

AFGHAN-PAK TRADE TRANSIT AGREEMENT : **STATUS, CHALLENGES AND IMPLICATIONS**



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PLAN OF THE PAPER/PRESENTATION

- ➡ Afghan Transit Trade Agreement (ATTA), 1965
- ➡ Status : Key Elements of APTTA, 2010
- ➡ Afghanistan Transit through Pakistan (2005-10)
- ➡ Significance and Benefits of APTTA for Afghanistan, Pakistan and India
- ➡ Implications for South Asia and Central Asia
- ➡ Few Concluding Observations



AFGHAN TRANSIT TRADE AGREEMENT, 1965

The Afghan Transit Trade Agreement (ATTA) came into force on March 02, 1965, essentially as bilateral arrangement between the Government of the Islamic Republic of Pakistan and Government of the (then) Kingdom of Afghanistan.

In fact, Pakistan granted transit facility to Afghanistan in line with its commitment to the UN Convention on law of Sea (1958) which makes special provisions for granting landlocked countries access to international seas.

The objectives of the ATTA centered on improving the movement of goods through two countries on a mutually advantageous basis.



AFGHAN TRANSIT TRADE AGREEMENT, 1965

The contracting parties granted and granted to each other, as per the terms of the Agreement, freedom of transit to and from their territories.

The ATTA identified two transit routes, (i) *Peshawar-Towrkham* and vice versa and (ii) *Chaman-Spin Baldak* and vice versa.

Given its landlocked situation, **Afghanistan was destined to be primary beneficiary** of the agreement right from the inception.

Pakistan on the other hand, did not enjoy at that time good relations with the USSR and therefore had only dim prospects of capitalizing upon the transit facility through Afghanistan offered by ATTA.

AFGHAN TRANSIT TRADE AGREEMENT, 1965

APTTA strengthens economic ties between Pakistan and Afghanistan by ensuring freedom of transit across both countries.

Afghanistan gains access to Indian and Chinese markets via access to sea ports and land crossing points.

- ▶ Sost to China - 1.2 billion Chinese.
- ▶ Wagah In India - 1.1 billion Indians
- ▶ Seaports at Karachi, Port Qasim and Gawadar



AFGHAN TRANSIT TRADE AGREEMENT, 1965

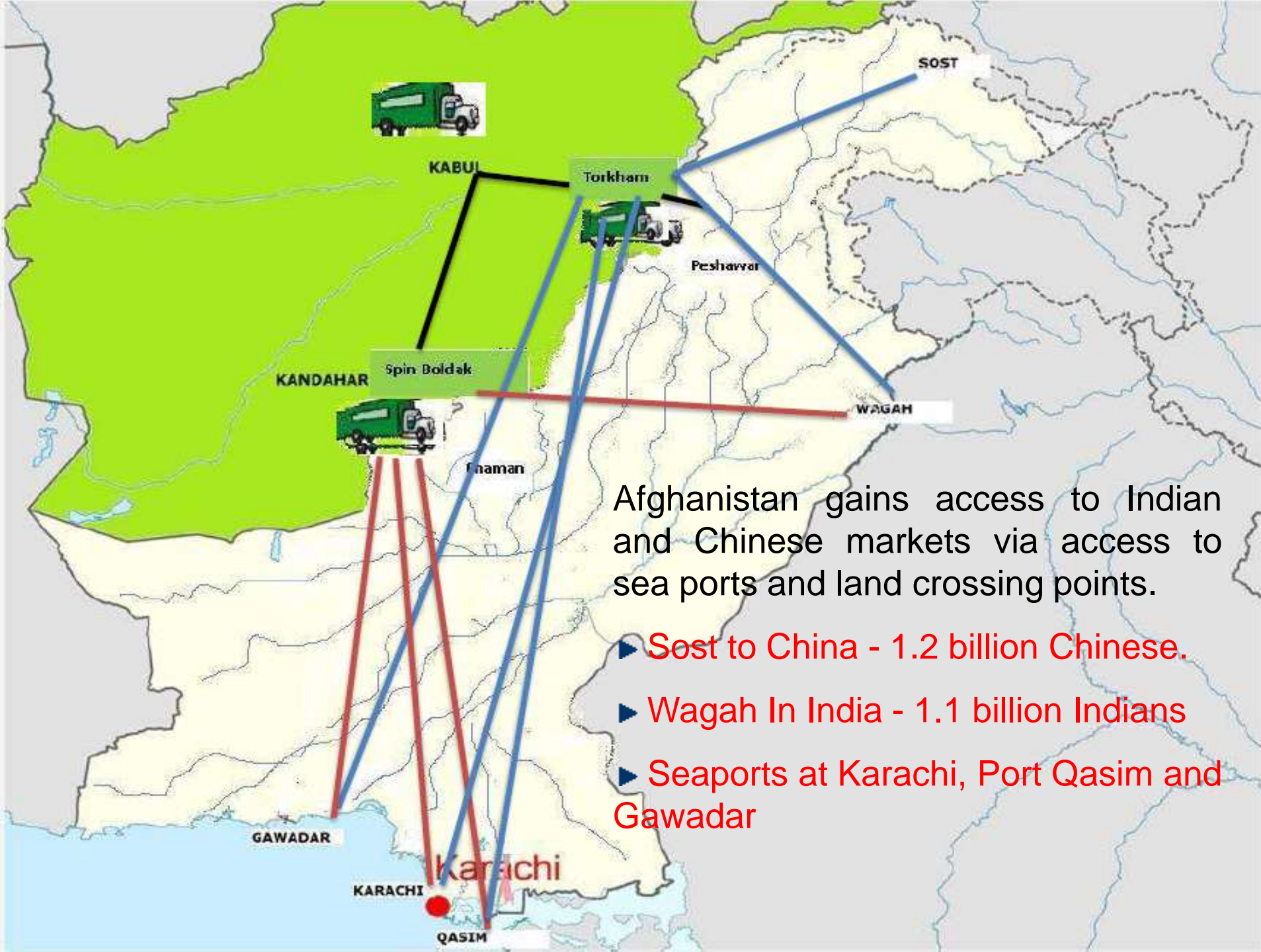
The **bilateral** Afghan Transit Trade Agreement (ATTA) covers the movement of Afghan goods - imports, exports and unaccompanied passengers baggage - through Pakistan by **rail only**.

