Article

Afghanistan's Dependence on Pakistan: Trade, Transit and the Cost of Being Landlocked

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Abstract

The transit trade problems of Afghanistan are typical to any other landlocked country. As a landlocked country, Afghanistan has mainly relied on Pakistan for its international trade. However, the transit trade of Afghanistan has remained unstable akin to escalated political relations between the two countries. Given economic importance of access to sea, the landlocked countries continued to raise their voice at the United Nations. Afghanistan was at the forefront along with Bolivia, and Czechoslovakia to find solution to challenges faced by landlocked states due to their disadvantaged geographic position. The struggles at the UN resulted in international laws and conventions which ensured that the landlocked states have free access to sea and their disadvantaged geographic position is not exploited by neighboring counties. The international laws and conventions laid legal framework for transit trade agreements between Afghanistan and Pakistan. However, despite the international laws, conventions and bilateral agreements, the transit trade of Afghanistan through Pakistan continues to face challenges till date. These challenges have had implications for both transit trade and trade between the two countries.

JEL Classification: *F11, F19, O11*

Key words: Transit Trade, Landlocked, Afghanistan and Pakistan.

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Introduction

Geographic location plays a significant role in for trade and transit of a country. The distance for transportation of goods is an important factor when it comes to transportation of goods (Moneta, 1959). The recent evidence also suggests that geographic location of a country has implications for trade costs (Hummels, 1998). As such, the disadvantaged geographic position poses a major challenge for landlocked countries and has implications for economic growth and development. For example, the average Gross Domestic Product (GDP) per capita in a landlocked state is approximately 57 percent less than the neighboring maritime state (Faye et al. 2004). As a group, the land-locked developing countries are among the poorest countries in the world as revealed by economic indicators. The GDP per capita in eighteen landlocked developing countries was calculated to be less than $1000.

In this context, transportation cost increases significantly if a country is landlocked which implies the degree of dependence of a landlocked country on its coastal neighbor (Venables, 2001). This fact implies landlocked countries are hostages to their coastal neighbors. Moreover, being landlocked with bad neighbors as one of the four key reasons why countries with a combined population of one billion are stranded at the bottom of poverty (Collier, 2007). The case of Afghanistan is not much different when it comes to challenges faced by a landlocked country. It is one of the 31 landlocked developing countries (LLDC) worldwide and one of the ten in South Asia along with Mongolia, Nepal, Lao People's Democratic Republic, Bhutan, Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, and Uzbekistan. It shares border with the latter three Central Asian Republics (CAR's), China, Pakistan and Iran. Afghanistan and the Central Asian countries all face common challenges related to their landlocked geographic position. The region is far from major economic centers, and has relatively small populations and market sizes, underdeveloped infrastructure and political and security challenges that pose risks for human development (Mogilevskii, 2012).

As a landlocked country, Afghanistan has mainly relied on Pakistan for transit trade with rest of the world. The two countries are separated by Durand Line, a demarcation imposed by the British India on Afghanistan in 1893 and never accepted by any Afghan government as an international border. The areas on Pakistani side of Durand Line include Khyber Pakhtunkhwa (previously known as NWFP), Federally Administrated Tribal Areas (FATA), and Baluchistan. On Afghanistan's side, nine provinces including Badakhshan, Nuristan, Kunar, Nangarhar, Paktia, Khost, Paktika, Zabul and Kandahar are located.

The transit trade relations of two countries are established in the light of bilateral and international frameworks. However, history reveals that in spite of international conventions, laws and bilateral transit trade agreements which insist on freedom of transit, the country has remained deprived of smooth, reliable and efficient transit trade via Pakistan. The capricious bilateral economic relations have led to challenges which have implications for bilateral trade and transit.

To summarize, the paper makes three major contributions. First, it provides a historical account of Afghanistan- Pakistan transit trade regime in global as well as bilateral perspective. Secondly, it provides an analysis of recent bilateral trade and transit volume. Finally, it analyses underlying major transit trade challenges that Afghanistan is facing as a landlocked country.

