanistan’s link to the outside world through the Khyber Pass.

Besides, the policy has deeply alienated Afghans more than Indians because they are denied vast opportunities of easy, direct trade with India via Pakistan’s Wagah border. In addition to it, this policy has resulted in loss of more extensive contacts in other areas as

³⁹ .“India Built Zaranj-Delaram Highway under Taliban Control,” Shashikumar, V.K., Indian Defence Review, October 1, 2011 available at <http://www.indiandefencereview.com/news/indian-built-zaranj-delaram-highway-under-taliban-control/> accessed 22-02-2020.

⁴⁰ “Afghanistan-Pakistan Poor Trade and Transit Relations: The Need for Arrangements,” Estmatullah Karimi, Afghanistan Times, February 17, 2019 available at <http://www.afghanistantimes.af/afghanistan-pakistan-poor-trade-and-transit-relations-the-need-for-arrangements/> accessed on 22-02-2020.

well.⁴¹ And the policy has even stunted the growth of trade potential between India and Pakistan which the World Bank believes to be \$ 37 billion. And, according to Dr. Ishrat Hussain, Advisor to PM for Institutional Reforms and Austerity, if this potential is unlocked it could prove a powerful engine for shared prosperity and reduce inequalities in the region.⁴²

The two neighbors need to initiate process of rejuvenating the APTTA 2010 Agreement because notwithstanding all the odds the continuation of trade and transit between Pakistan and Afghanistan is essential because it will be seminal a step towards economic integration of South Asia and Central Asia. Realizing the significance of the renewal of the APTTA, Afghan President, Ashraf Ghani, in his June 27, 2019 meeting with Pakistani Prime Minister, Imran Khan requested the later to facilitate the implementation of Afghan Transit Trade.⁴³ Pakistan reciprocated and Mr. Razzak Dawood, Advisor for Commerce, Textile, Industry and Production, and Investment to the Prime Minister, later on, directed the officials to prepare and submit the revised draft on the APTTA pending since 2017 for the renegotiation.⁴⁴

Issue of Smuggling

Issue of smuggling has been a long-standing bilateral challenge to the smooth flow of bilateral and transit trade between Pakistan and Afghanistan. Pakistan has been raising this issue inasmuch as it hurts its economy and business interests and causes losses in government revenue. According to a study conducted by the Competition Commission of Pakistan (CCP) smuggling between Pakistan and Afghanistan is the biggest threat faced by the domestic industry, causing a