In late November 2004, **road** transport was also **allowed** to carry goods. Carriage by road is however, restricted to **National Logistic Corporation (NLC)**.

Since the ATTA was implemented in 1965 a number of major changes have taken place and there are a few still under consideration. Hence

It was necessary for both the countries to draft a **COMPLETELY NEW AGREEMENT** - keeping in view the changes that have been brought about by multi-modal transportation.





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AFGHAN-PAK TRANSIT TRADE AGREEMENT (APTTA), 2010

- ➡ APTTA is a **successor** to the ATTA signed in 1965 between Pakistan and Afghanistan to facilitate the transit of goods exported from and imported to Afghanistan using the **Pakistani port of Karachi**.
- ➡ APTTA negotiation started in 2008 and after seven rounds of negotiations by **Pakistan-Afghanistan Joint Economic Commission**, the final document was signed on 28 July 2010 but **fully operationalized from 12 June 2011** after **ratification by cabinets**, intended to **ease** the flow of trade between two countries.
- ➡ This new agreement permits the use of **more ports & more carriers** - including Afghan trucks - and increases the number of border crossing points. **It also provides for Afghan exports to India using the land border between Pakistan and India**. The pact also envisages the use of **Afghan territory for trade between Pakistan and Central Asian countries**.

Oversight of Agreement

A photograph showing two men in dark suits and ties seated at a table covered with a blue cloth. They are both looking down at a document they are signing. The man on the left is wearing glasses and has a mustache. The man on the right is also wearing glasses. In front of them are several microphones with various logos, including CNN and others. Behind them are several flags, including the Pakistani flag (green with a white crescent and star) and the Afghan flag (black, red, and green with a white emblem). A white air conditioning unit is visible on the wall behind the man on the right. The scene appears to be a formal press conference or signing ceremony.

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.

KEY ELEMENTS OF THE APTTA, 2010

- ▶ Transit trade through Afghanistan and Pakistan must take place along pre-determined routes and only utilising specified ports and border crossings.
- ▶ Afghanistan and Pakistan are obligated to ensure that suitable infrastructure and personnel are available at border crossings.
- ▶ While each country remains responsible for licensing transport operators (e.g., trucking firms) registered in their territory, Afghanistan and Pakistan should seek to harmonise their standards and regulations in this area.
- ▶ Transport operators from Afghanistan and Pakistan which receive a “temporary admission document” will be able to transport goods through the other country’s territory. That is, **Afghan trucks may send carry goods via Pakistan to India** rather than having to re-load them onto Pakistani trucks at the Afghanistan-Pakistan border, as had previously been the case.



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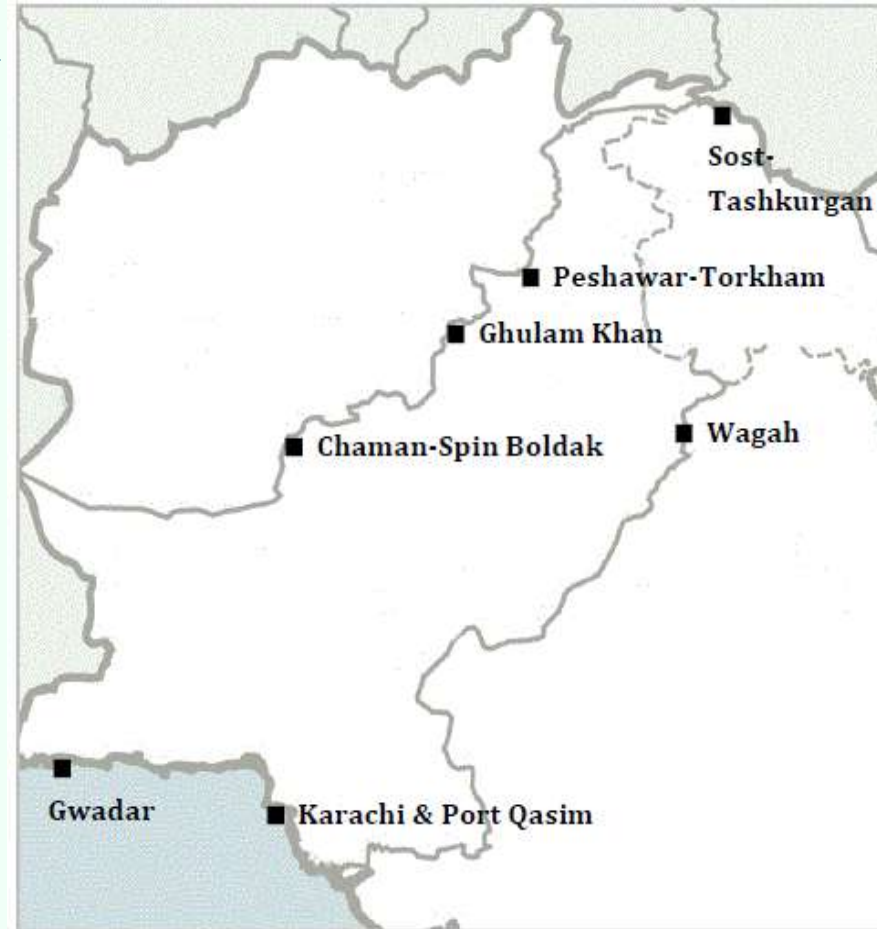
KEY ELEMENTS OF THE APTTA, 2010

- ➡ The Afghan government shall recognise Pakistani driver's licenses and vehicle registration documents, and vice versa. In addition, Pakistan and Afghanistan shall begin to harmonise the regulations and standards for inspecting and certifying trucks used in the transit trade.
- ➡ The Afghan and Pakistani governments shall expedite and simplify the process for awarding multiple-entry visas to truck drivers from one another's countries.
- ➡ With the exception of selected items, goods transiting through Afghanistan and Pakistan shall be stored in sealed containers which meet international specifications.
- ➡ Customs officials may inspect the contents of up to 5% containers at the point of entry into Afghanistan or Pakistan and may not undertake additional inspections unless signs of regulatory violations are found.
- ➡ The Afghanistan-Pakistan Transit Trade Coordination Authority (APTTCA), which is established under the APTTA, is responsible for monitoring and facilitating the implementation of the agreement.