2. Afghanistan Pakistan Transit Trade Trajectory

The political relations of Afghanistan and Pakistan have remained tense historically. The fact that, as a landlocked country, Afghanistan has remained dependent on Pakistan for its transit trade, the escalated political ties have affected the trade relations ever since the latter came into existence in 1947. Therefore, whenever political relations became tense, it would usually disrupt the transit trade since early years. For instance, the incidents of border closure and/ or transit trade disruptions took place in 1947, 1951, 1955, and 1961- 1963. The disruption of 1950-51 pushed Afghanistan to look for alternative route. As such, the next option was Iran that Afghanistan had been evaluating as alternative. However, the transportation infrastructure of eastern Iran was extremely poor and could not fulfil Afghanistan's needs. Hence, the situation led Afghanistan to a full fledge economic blockade. In these circumstances, the Union of Soviet Socialist Republics (USSR) came for the rescue and provided Afghanistan free transit via its Central Asian territory. While Russia's support pushed Pakistan to thaw its transit trade restrictions, both routes posed problems in terms of cost, time and predictability.

The access to sea is a critical factor for economic growth of a country. As such, the aforementioned transit trade problems via Pakistan were paralyzing Afghan economy in 1950s. On the other hand, Article 55 of the UN Charter promotes economic progress and finding solutions to international economic problems. This is the reason why Afghanistan was at the forefront to raise the problems of land-locked countries at the United Nations. In fact, it was the alliance of Afghanistan, Bolivia, and Czechoslovakia that created a strong agenda and put intense pressure on the UN General Assembly to recommend to Conference of Plenipotentiaries to conduct a study on the problems of free access to the sea for landlocked countries.

In order to find a concrete solution to the problem, Geneva Conference of 1958 established the Fifth Committee in which the delegates Jaroslav Zourek from Czechoslovakia, Guevara Arze from Bolivia and Abdul Hakim Tabibi from Afghanistan were elected as the Chairman, vice- Chairman and Rapporteur respectively. The committee was asked to examine the regime of free access to the sea and to draft a convention that could be a part of a general codification of rules relating to the regime of the sea. Pakistan had remained in strong opposition to the right of freedom of LLS to access sea. In a conference in 1950s, Pakistan delegate had declared that a state had no obligation at all to grant to others privilege of transit upon its territory. Therefore, it was natural to anticipate stiff debate on the issue with Afghanistan, its only landlocked neighbor, at the Fifth Committee. In the Fifth Committee meeting, the delegate of Pakistan, Mr. Bhutto maintained his country's stance and referred to freedom of access to sea as contentious and nebulous right while referring to the demand of landlocked countries as paradoxical and tragic. He insisted that the relations between landlocked countries and transit states were satisfactorily regulated by bilateral and multilateral treaties as the obligations devolving from those treaties constituted the safest guarantee.

The proceedings of the committee were taking place in a situation when Afghanistan was facing severe transit barriers posed by Pakistan. In response to Mr. Bhatto's arguments, Afghan delegate Mr. Abdul Hakim Tabibi presented the account of appalling persecution Afghanistan was facing due to unfair transit regime of Pakistan. He pointed out that Bhutto's views were in contradiction with promises made by Pakistani government. He added that after the independence of India and Pakistan in 1947, the transit treaty concluded with United Kingdom about forty years back had lapsed (as on that day). However, Afghanistan had been unable to persuade Pakistan that the treaty should be replaced by another instrument regulating the question of transit. He added that on the initiative of Afghanistan, the Economic Commission for Asia and the Far East (ECAFE) had adopted a resolution recommending that every transit facility be accorded to landlocked countries. However, that recommendation had not brought any improvement in Afghanistan's difficult position. In 1955, Pakistan had subjected Afghanistan to a blockade which had paralyzed Afghanistan's economic life and caused great hardship to its population.

