

POST 2010 AFGHANISTAN-PAKISTAN'S TRANSIT TRADE: IMPLICATIONS OF LEGAL AND ILLEGAL ENDEAVOURS

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ABSTRACT

Aim. The aim of this article is to analyse legal and illegal trade between Afghanistan and Pakistan in the post 2010 era. According to the complex interdependence, the region is witnessing a regional security complex and the relationship between the actors is characterised by both cooperation and competition (Rana, 2015). In these circumstances, the national security defines in a narrower sense of protection of a nation from physical attack and safeguarding its economic activities from devastating outside threats (Gandhi, 2010). Both Pakistan and Afghanistan are pursuing their own national interests in the context of national security and sometimes, their national security interests compete with each other.

Method. The qualitative method of research was employed to analyse the implications of legal and illegal trade between Afghanistan-Pakistan in post 2010 era. The data was collected from different sources including books, scientific journals, research articles, newspapers and websites.

Results. By using various valuable references, it has been verified that beside the political and geological factors, low prices of the smuggled items and corruption are also main reasons of exploitation of the Afghan's transit trade. It has created bad impact on Pakistan's economy and well as it is still threatening other national interests of the country.

Conclusion. The study confirms that the menace of smuggling can be decreased through durable policies and well-connected measures. A checks and balances system should be activated in the context in Pakistan and differences with Afghanistan's government should be decreased through a bilateral dialogue process.

Key words: Afghanistan, Pakistan, Transit trade, Implications.

INTRODUCTION

Regional cooperation under bilateral and multilateral agreements always plays an important role in the bilateral and regional prosperity and economic development. Afghanistan is a country which is situated between Central and South Asia. It connects Pakistan, as a major player in South Asia to Central Asian

Republics (CARs), through a land route. Though there are agreements and commitments between the regional countries, due to many difficulties, the agreements have not properly materialised so far (Husain, & Elahi, 2015). As the study is on Afghan and Pakistan Transit Trade and its implications, and especially its undesirable impact on Pakistan's Economy in post 2010 era, first of all it is necessary to introduce the initial transit trade agreement of 1950s and 1960s between the two neighbour countries and some of its modifications in 2010.

The current Afghanistan-Pakistan Transit Trade Agreement known as APTTA is a bilateral trade agreement between the two neighbour states (Dharsi, 2015). Previously, the treaty as Afghan Transit Trade Agreement (ATTA) was being used for the bilateral trade for many decades. The agreement was signed in 1950 and initially it had allowed the landlocked country Afghanistan to import duty free goods for its requirements through Pakistani seaports. The agreement has been so far renegotiated and amended several times, with the most recent changes which took place on 28 October 2010 and 12 June 2011 (Amir, & Attarwala, 2015).

Under the latest changes, the treaty named Afghanistan-Pakistan Transit Trade Agreement (APTTA) and Afghanistan not only uses the Pakistani ports for its imports but now it can export goods through Pakistan. According to the new provisions, beside the seaports, Afghans are also allowed to have access to the dry port of Lahore in Pakistan, and also access to a land route to export their goods to India. On the other hand, Pakistan is also allowed to have access to Central Asia through Afghanistan.

According to literature available, the misuse of the Afghan Transit Treaty started in the 1980s when Afghanistan became the victim of a long term war. There is also a political reason as some of the references revealed that during the Afghan Jihad specially from 1979 to 1980, administrative relaxation was initiated which helped the changing the border region of Pakistan and Afghanistan into a large smuggling market. According to a Peshawar based research journal, "This racket, over the last three decades grew exponentially, provided revenue sources to Afghanistan but proved too detrimental to the economy of Pakistan" (Hussain, Ullah, & Khilji, 2014).

Though the irregularities and exploitations of the treaty came under strong criticism from opposition political groups and strategists in Pakistan, the problem still exists for many years. Afghanistan imports duty free goods through Pakistani ports but a larger quantity of these imported items are being re-exported or smuggled to Pakistan and such illicit activities badly damages the economy of Pakistan. It provokes illegal trade and upsets local industries in Pakistan. In 2006 the total net worth of smuggled goods from Afghanistan into Pakistan had been set at 80% of all Afghan imports through Pakistan. On the other side, due to difficulties on the regular borders, Pakistani goods are also being smuggled to Afghanistan. According to the Afghan Chamber of Commerce and Industries (ACCI), the smuggling of Pakistani goods to Afghanistan has tripled since the border closure between the two countries (Jhanmal, 2017).