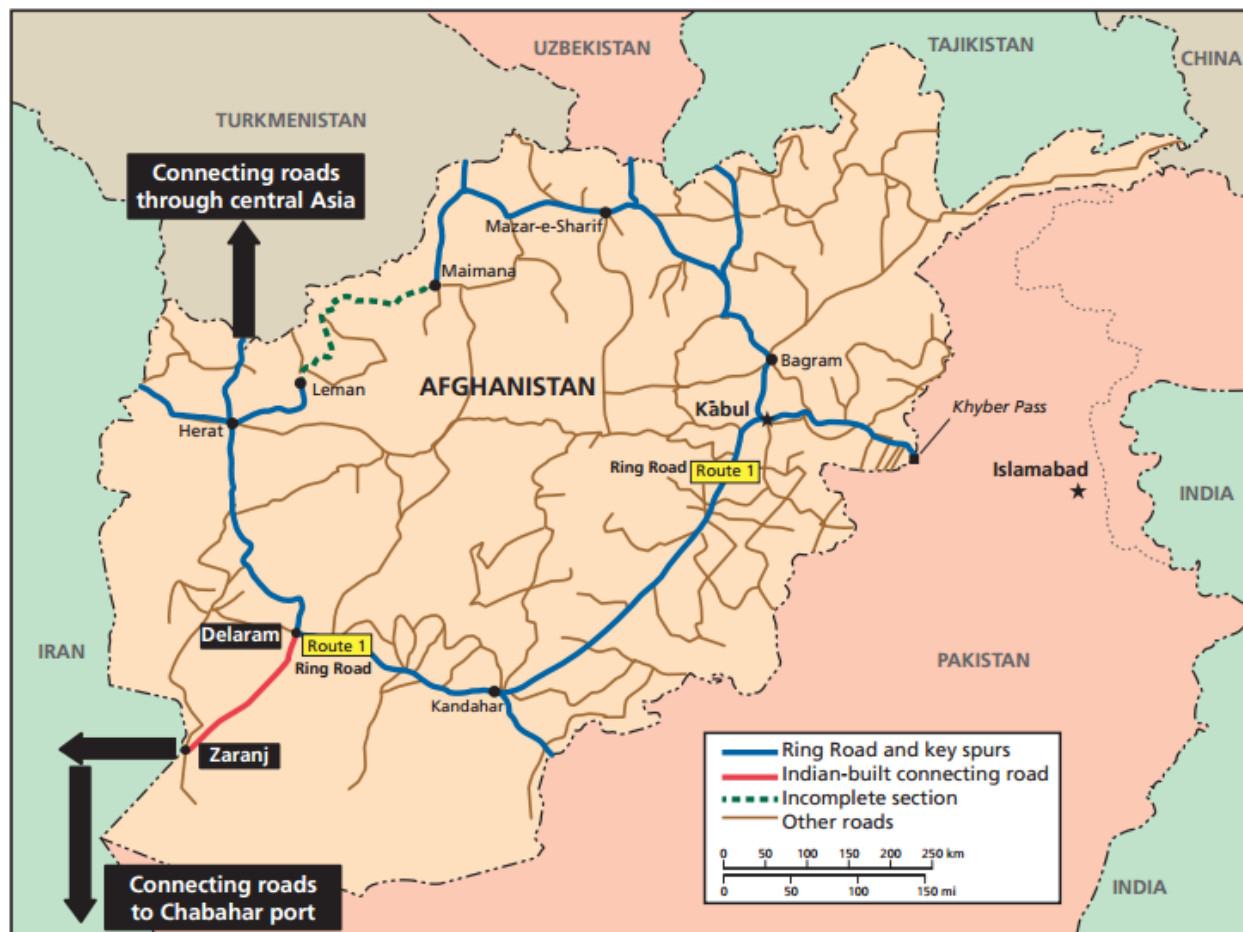
⁴¹ “India-Afghanistan Trade through Pakistan,” Rustam Ali Shah Mohmand, The Express Tribune, March 13, 2016

⁴² “\$37Billion Trade Potential can Reduce Inequalities in Pakistan, India, Dr. Ishrat Hussain,” The Express Tribune, December 8, 2018.

⁴³ Op. Cit, “Pakistan, Afghan Transit Trade: New Opportunities and Challenges,”

⁴⁴ “Afghanistan, Pakistan Resume Transit Trade Talks,” Dawn, July 13, 2019.

loss in revenue to the tune of \$2 billion to Islamabad⁴⁵ and forcing legal importers out of



business. Besides, smugglers have also been using Iranian ports for importing goods under ATT which too find their way into Pakistan. On the other hand, Afghan business community members complain that “Afghan-origin products goods are sold back to Afghanistan from Pakistan at higher prices, forcing Afghans to pay custom duties on their own goods.”⁴⁶

Pakistani tax authorities have painful memories starting with ATTA-1965 and continuing onwards. Under the cover of the transit trade, a massive unauthorized economy booms through the connivance Pakistani and Afghan importers and corrupt customs, excise and law enforcement officials.⁴⁷ Goods imported by Afghan businessmen are declared, cleared and bound are “taken to

⁴⁵ “The Smuggling Challenge,” Dawn, July 12, 2019.

⁴⁶ Op. Cit. “Comprehensive Draft on Pakistan-Afghanistan Bilateral and Transit Trade Issues and Proposed Resolutions, April 2018.”

⁴⁷ Op. Cit., “Pakistan, Afghan Transit Trade: New Opportunities & Challenges.”

Afghanistan in containers from Karachi. Such goods are either removed from the containers before reaching Afghanistan, or they are smuggled back into Pakistan,”⁴⁸ and in some cases do not leave Pakistan’s borders as they are offloaded or ‘lost’ on the route from Karachi to Peshawar and onto to Afghanistan.