The struggles of landlocked states at the UN lead to the landmark breakthrough in the form of "The 1965 UN Convention on

Transit Trade of landlocked Countries" that addressed the problems of landlocked states. This was the first multilateral agreement that dealt exclusively in a single instrument with the specific problems of transit trade. Makil (1970) termed the convention as the first international agreement to recognize the special disadvantaged position of landlocked states. As a contributor to New York Convention, Abdul Hakim Tabibi of Afghanistan termed it as the legal recognition of rights of landlocked states at universal level and presented a victory that they had searched for during forty years. He further added that the New York Convention created not only an atmosphere of cooperation between landlocked states and their transit neighbors but also stimulated the foreign trade of landlocked states, the majority of which were situated in Africa and Asia.

The Article V of the General Agreement on Tariffs and Trade (1947) and the New York Convention on Transit Trade of Landlocked Countries (1965) served as a framework under which Pakistan needed to provide transit facility to Afghanistan. The two countries have entered into following two agreements to maintain transit trade relations:

- Afghan Transit Trade Agreement (ATTA)
- Afghanistan Pakistan Transit Trade Agreement (APTTA)

3. Afghan Transit Trade Agreement (ATTA)

In the absence of a conspicuous and comprehensive agreement, Afghanistan and Pakistan had agreed on different arrangements under which Afghanistan was using Pakistan's territory as a transit state. As a consequence of international conventions and agreements, both countries codified and regulated the prevailing arrangements and provisions under bilateral treaty Afghan Transit Trade Agreement (ATTA) which became effective on March 2, 1965.

As per ATTA, Afghanistan could use Karachi Prot and Port Qasim as entry while Torkham and Chaman as exit border points. The trade routes with land crossing points within Pakistan and

Afghanistan were left unspecified. Further, the agreement did not allow Afghan Trucks in Pakistan and the transportation was initially managed by Pakistan Railways or later the National Logistic Cell (NLC).

3.1 Afghanistan- Pakistan Transit Trade Agreement (APTTA)

The dissolution of Union of Soviet Socialist Republics (USSR) in 1991 marked the liberation of Central Asian Republics (CAR). Afghanistan became a major gateway for the new landlocked set of countries to connect with rest of the world. This change in the region prompted Pakistan to reach CAR and establish trade linkages via Afghanistan. In order to pursue this goal, it established Afghan Trade and Development Cell (ATDC) in 1995. However, instability in Afghanistan faded such ambitions.

The onset of Afghanistan's new regime in the aftermath of 9/11 debacle changed the regional dynamics with implications for regional trade and transit. The new context of the region offered Pakistan another opportunity to revive its ambition to reach CAR. On the other hand, the reconstruction efforts in Afghanistan with support from international community meant heavy imports and potential increase in Afghanistan's exports. Further, it opened gates for CARs to connect with regional and global markets through increased regional integration. Therefore, both Afghanistan and Pakistan needed to renegotiate the existing Afghan Transit Trade Agreement.

The negotiations between the Afghanistan and Pakistan started in 2008. The draft text of new treaty was prepared by World Bank consultants based on World Customs Organization's (WCO) Revised Kyoto Convention (RKC) and presented by Afghan delegation to Pakistan. In May 2009, the Foreign Ministers of Afghanistan and Pakistan signed a Memorandum of Understanding (MoU) and agreed to conclude the new version of agreement by December 31, 2009. Finally, the agreement was signed by Commerce Ministers of two countries on October 28, 2010 in Kabul and became effective on June 12, 2011.

The fifty-eight articles, two annexures, and four protocols of the new treaty make it more detailed and contain provisions for transit and trade for both countries as per their respective contemporary priorities. It covered major trade and transit related issues of both countries.

Under APTTA, Afghanistan gained access to three entry points Port Qasim, Karachi Port as well as Gawadar Port while the two countries agreed in principle about a third border crossing point i.e. Gulam Khan along with previously agreed Torkham and Chaman borders. The agreement provides Afghanistan access to China via Sost on China- Pakistan border. Moreover, Afghanistan's export to India via Waga was finalized while Indian exports to Afghanistan were not allowed at the time of signing agreement. The trade road routes for trade through Pakistan to Afghanistan and through Afghanistan to Central Asia for Pakistan were specified. In the same way, Afghan trucks were allowed to carry Afghan exports to Pakistani seaports and Wagah.