Sometimes, due to checks and balances on the route as well as the import of non-commercial items and the strictness of the government of Pakistan, the legal trade increased significantly but most of the time, the illegal trade discourages the legal activities. For example, the bilateral trade between the two countries was increased from 830.2 million USD in 2006-07 to 2.5 billion USD in 2010-2011 due to trade of non-commercial goods but then it declined in the following years. It means that informal and illegal trade is higher than formal legal business between the two countries. The illicit trade between Afghanistan and Pakistan is a long-standing concern on the Pakistani side. A study conducted by a government department in Pakistan pointed out that many of the high-tariff products and commodities including expensive vehicles, cigarettes and electronic goods were being illegally re-entered from Afghanistan to Pakistan. The report also revealed the highly vulnerable fraud and corrupt practices by various actors involved in the transit of goods to Afghanistan (Suddle, 2011). The Pakistani officials estimated that three quarters of all goods smuggled into Pakistan were imported through the APTTA to Afghanistan. On other hand, due to many difficulties Pakistan so far could not have smooth trade with Central Asia (CA) via Afghanistan.

CONCEPTUAL FRAMEWORK

It has been realised that exploitation of Afghan Transit trade is really a matter of a serious concern for Pakistan's economy. It is an increasingly important matter which has serious implications for Pakistan, especially that the smuggling of the imported goods is definitely damaging the country's economy. There is complex interdependence between Pakistan and Afghanistan situated in the region which is witnessing a regional security complex. The model of *Complex Interdependence* was developed by Robert O Keohane and Joseph S. Nye in the late 1970s. It is a situation in the world politics where all the actors, including states as well as non-state actors, are dependent upon one another. Under this mutual dependence, the relationship between the actors involved, including states as well as other transnational actors, is characterised by both cooperation and competition (Rana, 2015).

The situation shows that the difficult transnational connections and interdependencies between the states were continuously increasing. There is also an issue of national security of both countries which is an ability of a nation to protect its internal values from external threats. The national security defines in its narrower sense, as the protection of a nation from physical attack and safeguarding its economic activities from devastating outside threats (Gandhi, 2010). Both Pakistan and Afghanistan are pursuing their own national interests in the context of national security and sometimes their national security interests compete with each other. For that reason, it is an issue of complex interdependence in the multifaceted regional security. At the same time, in critical relations, Pakistan and Afghanistan are important for each other. Despite being

war torn, Afghanistan retains vital space for power politics in the region, particularly for the flow of energy from the Central Asian state in the international world and as well as Pakistan being a neighbour of Afghanistan, Iran, China and India possesses routes of energy transportation and retains extremely important strategic location in the region (Iqbal, 2014).

OBJECTIVES OF STUDY

As it is mentioned above, there are various implications and some serious negative impacts of the Afghan transit trade on Pakistan's economy as most of the goods imported for Afghanistan are ultimately re-exported or smuggled into Pakistan. It badly affected Pakistan's local industries and manufactures. Sometimes, it creates security problems at the common border as well. Many times clashes occurred at the border and many people from both sides were killed or injured.

The main intention of the study is to obtain inside information into the current developments related to the economic ties and especially the transit trade between Afghanistan and Pakistan and its implications and impact on Pakistan's Economy.

Reviewing the issues related to the topic, this text has endeavored to obtain the following objectives:

- To assess misuse of the Afghan Transit Trade and its impact on Pakistan's economy, and especially on the growth of smuggling and other illegal trade between the two countries.
- To find all the probable reasons and factors related to the exploitation of the agreement, especially Pakistan-Afghanistan cross border smuggling causing undesirable impact on Pakistan's economy.
- To assess the reasons behind the slow access of Pakistan to Central Asia via Afghanistan
- To give suitable recommendations in order to overcome the exploitation of the trade agreement.

METHODOLOGY

The paper has been prepared by study and analysing different articles, official statements, reports and other published documents related to the subject. To arrive at a wise conclusion, the issue has been probed from different dimensions such as political and economic aspects. The qualitative method was applied in this research while gathering primary and secondary data for the purpose. Current mechanism of trade between the two countries directly or with others through these two countries was studied and views of different concerned departments and officials and private figures of the both countries were obtained.