Afghan traders in collusion with Pakistani importers and customs officials had often imported goods beyond the needs of Afghanistan-both in terms of volume and nature. According to Directorate of Afghan Transit Trade, Peshawar, around 40 percent of transit goods find their way into Pakistan and caused loss of billions of rupees. One study estimated this loss up to \$3 billion in 2015 alone. A World Bank study estimated that smuggling in Afghan Transit trade alone caused \$35 billion revenue loss between 2001-2019.⁴⁹ Pakistan believe that the volume of certain items, such as black tea, tyres, razors and electronic and engineering goods, which Afghanistan imports is much higher compared to the actual domestic consumption. For example, the quantity of shaving blades imported into Afghanistan- if consumed-equals to every woman, child and man shaving thrice a day. Likewise, every vehicle in Afghanistan would need to change a new tyre to utilize all yearly imports.⁵⁰

The case of import of tea under the transit trade is worth mentioning here: Afghanistan imported 113 million kilograms of black tea in eleven months in the fiscal year 2010 which was 27 percent higher than Pakistan, and eventually it was smuggled back into Pakistan.⁵¹ A research conducted under the aegis of Competition Commission of Pakistan in July 2019 to assess the impact of smuggling of tea into Pakistan from Afghanistan on the tea market of Pakistan points that the import of black tea under the cover of APTTA is in excess of Afghan demand. The incentive to smuggling is due to a difference in taxation on tea imported for Pakistan and Afghanistan.⁵² The product leaves the port, but instead of crossing the border into Afghanistan, it

⁴⁸ “Smuggling and Afghan Transit Trade: Two Major Threats to the Country,” Shakir Lakhani, Daily Times, July 31, 2019

⁴⁹ Op. Cit. “Pakistan, Afghan Transit Trade: New Opportunities & Challenges.”

⁵⁰ “ATTA: Keeping an eye on Negotiations,” Business Recorder, July 8, 2010.

⁵¹ “Afghanistan is Far Ahead of Pakistan in Black Tea Import,” The Smuggling Challenge,” Business Recorder, July 11, 2010.

⁵² “The Smuggling Challenge,” Business Recorder, July 12, 2019.

flows back into the Pakistani market, particularly into the towns of KPK. A research study in 2015 had put the value of smuggled tea at Rs. 16 billion.⁵³

Measures Regarding Checking of Smuggling

The issue of smuggling between Pakistan and Afghanistan has assumed importance following the diversion of transit trade to Pakistan in the wake of US sanctions on Iran. The Directorate General of Trade of Pakistan which functions under the aegis of the Federal Board of Revenue in its latest Report has pointed that the Afghan transit trade and imports are negatively affecting Pakistan's economy because items imported are smuggled back into Pakistan.⁵⁴ Besides, the Government of Afghanistan is not providing complete and correct data of its imports to the United Nations' sub-body of International Trade Centre. According to the Afghan Government, the value of Afghan Transit Trade passing through Pakistan stands \$14.8 billion for the current year which is much less than the value of \$44.4 billion according to Pakistan.⁵⁵ The objective of this underestimation is to negate the objections raised by Pakistan against Afghanistan pertaining to smuggling.

To address the issue of smuggling Islamabad has proposed installation of trackers, scanners and electric data but these conditions do not apply to goods like auto sector, tea and cigarettes coming from Iran.⁵⁶ Mr. Razzak Dawood, Commerce Advisor to the Prime Minister of Pakistan, has proposed quantitative restrictions on Afghanistan's goods and tariff rationalization.⁵⁷ According to the old Afghanistan Transit Trade Agreement, there was allocation of quota for import of smuggling prone goods. The Government of Pakistan had done away with this condition in the revised Agreement.⁵⁸ The Government of Pakistan is working on three areas to tackle the issue of smuggling: enhance the number of goods in the negative list.

⁵³Op.Cit., "Pakistan, Afghan Transit Trade: New Opportunities & Challenges."

⁵⁴"Afghanistan Transit Trade Hurting Pakistan's Economy," Rizwan Asif, The Express Tribune, September 24, 2019.