The agreement provides Pakistan access to all neighboring countries of Afghanistan as per the entry/ exit points below:

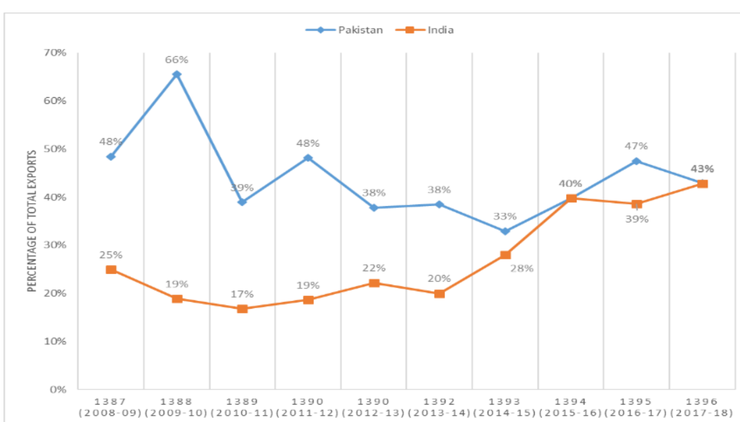
- Iran via Islam Qila and Zaranj border
- Uzbekistan via Hairatan
- Tajikistan via Ali Khanum, Sher Khan Bandar
- Turkmenistan via Aqina and Torghundi

4. Afghanistan- Pakistan Trade Analysis

The trade between Afghanistan and Pakistan has witnessed remarkable growth since the onset of new regime in Afghanistan. The bilateral trade during Taliban regime amounted only $25 million dollars. However, bilateral trade stood at $170 million in 2001 and reached 2.5 billion in around a decade time period.

Pakistan has remained a top export destination for Afghan products, mainly agriculture products, including fresh and dry fruits. Afghanistan's exports to Pakistan which stood at $30 million had reached 172 million in until 2010-11. With some exceptions in between, the overall trend has been upward from that point onwards. In last five years, Afghanistan's exports to Pakistan have increased from $198 to $357 million. As such, the exports to Pakistan in terms of value have remained the highest until 2017-18. However, the share of Pakistan in total exports of Afghanistan tells a different story. Pakistan's share in Afghanistan's total exports peaked to 66% in 2009-10. However, since then, it has depicted an overall downward trend. On the other hand, India's share has witnessed an upward trend. India's share which used to be only 25% in 2008-09, has reached to 43% in 2017-18, equal to that of Pakistan.

Figure 1: Share in Afghanistan's Total Exports



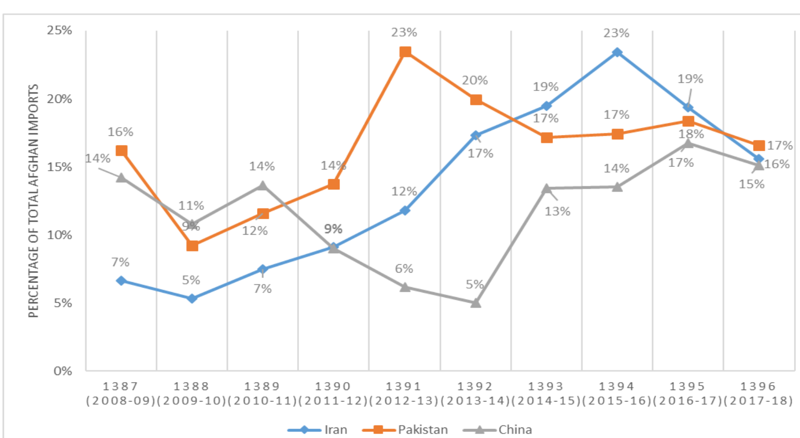
Source: Afghanistan National Statistics and Information Authority

The imports have followed trajectory of exports to Pakistan. The exports to Afghanistan have witnessed remarkable increase from $140 million to $2.3 billion in 2010-11. In the following years, the exports remained above $2 billion in 2011-12 and 2012- 13. However, it witnessed a downward trend dropping to $1.43 billion 2015-16.