AFGHANISTAN'S TRADE VIA PAKISTAN

Though the Sub-Continent of India had always strong ties with Afghanistan connecting the region to Central Asia and Pakistan inherited these relations as Afghanistan-Pakistan relations were established since Pakistan's independence in the 1940s. The bilateral relations were subject to a number of issues in the last few decades and these included the war in Afghanistan, conflict on the *Durand Line*, Taliban's insurgency and tension on common borders. Sometimes Afghan officials are of the view that both Iran and Pakistan cooperate with each other to destabilise Afghanistan (Zaheer, 2012).

If one examines the historical ties among the nations in the region, the area which is now in Pakistan had always been well connected with Afghanistan. Especially the areas which lies at the south and east of Afghanistan are mostly Pashto-speaking regions such as Khyber-Pakhtunkhwa province, tribal areas of Pakistan and northern Baluchistan of Pakistan. Different Pashtun tribes of Pakistan have historical and ethnic links with people in Afghanistan. Both sides of Pashtuns have lived in this region for thousands of the years. Issues between the two sides started with the division of the Subcontinent into different issues, especially on *Durand Line*, the common border between Pakistan and Afghanistan. However, this boundary line shaped during the British rule in 1947 independence of Pakistan spread more problems between the two countries. Afghanistan was the only country which had opposed Pakistan's entrance into the United Nations (Roshan, 2005). Despite the hurdles, the transit trade agreement was signed between the two countries and according to the initial contract of 1960s, there were two main routes for the cargo from Pakistan being transported to various destinations in Afghanistan:

- Karachi port city to Peshawar and Torkham-Kabul.
- Karachi port city to Quetta and Chamman-Kandhar.

Karachi is the nearest Sea Port for Import of goods into Afghanistan. Pakistan is in the most advantageous position for Afghanistan-Pakistan Transit Trade (APTT) where Karachi has an important role as a regional port and an important "gateway" to Afghanistan. There is no rail network in landlocked Afghanistan as its trade is through Pakistan's land. Transportation of goods for Afghanistan through Pakistan is duty and tax free but Pakistani authorities at all concerned ports check all the documents related to the transit trade. All cargo is forwarded by land route from Karachi through the checkpoints at the following locations:

1. Peshawar and Torkham in Pakistan - Jalalabad and Kabul/Bagram in Afghanistan.
2. Quetta and Chamman in Pakistan - Kandahar, Herat and Lashkargah in Afghanistan.

PAKISTAN'S ACCESS TO CENTRAL ASIA VIA AFGHANISTAN

Pakistan's land route to Central Asia is only possible through Afghanistan and Iran. Iran's route is lengthy but Afghanistan's route is too short. Though it is the shortest way for Pakistan's trade with Central Asia via Afghanistan, peaceful Afghanistan is needed for smooth trade. Soon after the independence of Central Asian Republics (CARs) in the 1990s, there was a hope of strong ties of Pakistan with them but so far because of various hurdles including the severe situation in Afghanistan, the desire has not materialised as the landlocked country became witness of widespread lawlessness after the withdrawal of the Soviet Union forces. In his book *The Bottom Billion*, the writer Paul Collier mentioned that the conflict and the landlocked position are the issues which prevent development (Collier, 2008). Really such problems pose challenges to the prosperity of the region, especially of a landlocked county such as Afghanistan.