⁵⁵ Ibid,

⁵⁶ "Afghan Transit Trade Damaging Domestic Economy: Dawood," Mushtaq Ghumman, Business Recorder, June 25, 2019.

⁵⁷ Ibid.

⁵⁸ "Afghan Transit Trade Pact Being Amended to Curb Smuggling," Dawn, August 04, 2019.

Under the present Agreement, there are only two items in the negative list-cigarettes and auto parts. Or allow quota for certain products or collect duty on Pakistani ports and refund it on transit out.⁵⁹

Abrupt Border Closures

Afghanistan which has been once Pakistan's one and only captive market has progressively slipped to Iran and India mainly on account of frequent and abrupt closures of trade borders between the two neighbors due to escalating diplomatic tensions. Afghanistan's trade with Pakistan that was touching the figure of \$2.7 billion between 2014 and 2015 has, according to statistics released by the State Bank of Pakistan, shown that Pakistan's trade with Afghanistan has fallen seven percent to \$720.4 million in the first seven months of the CFY2019/20. Whereas Pakistan's exports to Afghanistan gone down from \$676.2 million in the July-January period of FY2019 to \$633.1 million in the corresponding phase of FY2020.⁶⁰ Apart from other reasons, for one was frequent border closures at Chaman and Torkham that made Kabul revisit its transit trade route choices. Ultimately, it decided to channelize its transit trade to Iranian ports at Bandare Abbas and Chabahar where Afghanistan's 80 percent cargo traffic plies.⁶¹

There are at present two major crossing points between the two neighbors for people-to-people contact and trade purposes: Torkham in KPK and Chaman in Baluchistan. In the recent past "Pakistan has closed its border multiple times with Afghanistan, with the frequency tending to rise when relations between the two countries are at a low ebb;"⁶² consequently, this resulted in halt of trade between the two neighbors. Pakistan closed the border on February 06, 2017 for

⁵⁹Ibid.

⁶⁰ "Pak-Afghan Trade Slips to \$720.4m in July-January," The News International, March 22, 2020.

⁶¹ "Capricious Afghanistan-Pakistan Trade: Who Wins?" Shoaib A. Rahim, The Diplomat, March 25, 2018 available at <https://thediplomat.com/2018/05/capricious-afghanistan-pakistan-trade-who-wins/>.accessed on 25-11-2019.

⁶² "A Counterproductive Afghan-Pakistan Border Closure," Arwin Rahi, The Diplomat, March 20, 2017 available https://thediplomat.com/2017/03/a-counterproductive-afghan-pak-border-closure/?fbclid=IwAR16GcV3o-DHu1TCw5Uf86xBtP7s6uwJrOIBq7QzP4_6RwwTRg-sf6e_t3M accessed on 25-11-2019

several weeks after a series of terrorist attacks in the country killed over 100 people but reopened for two days on March 28, 2019 allowing stranded people and goods to go across. Another incident occurred two weeks later when a census team from the Pakistan Population Department was conducting census close to the Durand Line when Afghan security forces opened fire and killed at least 10 people including an FC personnel, women and children and injured 47. Pakistan forces retaliated and targeted Afghan security check-posts killing 50 and injuring 100.⁶³ How this had contributed to the decline in bilateral trade can be judged from the figures which, according to Afghan Ministry of Commerce, “stood at \$1.5 billion in 2017 but decreased by 20% and valued at least \$1 billion for the first nine months in the year 2018.”⁶⁴ Shipments are stuck leading to financial losses, especially in cases of perishable items and immediate consumption items. Afghan authorities are of the view that Pakistan resorts to border closures as a bargaining chip to force concessions from Afghanistan. Majority of Afghanistan’s imports and exports channel through Pakistan, and border closures by Pakistani authorities would force prices in Afghanistan higher, as a big chunk of Afghanistan’s imports and exports came through Pakistan.⁶⁵

Realizing that diplomatic frictions and consequent border closures had negative impact on the bilateral trade, Pakistan and Afghanistan decided to keep the Torkham border crossing, one of the eighteen border-openings, that connects Pakistan northwestern province Khyber Pakhtunkhwa to Afghanistan’s northeastern Nangarhar province open for 24/7 cross-border movement.⁶⁶ Imran Khan, the Prime Minister of Pakistan observed at the opening ceremony that “I consider this to be a very historic day, noting that trade with Afghanistan jumped by 50 per cent during the trial of the 24/7 border opening alone.”⁶⁷ The round-the clock opening of the

⁶³ “Chaman Border Attack: 50 Afghan Soldiers Killed, 100 Injured in Retaliatory Fire, says IG FC,” *The Express Tribune*, May 07, 2017.