BORDER CROSSING/PORTS IN THE APTTA, 2010

The text of the agreement authorised a number of routes by which Afghan goods could transit via Pakistan en route to India or other international markets. These routes begin and end at the following ports and border crossings :

- ▶ **Peshawar-Torkham,**
- ▶ **Chaman-Spin Boldak,**
- ▶ **Ghulam Khan,**
- ▶ **Sost-Tashkurgan,**
- ▶ **Port Qasim,**
- ▶ **Karachi, and**
- ▶ **Gwadar port.**



Source: Adapted from [Hollows Foundation Map](#), with information from [UN-HABITAT Pakistan](#).

It should be noted that the APTTA concerns only trade through Afghanistan and Pakistan but not trade between Afghanistan and Pakistan, which is governed by separate trade, border and customs regulations and agreements.

PAKISTAN TRANSIT TRADE AGREEMENTS

Pakistan has so far signed the following transit trade agreements to facilitate transit transport to the neighbouring countries as well as to the CARs:

- ▶ Transit Trade Agreement between Iran and Pakistan, 1975
- ▶ Traffic in Transit Agreement between China, Kyrgyzstan, Kazakhstan and Pakistan, 1995
- ▶ Economic Cooperation Organization (ECO) Transit Transport Framework Agreement (TTFA), 1998
- ▶ Afghanistan Pakistan Transit Trade Agreement (APTTA), 2010



SHARE OF COUNTRIES ALLOWING TRANSIT TO AFGHANISTAN (%)



➡ Pakistan is not the only country through which imports and exports of Afghanistan are Transiting.

➡ Afghanistan also has transit agreements with **Iran, Tajikistan, Turkmenistan and Uzbekistan.**

➡ Pakistan leads the list with **34 per cent** followed by Uzbekistan (32%) and Iran (25%).

ENTRY & EXIT POINT FOR PAKISTAN'S EXPORT

Under the new agreement (APTTA, 2010) the rights have been secured on permanent basis with legal cover for the following entry and exit points for Pakistan's exports:

- (a) Torkham to Hairatan (with **Uzbekistan**);
- (b) Torkham to Torghundi (with **Uzbekistan**);
- (c) Torkham to Ai Khanum (with **Tajikistan**);
- (d) Torkham to Sher Khan Bandar (with **Tajikistan**);
- (e) Torkham to Aqina (with **Turkmenistan**);
- (e) Torkham to Torghundi (with **Turkmenistan**);
- (f) Chaman to Islam Qala (with **Iran**); and
- (g) Chaman to Zaranji (with **Iran**).

AFGHAN TRANSIT TRADE THROUGH PAKISTAN

The Afghan transit trade through Pakistan has been on the increase. Exports from Afghanistan are through Wahga, Karachi Port and Port Qasim. The Wahga land route for Afghanistan exports to India was included in 1980 and is operational since then. Afghanistan's Imports only come through Karachi - Port Qasim.

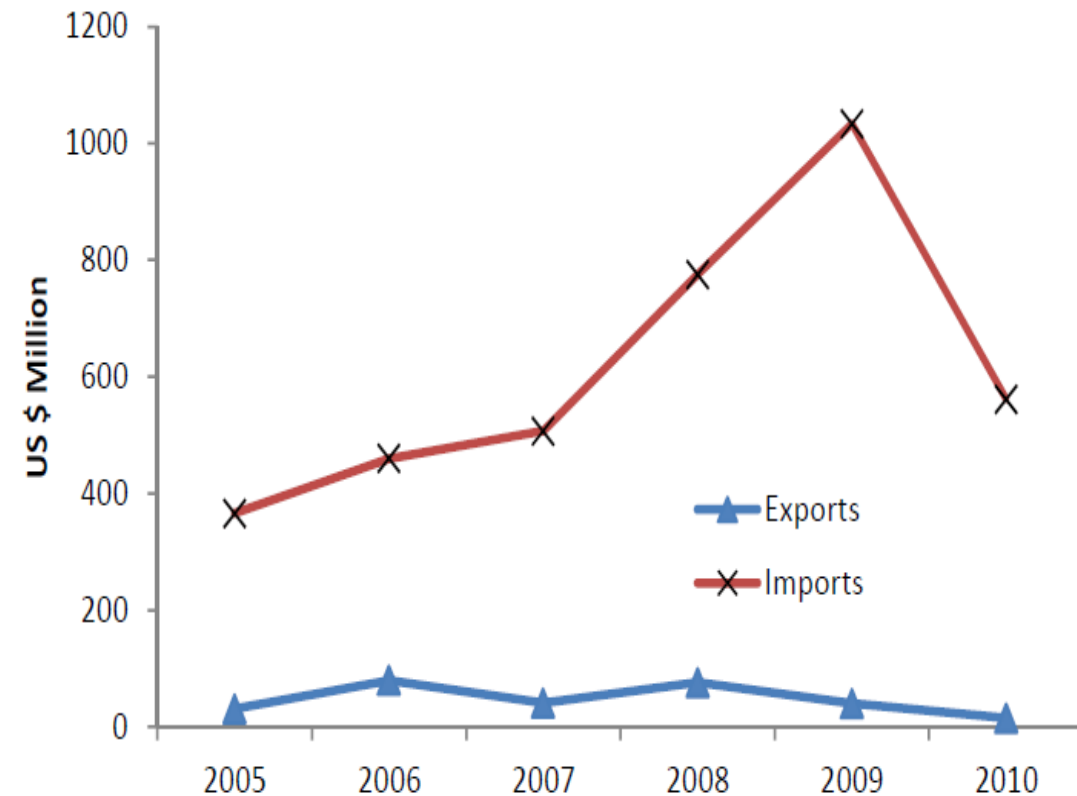


Figure exhibits that by 2009 Afghan transit exports through Pakistan stood at **US\$ 40 million**. The highest levels in the recent past was in **2006 at US\$ 80 million**. The transit imports through Pakistan increased from **US\$ 366 million** in 2005 to **US\$ 1 billion** in 2009. This increase is largely attributable to the rising **rebuilding costs in Afghanistan**.

PAKISTAN-AFGHANISTAN TRADE, (US \$ MN.)

Year	Exports	Imports	Trade Turnover	Balance
2000-01	140.0	29.5	169.5	110.5
2001-02	169.2	22.9	192.1	146.3
2002-03	315.7	34.8	350.5	280.9
2003-04	492.9	47.4	540.3	445.5
2004-05	747.7	38.9	786.6	708.8
2005-06	1063.4	47.5	1110.9	1015.9
2006-07	753.9	76.2	830.1	677.7
2007-08	1143.6	91.3	1234.9	1052.3
2008-09	1398.0	93.0	1491.0	1305.0
2009-10	1572.0	139.0	1711.0	1433.0
2010-11	2336.7	172.0	2508.7	2164.7

Source: Government of Pakistan, Ministry of Finance, Pakistan Economic Survey, 2011-12.