Despite the difficulties, Pakistan tried to build its trade ties with Central Asia via Afghanistan but many times the trade convoys were robbed and transporters were killed or injured by the Afghan fighters. The instability in Afghanistan resulted in many hurdles for Pakistan's trade with Central Asia. Under the modified bilateral agreement in 2010, Pakistan is permitted to use Afghanistan's land route for export its goods to Central Asian states. Though it is a fact that Afghanistan is the shortest transit route for Pakistan to access the Central Asian market but currently it is difficult due to these problems including the severe security situation in Afghanistan and border tension between the two counties. According to the Pakistani officials, it is also due to the lack of cooperation from the Afghan side. They argued that Pakistan provides facilities to Afghan importers to import goods through Pakistan but on the other hand so far the Afghan government could not properly facilitate Pakistani exporters to easily reach the Central Asian states. Beside the security problem, the tariff and non tariff barriers are also slapped on Pakistani exporters. The situation means that Pakistan could not increase exports of items like fruit, cement, pharmaceutical products, readymade garments and leather goods to the Central Asian countries. Similarly hurdles are placed on the import of various products like steel and aluminium products, minerals, industrial raw materials, LPG and dry fruit from the Central Asian region. The Central Asian Republics are doing the bulk of their foreign trade through sea ports of Iran and it is being done, despite the distances of thousands of kilometres. Bandar Abbas, the seaport of Iran, is at a distance of 3,800 kilometres from Uzbekistan, whereas Karachi seaport is only 1,800 kilometres away. It is because of the obstacles in Afghanistan that Pakistan's exports to Central Asia have shrunk from \$600 million to \$58.4 million according to the state bank of Pakistan (Altaf, 2018).

EVALUATION OF THE LITERATURE

The causes of exploitation, and especially the smuggling under garb of Afghan's transit trade, are deeply rooted and there are many factors and various aspects involved in encouraging the menace of the illegal trade. These causes

are also related to the policies of the governments, the complex situation in the region and challenging geographic location of the two countries. Sometimes, governments insist over national interests which counter regional interests. Geographic location also suits the smugglers to illegally transport items through the borders which is almost witness of tension. In Pakistan, local market prices are high and people prefer to purchase good quality imported items at cheap prices. High tariffs and taxes on the local products and legally imported goods also contribute to the smuggling of the items. It also motivates smugglers to supply goods through illegal means (Hussain, Ullah, & Khilji, 2014).

Some of the economists say that the policy makers could not focus on the issue of smuggling and could not decrease the tariff on the different items which caused continuation of the problem. It is also important that local industries in Pakistan also could not make any progress in such a situation. If the local industry was making some growth and was producing number one quality items then it would be possible that the smuggling trend could be discouraged and decreased. Duty and tax relaxation on the local industries, especially on import of machinery as well as manufacturing of goods could also contribute to prevent the smuggling. The literature available suggests that the situation today is that prices of imported foreign items are lower and locally manufacturing items are higher. The situation is in favour of smuggled items but it hurts the national economy of the country.

MOTIVES OF EXPLOITATION OF THE TRANSIT TRADE

There are many reasons and factors behind the exploitation of Afghan transit trade which negatively impact Pakistan's economy. These reasons could be high tariffs and protection policies of Pakistan, the severe situation in Afghanistan, geographical factors, political reasons, and aspects of corruption among the politicians, higher authorities and corrupt elements in Pakistan's customs department.

Pakistan's policies including high tariffs

Many of the imported items for Pakistan or locally manufactured by Pakistan have high prices and for that reason people prefer to buy cheaper goods imported through the Afghan Transit trade. Such trends caused increase of smuggling or illegal re-imports from Afghanistan. The smugglers reimport the items imported for Afghanistan into the Pakistani market and sell them on average 30-40% cheaper than the local products. Costs of the smuggled items are fairly low which attract the people to buy them (Hussain, Ullah, & Khilji, 2014). This trend causes damage to Pakistan's economy.

Instability in Afghanistan

Afghanistan has been witness to war and instability for more than three decades. It became one of the world's orphaned conflict zones (Hussain, Ullah, & Khilji, 2014). There has been no stable political system since the war had started

after the Soviet invasion in Afghanistan. Rules for the governing, civil society and other matters concerning the state have been destroyed. This instability means that many of the people living in Afghanistan have no valid identity. The children who grew up in the war are now part of the society and they only know how to fight. Many of the Afghans still live as refugees in Pakistan, Iran and other countries because their country has remained unstable for last 38 years. A large number of Afghans became disabled during the war and many of them separated from their families (Rashid, 2000). The instability contributed a lot to blocking legal Afghan trade with its neighbours including Pakistan.

A geographical reason

Pakistan and Afghanistan have a long common border of 1810 Kilometres and it runs from North to West of Pakistan. The boundary is called *Durand Line*. The tribal areas of Pakistan extend more or less along with this common border (Khan, 2000).