⁶⁴ “Afghanistan-Pakistan Trade Volume Shrinks by 20%,” Rohullah Aarman, *Tolo News*, December 22, 2018 available at [tolonews.com/business/Afghanistan-Pakistan-trade-volume%20A0shrinks%20A0-20-percent](https://www.tolonews.com/business/Afghanistan-Pakistan-trade-volume%20A0shrinks%20A0-20-percent) accessed on 02-01-2020

⁶⁵ Op. Cit , “A Counterproductive Afghan-Pakistan Border Closure,”

⁶⁶ “Pakistan-Afghanistan Border Crossing Opens 24 Hours,” *The Express Tribune*, September 14, 2019.

⁶⁷ “Historical Day: PM Imran Khan Inaugurates 24/7/Border Crossing at Torkham,” *Dawn*, September 14, 2019.

Torkham border aimed at arresting the decline and boosting bilateral and transit trade potential between the two neighbors, however, appeared to yield no significant results* due to “political tension, poor border management, extortion fees, strict security checking system and trust deficit between the neighboring countries.”⁶⁸

Preferential Trade Agreement (PTA)

Preferential Trade Agreement (PTA) is a form of economic integration which is designed for reduction in tariff for countries for certain products to the countries who sign the agreement.

Pakistan has already signed PTA with Islamic Republic of Iran on 4th March 2004. According to the Agreement, “Pakistan offered concessions to Iran on 338 tariff lines whereas Iran in return gave concessions on 39 tariff lines. Preferences granted by both countries to each other cover approximately 18% of MFN tariff of both countries.”⁶⁹ Pakistan took the initiative in 2015 and shared draft of PTA with Kabul but Kabul showed no response. The Agreement has been pending since 2015. Pakistan, in 2017, offered a Mini PTA of 10 items to Afghanistan and requested them to identify their side of 10 items on which both countries could give maximum reciprocal duty concessions; however, it is still pending at the Afghanistan side.⁷⁰

The Agreement is significant in the sense that its coming into force would help, first, in the facilitation of tariff rationalization and, secondly, would address the issue of double taxation and promote investments in both countries. Thaw took place on the issue when in August 2019, Prime Minister’s Adviser on Commerce, Textile, Industries and Investment, Abdul Razzak Dawood, announced, in the wake of meeting with the Afghan Ambassador to Pakistan, that the two neighbors “have agreed to start the process of PTA to boost bilateral trade to an unprecedented level. At the first instance both sides will share their initial list of tariff lines in the

* See Reference 59.

⁶⁸ “Pakistan, Afghanistan not Exploiting Trade Potential Despite 24-Hour Border Opening,” Aziz Buner, Pakistan Today, February 03, 2020 available at <http://profit.pakistantoday.com.pk/2020/02/03/pakistan-afghanistan-not-exploiting-trade-potential-despite-24-hour-border-opening/>

⁶⁹ “Pak-Iran Preferential Trade Agreement,” Ministry of Commerce, Government of Pakistan, available at <http://www.commerce.gov.pk/about-US/trade-agreements/pak-iran-Preferential-trade-agreement>.