APTTA WILL :

- ▶ Increase Afghan exports and speed up imports
- ▶ Reduce delays at borders
- ▶ Promote foreign investment and economic growth
- ▶ Make afghan products more attractive and affordable abroad
- ▶ Modernize business practices
- ▶ Enable access to some of the world's largest markets – 1.1 billion Indians and 1.3 billion Chinese



STAKEHOLDERS - MAJOR BENEFITS FOR TRADERS AND TRUCKERS

MAJOR BENEFITS FOR TRUCKERS:

- ▶ Easier access to foreign markets
- ▶ No unnecessary delays
- ▶ No customs duties on goods in transit

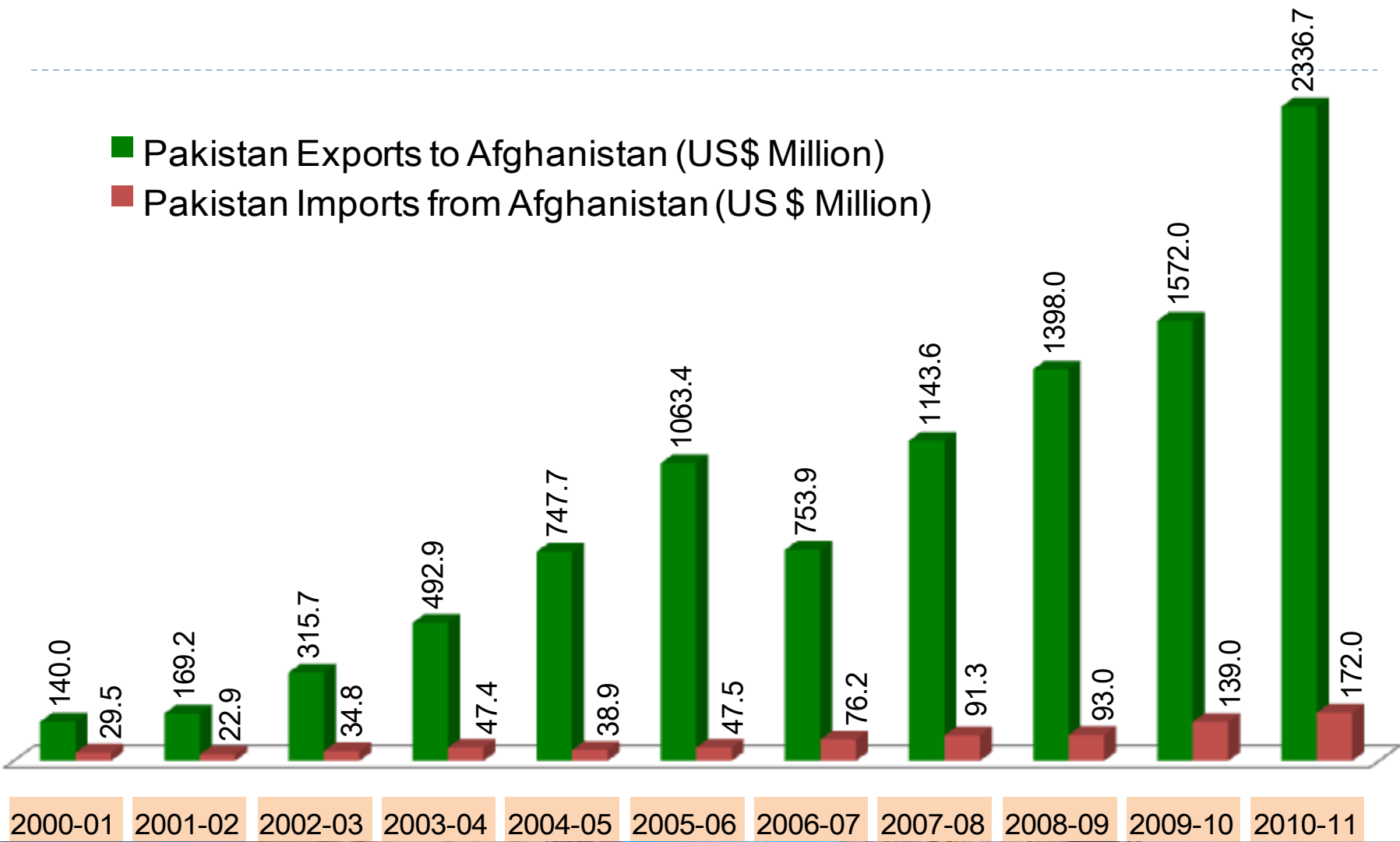
MAJOR BENEFITS FOR TRUCKERS:

- ▶ Temporary admission for drivers & trucks
- ▶ Mutual recognition of driving licenses, vehicle documents, inspection certificates
- ▶ National treatment – no discrimination based on country of origin

-
- ▶ No extra transit cost

PAKISTAN-AFGHANISTAN TRADE, (US \$ MN.)

- Pakistan Exports to Afghanistan (US\$ Million)
- Pakistan Imports from Afghanistan (US \$ Million)



DIRECTION OF AFGHANISTAN EXPORTS (US \$ MN.)

	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009
WORLD	670.5	203.1	131.1	166.0	142.2	238.5	249.5	340.4	475.2	448.3
Pakistan	52.1	20.4	5.8	14.0	35.5	48.4	59.8	74.2	84.7	108.5
India	54.8	14.2	12.8	7.0	22.9	50.5	36.8	82.3	118.7	109.7
USA	4.9	6.1	4.5	5.3	2.6	61.6	41.6	69.8	79.0	113.0
Tajikistan	n.a.	n.a.	n.a.	0.0	0.1	3.1	5.9	24.6	61.0	40.2
Russia Fed.	n.a.	n.a.	n.a.	12.1	4.9	3.6	10.5	8.1	13.5	13.1
China	0.2	0.3	0.5	15.4	4.9	1.4	0.2	2.2	2.5	1.3
Turkmenistan	n.a.	n.a.	n.a.	6.0	1.0	0.3	0.4	0.5	0.6	0.5
Kyrgyzstan	n.a.	n.a.	n.a.	62.2	0.2	0.2	0.0	0.2	0.5	0.5
Kazakhstan	n.a.	n.a.	n.a.	0.1	0.0	0.3	0.3	0.4	0.5	0.4

Source: IMF: Direction of Trade Statistics Yearbook, Oct 2011 (cdrom).