The tribal areas specially Bajaur Agency, Mohmand Agency, North and South Waziristan Agencies and even settled areas of Dera Ismail Khan and Bannu divisions in North West Khyber-Pakhtoonkhwa Province are being used for the smuggling, transport and sale of the illegally imported items from Afghanistan. Thousands of the local people are dependent only on the smuggling from Afghanistan and into Afghanistan (*Focus on cross border...*, 2002). It means that this geographical factor also contributes to the smuggling and misuse of the Afghan transit trade.

Political causes

As the political relations between Pakistan and Afghanistan always faced ups and downs, it also badly affected the trade ties. The governments of the two countries so far tried to obtain domination over other. The policies of the both governments caused serious consequences from time to time (Khan, 2009). The trend not only made a hurdle in the Afghan Transit trade but it also prevented Pakistan from having easy access to Central Asia.

Lower price of smuggled items in Pakistan's market

There are multiple markets of smuggled items throughout Pakistan, especially in the border areas of the country sand Peshawar, and in the capital of Khyber-Pakhtunkhwa province as well. The term *Bara Markets* is being used for these markets and illegally imported goods are being sold there openly (*Bara FATA*). Basically, the term *Bara* is used because of an area situated in one of the tribal regions bordering Afghanistan and these areas are lawless, sale and purchase of smuggled items being easier in these areas. People of different areas of Pakistan travel to the areas around Peshawar where the *Bara Markets* are located and purchase the foreign manufactured items at lower prices. A huge trend of shopping from these markets badly damages the local industries of Pakistan. The items which are easily available in these markets are mostly electronics such as TV sets, refrigerators and air conditioners.

Corruption of politicians and government officials

Smuggling cannot take place without the cooperation of political figures and officials of the different functionaries and especially the customs department. Local politicians in Pakistan take part in the smuggling of the goods. Corruption and deficiencies of the government sector and especially of the customs department are also causing an increase in smuggling trends. The smugglers have their strong network in Pakistan and they pay high sums in the shape of bribes to the political figures and as well as the government officials. It is now spread into various governmental institutions in Pakistan and it is very difficult to stop the menace. However, it needs large scale accountability at micro and macro levels.

CONCLUSION

Since foundation of Pakistan as an independent country, the state's foreign policy is setting up in the light of threats from India and a strategy of balancing India while the economic sector is being ignored or less focused on by the state's policy makers. Specifically, the Afghan transit trade and trade through Afghanistan to Central Asia has not had any specific attention from the policy makers. Central Asia was considered as a centre of Islamic Ideology by Pakistan's policy makers but economic ties with this mineral rich region were totally overlooked. The government of Pakistan only sought Islamic connections with Central Asia and Afghanistan and for that reason it could not achieve the goals of economic benefits. Though seeking relations with Central Asia and Afghanistan under the umbrella of Islamic ideology has been rejected by the leadership of CARs and as well Afghanistan, Pakistan is still seeking such links through its traditional approaches. There are many reasons and factors in the exploitation of Afghanistan Transit Trade and its impact on Pakistan's economy. Beside the political and geological and corruption in the society, cheap prices of the smuggled items are the main reasons behind the exploitation of the Afghan's transit trade. Such a trend has not only created bad impact on Pakistan's economy but it is still threatening other national interests of the country. Though the total eradication of the menace of smuggling is not possible in the present scenario, it can be decreased through durable policies and well-connected measures. A system of checks and balances should be activated and differences with Afghanistan's government should be decreased. Border issues could be resolved through dialogue and a kind of cooperation could be sought from Afghan side. The Government of Pakistan also should take necessary steps to remove corruption from its country and especially the corruption among the authorities deployed over the Afghan transit trade. It is a cause of humiliation that corruption among the officials of the law-enforcing agencies and other departments at seaports, dry ports and check posts in Pakistan has been reported several times. According to Pakistani media, the corruption in the

ranks of these departments allows for the growth of smuggling. It was also reported that higher authorities sometimes take action against the corrupt elements among the officials (Pirzada, 2015). Pakistan's internal political and economic situation also prevents it from moving forward to good economic relations with other countries including Afghanistan and the Central Asian States. If we look over the political situation of Pakistan since the 1990s, many of the governments in the country were toppled by military regimes. Still the political governments are also being dictated by the military establishment. As for Afghanistan, it also needs good political ties with Pakistan. Decent ties could contribute to good economic relations.

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