⁷⁰ Op. Cit., “Comprehensive Draft on Pakistan-Afghanistan Bilateral and Transit Trade Issues and Proposed Resolutions, April 2018.”

next month which will be followed by meeting of technical committees.”⁷¹ During the meeting the two sides agreed on “looking how to improve the model for increasing the transit trade with Afghanistan alike many countries including Nepal and Bhutan and also land locked countries as they had good trade relations with regional countries.”⁷²

Maltreatment of Business Community

Business community is a key to promotion of trade between the two neighbors. The community from Pakistan and Afghanistan has its concerns which essentially fall in two categories: the first are procedural and relate to the treatment meted out by officials at respective embassies: members of Afghan business community complain that they are not treated properly by Pakistani authorities. They face a number of difficulties with respect to visa issues; however, Pakistani officials in embassy in Afghanistan state that Afghan businessmen are issued one year business visa with multiple allowed entries but Afghanistan is not reciprocating in the same way.⁷³ The second is more political. Likewise, businessmen from Pakistan have their own set of complaints: they cite Afghan strict visa regime for Pakistanis including businessmen, business personnel working as representative of Pakistani companies established in Afghanistan are being harassed by their intelligence officials. A Pakistani professional working as a consultant with an Afghan firm for the past ten years picked up by Afghan intelligence operatives but later on he was released on the intervention of Pakistan Foreign Office.⁷⁴

The issue has two dimensions: first, Businessmen are unofficial ambassadors of their countries and their interaction enhances trust and trade. Harassment of members of business community by intelligence officials will further mistrust and erode the potential of measures taken by both Pakistan and Afghanistan to enhance bilateral and transit trade; therefore, it is utmost necessary to address the concerns of the business community. The second aspect pertains

⁷¹ “Pakistan, Afghanistan Ready for Preferential Trade Agreement,” Dawn, August 08, 2019.

⁷² Ibid

⁷³ Op. Cit., “Comprehensive Draft on Pakistan-Afghanistan Bilateral and Transit Trade Issues and Proposed Resolutions, April 2018.”

⁷⁴ “Pakistani consultants seized by Afghan Intelligence Released a Day later on,” Rehmat Mehsud, Arab News, January 2, 2020 available at <http://www.arabnews.pk/node/1607471/pakistan> accessed on 04-02-2020.

to regulations of transport staff, personnel who actually carry on the transit and bilateral trade between the two countries. Prior to the signing of the 2010 APTTA, transporters were granted “multiple entry visas for a period of six months at a time.”⁷⁵ The dubitable nature of their political relations caused unnecessary delay in the visa issue process and adversely impacted the flow of trade. Consequently, Pakistan and Afghanistan decided to do away with the multiple visa entry system and decided that the drivers and cleaners shall be allowed to cross borders on permits, identified by the biometric device installed at the entry points that will be established by the countries.⁷⁶

Obstacles to Regional Economic Integration

The trajectory of post-Cold War international political ambience has evolved from geostrategic to geo-economics; consequently, there is an exponential emphasis upon regional integration on the basis of economics as a means to conflict management. There are two aspects of this exercise: first, how the regions are going to benefit from economic integration and, secondly, spatial or infrastructural connectivity. The regions of South Asia and Central Asia seem to complement each other as they “hold all the basic conditions for the formation of integrated region, such as common cultural and economic factors, shared geopolitical importance, and interdependence is possible as South Asia is seeking energy-producing states whereas Central Asia is a hub of energy-rich ready to export its natural resources.”⁷⁷ Geo-energy projects of Turkmenistan-Afghanistan-Pakistan-India (TAPI)* and Iran-Pakistan-India (IPI)** gas

⁷⁵ Article 6 Protocol annexed with Afghan Transit Trade Agreement March 2, 1965.

⁷⁶ Article 20, Text of the APTTA 2010.

⁷⁷ “The Benefits of Regional Integration for Pakistan and Central Asian Republics,” Dr. Sarwat Rauf, Journal of Political Studies, Special Issue 2018 (83:95) Department of Political Science, Punjab University, Lahore.

* TAPI is 1800 km long and an important gas pipeline initiative which is aimed at connecting energy rich Central Asia to energy starved South Asia. The cost of Project is \$10 billion defrayed by Asian Development Bank (ADB).

** IPI is also labeled as Peace Pipeline 2700 km long project which runs from Iran to Pakistan and ends up in India. Iran is offering to cover 60% of the construction costs of the project. It is beneficial both for Pakistan and India, the two neighbors who are lacking in natural energy resources.

pipeline projects provide underpinnings to prospects of regional integration. Besides, CASA-1000 is another Central Asia-South Asia connecting electricity project.^{***} Collateral geo-infrastructure initiatives like China-Pakistan Economic Corridor (CPEC), an ongoing exhibition of the geo-infrastructure, will be a key to spatial connectivity and go a long way in facilitating the economic yoking together of the two regions.