DIRECTION OF AFGHANISTAN IMPORTS (US \$ MN.)

	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009
World	494.8	395.9	479.3	387.4	620.8	2992.4	3788.8	4867.9	5653.4	6689.4
USA	14.2	3.9	4.8	4.4	12.2	287.5	459.3	537.6	529.9	1662.7
Pakistan	14.9	16.7	2.2	21.8	134.1	1171.6	1448.0	1796.9	2051.5	1493.3
India	20.6	14.8	64.7	16.2	30.5	163.2	189.2	255.3	398.5	516.1
Russia	n.a.	n.a.	n.a.	19.3	12.3	114.9	90.6	137.6	189.8	285.7
Turkmenistan	n.a.	n.a.	n.a.	10.0	41.8	121.8	150.5	186.7	213.2	186.5
Kazakhstan	n.a.	n.a.	n.a.	3.2	63.7	108.6	134.2	166.5	190.1	166.3
China	8.2	19.1	25.8	34.8	21.9	56.3	110.7	186.4	168.0	234.8
Kyrgyzstan	n.a.	n.a.	n.a.	0.0	4.8	13.6	82.2	174.0	50.6	44.2
Tajikistan	n.a.	n.a.	n.a.	0.4	2.9	13.3	20.5	13.3	27.9	29.6

Source: IMF: Direction of Trade Statistics Yearbook, Oct 2011 (cdrom).



DIRECTION OF PAKISTAN TRADE (US \$ Million)

	1995	2000	2005	2006	2007	2008	2009	2010
Exports, total	7992.4	8882.9	16052.5	16604.1	18937.8	21705.0	17522.8	20074.0
1. United States	1204.7	2236.9	3978.8	3604.0	3482.4	3480.3	3178.1	3389.0
2. UAE	354.8	560.0	1256.2	1550.8	2009.0	2537.7	1477.8	1571.3
3. Afghanistan	19.8	121.9	1065.1	1316.3	1633.6	1865.0	1357.6	1395.0
4. China	118.7	237.3	435.6	915.6	1004.8	915.5	973.8	1572.7
5. United Kingdom	517.0	586.0	907.6	874.5	902.8	968.6	931.9	913.0
6. Germany	548.7	508.4	724.6	639.1	729.1	826.5	705.5	898.5
7. Italy	230.9	217.6	582.8	486.8	567.2	662.1	550.4	579.4
8. Saudi Arabia	225.5	240.0	354.9	438.2	567.6	717.0	425.2	452.1
9. Turkey	134.8	97.9	299.6	344.4	483.4	532.9	404.7	681.8
10. Hong Kong	602.1	533.4	598.8	594.3	576.0	415.2	351.0	455.9
Imports, total	11460.6	10722.5	25412.1	34214.9	40057.0	46200.1	31649.1	40370.8
1. China	505.9	537.9	2348.7	4664.8	6363.4	6590.6	3774.2	7629.3
2. Germany	721.1	388.6	1145.0	1395.3	1367.3	1364.8	1267.8	972.9
3. France	252.9	212.6	297.2	557.5	528.5	628.4	394.7	497.0
4. Canada	128.0	82.6	213.4	386.0	456.4	580.8	403.3	590.6
5. Australia	160.6	289.6	451.8	257.7	396.2	401.3	534.2	539.0
6. Belgium	...	135.1	304.8	315.9	333.5	369.5	254.7	376.3
7. Brazil	106.4	47.4	322.2	213.1	162.7	339.9	164.9	368.0
8. Finland	45.5	13.7	310.1	135.3	178.0	201.1	418.4	99.8
9. Austria	20.3	13.8	88.3	171.5	151.3	163.4	175.5	99.9
10. Egypt	36.8	29.9	124.7	54.9	59.6	126.5	144.2	148.2

Source: ADB; Key Indicators for Asia and the Pacific 2011.

DIRECTION OF PAKISTAN TRADE (% Share of World)

	1995	2000	2005	2006	2007	2008	2009	2010
Exports, total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1. United States	15.1	25.2	24.8	21.7	18.4	16.0	18.1	16.9
2. UAE	4.4	6.3	7.8	9.3	10.6	11.7	8.4	7.8
3. Afghanistan	0.2	1.4	6.6	7.9	8.6	8.6	7.7	6.9
4. China	1.5	2.7	2.7	5.5	5.3	4.2	5.6	7.8
5. United Kingdom	6.5	6.6	5.7	5.3	4.8	4.5	5.3	4.5
6. Germany	6.9	5.7	4.5	3.8	3.8	3.8	4.0	4.5
7. Italy	2.9	2.4	3.6	2.9	3.0	3.1	3.1	2.9
8. Saudi Arabia	2.8	2.7	2.2	2.6	3.0	3.3	2.4	2.3
9. Turkey	1.7	1.1	1.9	2.1	2.6	2.5	2.3	3.4
10. Hong Kong	7.5	6.0	3.7	3.6	3.0	1.9	2.0	2.3
Imports, total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1. China	4.4	5.0	9.2	13.6	15.9	14.3	11.9	18.9
2. Germany	6.3	3.6	4.5	4.1	3.4	3.0	4.0	2.4
3. France	2.2	2.0	1.2	1.6	1.3	1.4	1.2	1.2
4. Canada	1.1	0.8	0.8	1.1	1.1	1.3	1.3	1.5
5. Australia	1.4	2.7	1.8	0.8	1.0	0.9	1.7	1.3
6. Belgium	n/a	1.3	1.2	0.9	0.8	0.8	0.8	0.9
7. Brazil	0.9	0.4	1.3	0.6	0.4	0.7	0.5	0.9
8. Finland	0.4	0.1	1.2	0.4	0.4	0.4	1.3	0.2
9. Austria	0.2	0.1	0.3	0.5	0.4	0.4	0.6	0.2
10. Egypt	0.3	0.3	0.5	0.2	0.1	0.3	0.5	0.4

▶ Source: ADB; Key Indicators for Asia and the Pacific 2011.

Annex Table 1. Afghanistan's Exports to the Selected Regions and SAARC Countries (Value in US \$ Million & % Share)

Year	WORLD	AFRICA	ASEAN	CIS	EU-27	GCC-6	M-E	NAFTA-3	SAARC	OTHERS
	(VALUE)	% SHARE OF WORLD								
	1	2	3	4	5	6	7	8	9	10
1990	131.09	0.11	0.09	0	61.82	2.81	3.73	4.39	14.2	12.85
1995	166.00	0.04	1.63	48.99	20.69	0.40	0.93	3.36	13.05	10.91
2000	142.19	0.25	2.19	6.19	35.28	0.54	2.27	2.15	42.41	8.73
2001	90.29	2.06	3.15	4.44	25.17	0.52	3.91	1.01	54.27	5.47
2002	87.56	3.87	0.97	5.86	21.7	0.79	4.57	5.14	50.74	6.36
2003	209.36	1.86	0.78	3.97	28.29	1.64	3.18	27.53	30.63	2.12
2004	184.14	1.03	0.82	4.69	20.44	2.49	6.11	12.59	47.47	4.36
2005	238.52	0.68	1.21	3.19	12.53	2.7	7.33	25.96	42.78	3.62
2006	249.48	0.65	1.98	7.51	19.12	2.91	7.76	16.97	39.96	3.14
2007	340.41	0.31	2.04	10.35	7.17	2.74	7.09	20.72	47.18	2.4
2008	475.21	0.16	0.34	16.73	12.84	2.48	5.82	16.87	43.08	1.67
2009	448.25	0.36	0.48	12.61	4.31	2.46	5.8	25.49	48.91	0.42
2010	532.20	0.36	0.14	13.48	11.13	2.39	5.77	15.21	51.61	0.09

Note: M-E denotes Middle East.

Source: Estimated from IMF; *Direction of Trade Statistics Yearbook*, 2011.



Annex Table 2. Afghanistan's Exports to the World & SAARC Countries (Value in US \$ Million & % Share)

Year	WORLD (VALUE)	SAARC (VALUE)	BD	IND	NPL	PAK	SL
	% SHARE OF SAARC						
	1	11	12	13	14	15	16
1990	131.09	18.61	0	68.73	0	31.17	0.11
1995	166.00	21.67	3.41	32.16	0	64.42	0
2000	142.19	60.30	3.1	38.03	0	58.86	0.02
2001	90.29	49.00	0	51.67	0	48.29	0.04
2002	87.56	44.43	0	37.29	0	62.53	0.18
2003	209.36	64.12	5.8	49.63	0	44.18	0.39
2004	184.14	87.42	3.8	45.09	0	50.98	0.13
2005	238.52	102.04	2.99	49.51	0	47.39	0.11
2006	249.48	99.68	2.84	36.92	0	59.96	0.28
2007	340.41	160.60	2.56	51.26	0	46.18	0
2008	475.21	204.73	0.64	58.00	0	41.36	0
2009	448.25	219.23	0.45	50.05	0	49.50	0
2010	532.2	274.66	0.33	49.49	0	50.17	0

Source: Estimated from IMF; *Direction of Trade Statistics Yearbook*, 2011.



Annex Table 3. India's Exports to the Selected Regions and SAARC Countries (Value in US \$ Million & % Share)

Year	WORLD	AFRICA	ASEAN	CIS	EU-27	GCC-6	M-E	NAFTA-3	SAARC	OTHERS
	(VALUE)	% SHARE OF WORLD								
	1	2	3	4	5	6	7	8	9	10
1990	17813.1	1.84	4.27	16.1	28.87	4.99	6.75	16.14	3.06	17.99
1995	30538.8	4.38	7.77	3.66	27.62	6.72	8.25	18.49	5.11	18.01
2000	42627.3	4.5	6.45	2.5	24.38	8.75	10.99	23.25	4.28	14.9
2001	45432	3.74	7.2	1.56	24.58	6.42	8.81	23.09	5.46	19.14
2002	50522	5.36	8.57	1.85	22.59	9.17	12.22	22.24	5.15	12.84
2003	61130.2	5.39	9.03	1.65	22.67	10.68	13.81	20.24	6.41	10.12
2004	75386.7	5.88	9.88	1.38	22	11.7	14.96	18.53	5.86	9.79
2005	98212.1	5.97	10.1	1.23	22.43	11.49	14.41	18.21	5.41	10.75
2006	120550	7.13	10.01	1.18	21.52	12.63	15.94	16.69	5.18	9.72
2007	153775	7.74	10.04	1.09	21.2	13.27	16.86	14.36	5.74	9.69
2008	177700	7.19	10.28	1.05	21.35	16.32	19.85	12.84	4.91	6.2
2009	165204	6.79	10.51	0.95	21.13	16.3	19.57	12.07	4.52	8.16
2010	217341	6.46	9.51	1.02	17.8	15.53	18.48	13.83	4.74	12.63

Note: M-E denotes Middle East.

Source: Estimated from IMF; *Direction of Trade Statistics Yearbook*, 2011.



Annex Table 4. India's Exports to the World & SAARC Countries (Value in US \$ Million & % Share)

Year	WORLD (VALUE)	SAARC (VALUE)	AFG	BD	BHU	MLD	NPL	PAK
	% SHARE OF SAARC							
	1	11	12	13	14	15	16	17
1990	17813.1	545.14	10.78	54.5	0	0.86	7.25	7.98
1995	30538.8	1559.42	0.94	61.54	0.75	0.8	6.87	4.51
2000	42627.3	1822.7	1.52	47.2	0.15	1.11	7.87	8.96
2001	45432	2480.41	1.23	43.82	0.12	1.5	22.45	8.83
2002	50522	2601.26	1.99	43.54	1.2	1.17	12.16	7.33
2003	61130.2	3916.35	3.17	40.84	1.96	1.01	15.05	6.81
2004	75386.7	4416.7	3.5	36.79	1.93	0.96	16.16	10.21
2005	98212.1	5312.27	2.79	31.17	1.8	1.18	15.64	12.18
2006	120550	6239.02	2.76	26.24	1.09	1.1	14.61	18.99
2007	153775	8830.29	2.63	29.38	0.9	0.96	15.42	20.33
2008	177700	8733.05	4.11	29.48	1.2	1.36	17.67	17.74
2009	165204	7464.97	6.29	29.22	1.44	1.44	18.99	19.42
2010	217341	10301.14	5.46	31.4	1.37	0.94	17.75	18.23

Source: Estimated from IMF; *Direction of Trade Statistics Yearbook*, 2011.