Pakistan and Afghanistan hold the key to this prospective economic integration of the two regions: Pakistan occupies “the most important geographic locations which made this country a principal gateway to the energy-rich Central Asian Republics (CARs) while sharing borders with economic giant like China.”⁷⁸; on the other hand, Afghanistan, according to Arnold Toynbee, is the roundabout of the world where path goes to all sides.⁷⁹ How far Afghanistan will benefit from the geo-energy integration is evident from the fact that “75% of the pipeline (*TAPI*) will pass through Afghanistan”⁸⁰ and Afghanistan will, among other benefits, earn \$450 million per annum through transit fees. Secondly, the Project will create thousands of jobs for Afghans both during and after the completion of the Project.⁸¹

The core obstacle to integration of the regions is standing political tensions between Pakistan and Afghanistan. Their unfriendly relations have, notwithstanding the fact both may yield significant economic dividends by the eventuality, rendered the integration least spectrum. Pakistan wants to capitalize the openings in CARs but shares no border with any of them and relies upon Afghanistan. On the other hand, Afghanistan is intent upon coopting India in APTTA 2010 but has to rely upon Pakistan for spatial trade with India. Likewise, India too is interested in the Central Asian region but shares border neither with Afghanistan nor with any of the Republics. This criss-cross is at the heart which is preventing the initiatives aimed at broaching

^{***} Launched on May 12, 2016, CASA is a \$1.16 billion power project which is aimed at exporting hydroelectricity from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan.

⁷⁸ “Pakistan Gateway to Energy-Rich Central Asia: LCCI,” *The Nation*, November 25, 2018.

⁷⁹ “Pak-Afghan Relations: Past and Present,” *Daily Times*, 24-01-2020.

⁸⁰ Op.cit. “The Benefits of Regional Integration for Pakistan and Central Asian Republics,”

⁸¹ *TAPI Project Benefits and Challenges for Afghanistan*,” Obaidullah, December 24, 2017 available at <http://www.pajhwok.com/en/opinions/tapi-project-benefits-and-challenges-afghanistan> accessed on 22-3-2020.

the integration of the two regions. The entire situation zeros in on Pakistan and Afghanistan and how they respond to prospective benefits which may yield in case of integration.

Conclusion

States' relations are expected not to be a 'zero-sum game' implying that their adverse ties in one aspect must not be an overriding factor with respect to their overall relations. The principal principle is the furtherance, realization and consolidation of national interest. This entails following zeitgeist i.e. the prevalent spirit. Today, when states are moving from ideologypursuance to raising the standard of living of their citizens, the driving spirit is economic realism i.e. preferring better economic ties to adverse political relations. Extensive bilateral trade offers a viable solution to issues which beset relations between states for it brings people together, facilitates harmony and peace which results in deepening of level of trust. The decision rests upon state's priority: adverse political relations or better economic ties.

According to Hamid Karzai, the former President of Afghanistan, "Pakistan is a brother of Afghanistan. Pakistan is a twin brother...we're conjoined twins, there's no separation."⁸² But their bilateral ties have never been operating on friendly poise because the adverse trajectory of their political relationship has been impacting other aspects of their relations in general and trade in particular. And how the trajectory has impacted their trade relations can be judged from the fact that their bilateral trade figure was touching \$2.7 billion in 2015, and had the two neighbors not mixed politics with trade, the figure would have been touching the \$5 billion mark.⁸³

Of late, though, Pakistan has decided to take certain steps to expedite the facilitation of trade between the two countries and reduced Afghanistan's dependence on other countries: In pursuance of Pakistani Prime Minister's announcement, Pakistan National Logistic Cell has initiated arrangements for round-the-clock trans-border trade through Torkhum border; likewise, additional arrangements for office accommodation of customs, NADRA, FIA, and other departments such as the Frontier Corps have been set up for this purpose. And Islamabad has

⁸² "We don't want proxy wars in Afghanistan, Karzai says," Augustine Anthony, Reuters, available at <https://www.reuters.com/article/us-pakistan-afghanistan-idUSTRE62A1FX20100311> accessed on 22-12-2019

⁸³ Op. Cit. "Pakistan-Afghanistan Border Crossing Opens 24 Hours,"

allowed Afghan transit trade to be carried by Gwadar Port to and from Afghanistan. The move will provide boost to Afghan traders' trade activities and quick clearance of their goods.

But bilateral political anomalies between Pakistan and Afghanistan have been one aspect; the trinity factor comprising India, Pakistan and Afghanistan represents the other side: Pakistan-India aberrant political relations and Afghanistan-India close and friendly ties have also contributed to the situation. Pakistan's policies are India-centric and Afghanistan has opted for Pakistan specific approach in its relations with India. With the shift of focus to regional integration on the basis of better utilization of economic resources, the issue of trade obstacles between Pakistan and Afghanistan has assumed critical importance and needs to be addressed as early as possible. Increased trade in both countries, increased connectivity through Central and South Asia through Afghanistan-these are all missed opportunities if Afghanistan and Pakistan, in particular, have their sole focus on perpetuating the status quo.

The essential point is that Pakistan and Afghanistan need to undertake initiative for restructuring their relations on the basis of 'segregation of business and trade ties from political and security tensions'; hitherto, political differences relating to the Durand Line have been influencing their relationship and overriding all other aspects. The upshot is that their bilateral environment is plagued by deep mistrust and paving the way for the third parties to have categorical influence on the trajectory of their ties; on the other hand, this situation has put a squeeze on actual and potential opportunities regarding other aspects, especially trade relations. Pakistan and Afghanistan need to, at best, strike a balance between political relations and trade ties in such a way that adverse political relations may not impact bilateral and transit trade. And, preferably, resolved to pursue, though in a phased manner, policy of "Segregating Economic Aspirations from Political and Security Imperatives." The earlier the two neighbors realize and initiate work on this, the more conducive will be the resultant environment not only for their ties but also for the whole region. Sophocles observes that "Of all the ills afflicting men the worst is the lack of judgment."

Recommendations

1. The Pakistan-Afghanistan Transit Trade Agreement (APTTA) 2010 staying in abeyance needs to be renewed. Indian inclusion in the APTTA is the principal obstacle to its renewal. Instead of giving blanket permission, Pakistan may allow transit of selective

commodities through Wagah border to India and secure transit facilities to Nepal and Bhutan as a quid pro quo.

2. A Composite Group comprising Pakistan, India and Afghanistan may be established to facilitate Indian co-option in the China-Pakistan Economic Corridor. At present, though, India is not prepared to be part of the CPEC because of political reasons given the distance benefits which may accrue to New Delhi; it should be made to revisit its stance: for example, the distance of Indian trade with Afghanistan and Central Asia is 3500 km via Chabahar Port; in case it opts to join CPEC, Pakistan needs to review its position on the issue and permit India transit trade with Afghanistan through Wagah Border.

3. The issue of smuggling from Afghanistan is hurting Pakistan's economy. The fencing of 2430 km long Durand Line launched in mid-2017 is expected to be completed by the end of 2020. Once complete, the fenced border will address the smuggling issue to a great extent. However, there is a need to plug other openings of smuggling by resorting to international practices like installation of trackers, scanners and electronic data. Quantitative restrictions may be imposed regarding goods which are imported in excess of domestic use under transit trade but smuggled into Pakistan. The policy of domestic tariff rationalization with respect to commodities is another way to discourage smuggling because the smuggled goods will become expensive and consequently will be stopped.

4. The procedural issues related to visas to business community may be addressed by visa-on-arrival, long-term, multiple-entry visas, investment-friendly visas for businessmen and skilled workers. Likewise, protective permits may be issued to nationals working as consultants in either of the country.

5. Preferential Trade Agreement which has been pending for quite a long period needs to be signed in order to boost trade between the two neighbors. The signing would give comparative advantage to both neighbors as it would enable them to replace high cost domestic commodities with low-cost imports from the other country.