Annex Table 5. Pakistan's Exports to the Selected Regions and SAARC Countries (Value in US \$ Million & % Share)

Year	WORLD (VALUE)	AFRICA	ASEAN	CIS	EU-27	GCC-6	M-E	NAFTA-3	SAARC	OTHERS
	% SHARE OF WORLD									
	1	2	3	4	5	6	7	8	9	10
1990	131.09	0.11	0.09	0	61.82	2.81	3.73	4.39	14.2	12.85
1995	166.00	0.04	1.63	48.99	20.69	0.4	0.93	3.36	13.05	10.91
2000	142.19	0.25	2.19	6.19	35.28	0.54	2.27	2.15	42.41	8.73
2001	90.29	2.06	3.15	4.44	25.17	0.52	3.91	1.01	54.27	5.47
2002	87.56	3.87	0.97	5.86	21.7	0.79	4.57	5.14	50.74	6.36
2003	209.36	1.86	0.78	3.97	28.29	1.64	3.18	27.53	30.63	2.12
2004	184.14	1.03	0.82	4.69	20.44	2.49	6.11	12.59	47.47	4.36
2005	238.52	0.68	1.21	3.19	12.53	2.7	7.33	25.96	42.78	3.62
2006	249.48	0.65	1.98	7.51	19.12	2.91	7.76	16.97	39.96	3.14
2007	340.41	0.31	2.04	10.35	7.17	2.74	7.09	20.72	47.18	2.4
2008	475.21	0.16	0.34	16.73	12.84	2.48	5.82	16.87	43.08	1.67
2009	448.25	0.36	0.48	12.61	4.31	2.46	5.8	25.49	48.91	0.42
2010	532.2	0.36	0.14	13.48	11.13	2.39	5.77	15.21	51.61	0.09

Note: M-E denotes Middle East.

Source: Estimated from IMF; *Direction of Trade Statistics Yearbook*, 2011.



Annex Table 6. Pakistan's Exports to the World & SAARC Countries (Value in US \$ Million & % Share)

Year	WORLD (VALUE)	SAARC (VALUE)	AFG	BD	BHU	IND	MLD	NPL
	% SHARE OF SAARC							
	1	11	12	13	14	15	16	17
1990	5587.5	224.55	0.89	45.76	0.11	21.8	0.25	0.51
1995	7992.4	272.58	7.27	56.28	0.38	14.23	0.51	1.09
2000	8882.9	404.57	30.13	34.44	0.07	14.3	0.35	0.67
2001	9217.4	407.46	35.04	29.32	0.06	16.24	0.41	0.56
2002	9883.7	452.14	49.35	22.96	0.05	10.81	0.56	0.5
2003	11928.3	749.64	54.5	22.19	0.04	11.14	0.34	0.64
2004	13285.2	959.47	48.45	20.58	0.02	16.44	0.2	0.32
2005	16052.5	1797.32	59.26	13.04	0.01	18.77	0.16	0.2
2006	16604.1	1871.98	70.32	8.27	0.02	13.95	0.19	0.13
2007	18929.9	2251.36	72.56	7.95	0.02	11.98	0.2	0.1
2008	21704.3	2670.64	69.83	10.09	0.02	12.84	0.19	0.1
2009	17522.8	2171.92	62.5	16.81	0	10.68	0.16	0.03
2010	21397.9	2688.54	64.13	14.64	0	10.96	0.17	0.03

Source: Estimated from IMF; *Direction of Trade Statistics Yearbook*, 2011.



SIGNIFICANCE OF THE APTTA TO AFGHAN.

APTTA is crucial to Afghanistan for a number of reasons :

- ➡ As the **World Trade Organization** (WTO) highlight, at least half of Afghanistan's exports went either to or through Pakistan in 2010.
- ➡ In addition, the volume of Afghan exports to India is already high and likely to increase substantially in the coming years, as suggested by the recent **Indo-Afghan strategic agreement**.
- ➡ Between 2009 and 2010, for instance, the proportion of Afghan exports destined for India increased by 35.6%. However, in order to sustain such growth, trans-Pakistan trucking must be predicable, relatively cheap and fast, according to a 2009 report on "**Trade Promotion in Afghanistan**".
- ➡ Air freight may allow some high-value Afghan exports to bypass Pakistan and other neighbouring countries, but, as a report on "Market Prospects" in Afghanistan suggests, shipping agricultural goods via plane is not commercially viable given the prohibitively high costs involved.

BENEFITS FOR AFGHANISTAN & PAKISTAN

- ➡ For **Afghanistan**, among the main benefits is improved access to overseas markets through Pakistan's ports.
- ➡ For **Pakistan**, it is particularly important to obtain better access to Central Asian markets.
- ➡ In addition, transit trade - goods travelling through both countries to and from other nations - can generate income through the expanded use of transport logistics services in Afghanistan, a landlocked country, and from greater use of ports in Pakistan. **Although Afghanistan is a landlocked country, its geographic position gives it a potentially large role as a gateway for trade to the Central Asian interior.**
- ➡ In Pakistan, it is above all the terminal in Karachi, as well as Pakistan's importers and exporters, that can benefit from economies of scale that additional traffic from and towards Afghanistan can generate.
- ➡ In the long term, the economies of scale of higher trade volumes help to reduce transaction costs for all traders. Lower transaction costs then help to further expand international trade - "**virtuous circle**".

BENEFITS FOR INDIA

India has been eying on getting transit facility through Pakistan to Afghanistan and beyond since long. The emergence of newly independent Central Asian Republics (CARs) in 1991 coupled with a rapid growth of the Indian economy has actually intensified the Indian desire to get land access to the energy rich CARs. The relatively cheap imports of oil and gas from CARs are likely to boost the competitiveness of the Indian goods vis-a-vis its regional competitors including Pakistan.

The huge construction market in Afghanistan, on the other hand, offers immediate opportunities to India for enhancing its share in goods and services exports in the region.

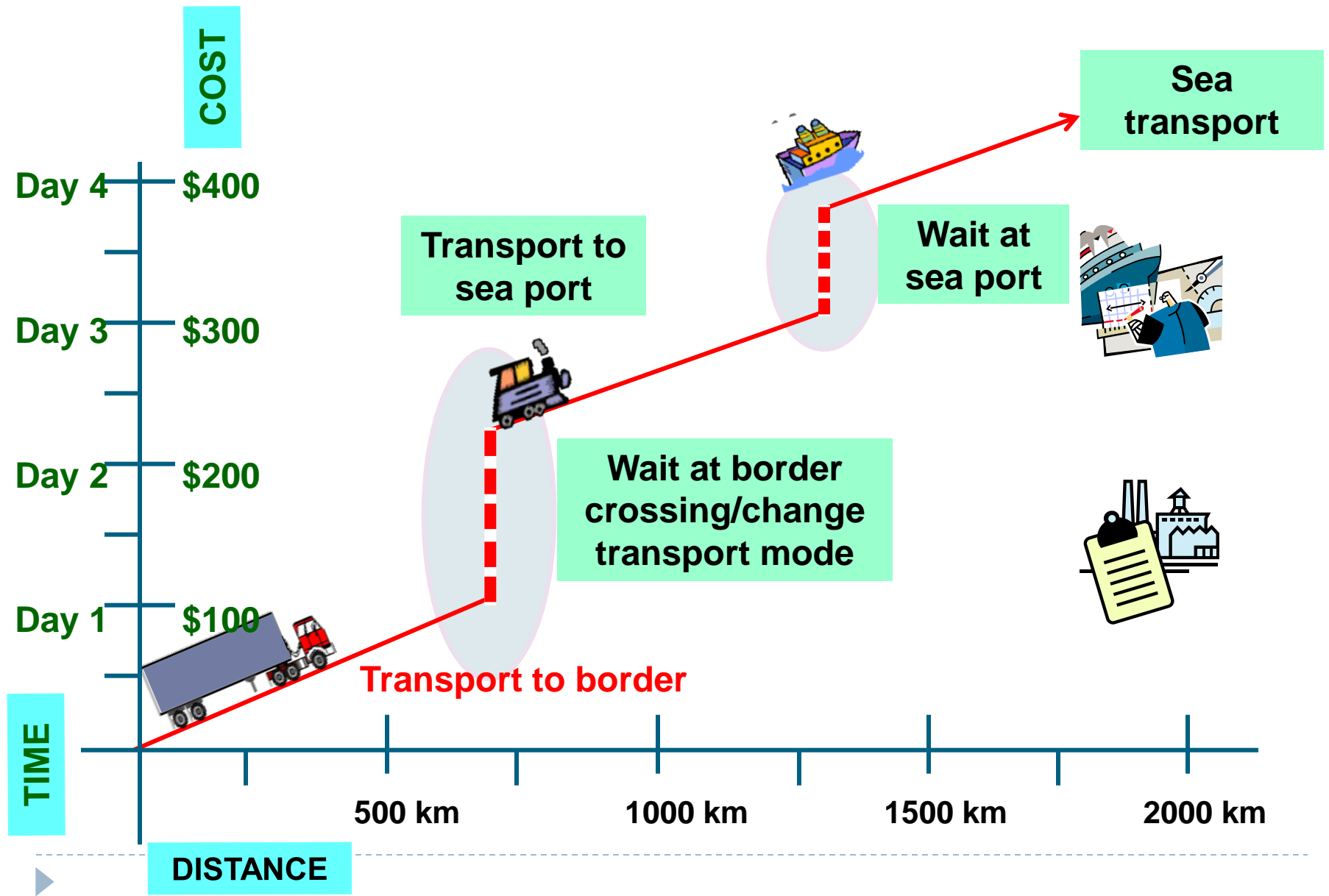
Pakistan has consistently been averse to the idea of granting transit facility to India through land primarily due to security reasons. India, for its part, has been vying for the transit facility through different channels, lately, through the US which has considerable presence in the region. In fact the move to revise the ATTA has been reportedly instigated by the US.

TRADING ACROSS BORDER (UNESCAP, 2010)

Countries	EXPORT			IMPORT		
	Documents	Time (Days)	Cost (USD)	Documents	Time (Days)	Cost (USD)
Afghanistan	10	74	\$3,545	10	77	\$3,830
Azerbaijan	8	38	\$2,905	10	42	\$3,405
China	8	21	\$500	5	24	\$545
Kazakhstan	9	76	\$3,130	12	62	\$3,290
Kyrgyz Rep.	8	63	\$3,210	9	72	\$3,450
Mongolia	8	46	\$2,265	8	47	\$2,400
Pakistan	7	21	\$660	8	18	\$705
Tajikistan	11	82	\$3,850	9	83	\$4,550
Uzbekistan	10	71	\$3,150	11	92	\$4,650



TIME/COST – DISTANCE ANALYSIS (UNESCAP, 2010)



MAJOR ISSUES INVOLVED IN TRANSIT TRADE

- ➡ Indian exports (exports from India meant for Afghanistan through Wagha border will **not be allowed** by Pakistan under any situation unless and until India provide reciprocal facilities to Pakistan for trade with Nepal and Bhutan)
- ➡ Afghan exports (Afghan exports to India through the Wagha border will **be allowed** by Pakistan)
- ➡ Smuggling (effective measures)
- ➡ Air transport (Pakistan will facilitate the air transit of goods under the agreement)
- ➡ Pakistan railways (Pak rail to for the transit cargo)
- ➡ Use of containers (containerization of the cargo will be ensures and sealed container will be acceptable)



CONCLUDING OBSERVATIONS:

- ➡ This agreement will not only enhance the bilateral trade and economic relations between Afghanistan and Pakistan but also enhance with South Asia and Central Asia. Afghanistan is a landlocked country, its geographic position gives it a potentially large role as a **gateway** for trade to the Central Asian interior.
- ➡ This agreement will reduce the smuggling (informal trade) and misuse of transit trade through the tracking devices installed on trucks to monitor their locations.
- ➡ For **Afghanistan**, among the main benefits is improved access to overseas markets through Pakistan's ports (Karachi, Qasim, and Gwadar) and for **Pakistan**, it is particularly important to obtain better access to Central Asian markets. The access to the Central Asian republics will increase the volume of exports to these countries by US\$ 1 billion.
- ➡ To ensure the effectiveness and proper implementation of the APTTA, Afghanistan-Pakistan Transit Trade Coordination Authority (APTTCA) should work efficiently to ensure the mediation and solution of any possible conflicts between stakeholders of Afghanistan and Pakistan through Arbitration tribunals.

CONCLUDING OBSERVATIONS

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-2010 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.





THANKS FOR YOUR PATIENCE