The decline is partly due to overall drop in aggregate demand following withdrawal of international troops and slump in international assistance. However, increase in waiting time for clearances, abrupt and frequent border closures, did play a significant role in decrease of bilateral trade in addition to turbulent political ties between the two countries. In 2017, Pakistan increased tariffs by three fold on 120 types of Afghan goods, mainly agriculture products. As a result, the bilateral trade between the two countries was affected negatively.

In 2017-18, Pakistan stood among top three import countries for Afghanistan along with Iran and China. However it has been facing stiff competition from china while losing the share to Iran. In 2008-09, Iran held only 7% of total exports to Afghanistan against 16% of Pakistan. However, it has been converging fast and reached 16% compared to 17% of Pakistan in 2017-18. An important concern that Pakistani businessmen have is about India's increasing market share in exports to Afghanistan. India's share in total imports of Afghanistan's has remained low. However, it has managed to increase its exports to Afghanistan from $106 million in 2008-09 to $259 million in 2017-18.

Figure 2: Share in Afghanistan's Total Imports



Source of Data: *Afghanistan National Statistics and Information Authority*

5. Afghanistan- Pakistan Transit Trade Analysis

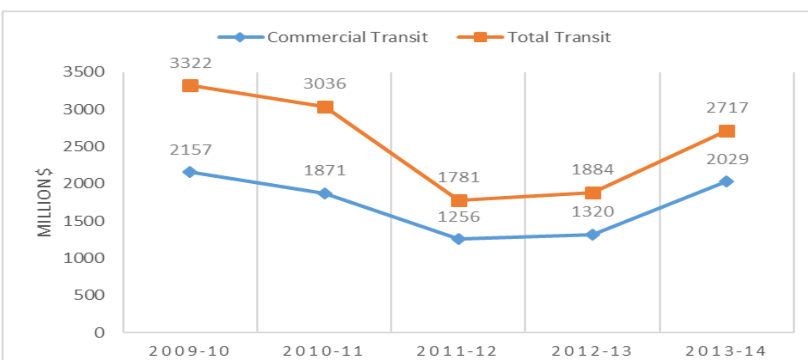
The transit goods are transported through the agreed trade routes under APTTA. These goods then reach major cities of

Afghanistan through agreed entry and exit points along the Durand Line. The approximate distance and travel time between Pakistani port city of Karachi and major cities of Afghanistan are as below:

Karachi to Kandahar:	913 km	(3-4 Days)
Karachi to Mazar e Sharif:	2500 km	(12-14 Days)
Karachi to Jalalabad:	1640 km	(04-06 Days)
Karachi to Kabul:	1843 km	(08-10 Days)

The transit trade through Pakistan can be classified into commercial and non- commercial i.e. supply to Embassies, NGOS, UN, Govt. of Afghanistan. An analysis of transit trade reveals that total transit trade through Pakistan between the period 2009-10 and 20013-14 had declined with lowest point being 2011-12 when the amount dropped to $1781 million slightly improving the following year. The commercial transit trade has followed similar trajectory.

Figure 3: Afghanistan's Transit Trade via Pakistan



Source Federal Board of Revenue, Government of Pakistan (https://www.fbr.gov.pk/)

The transit trade via Pakistan has remained turbulent in the recent times as it had remained few decades back. Afghan traders have had serious concerns and complains about prevention of their trucks into Pakistan and increment of customs tariffs without prior notification. These obstacles have perturbed Pakistani business community as well as they also bear the ramifications of interrupted trade. Therefore, Afghan traders had to switch to Iran as an alternative avenue. As a result, the transit trade via Pakistan that stood at 60% percent in 2008-09 dropped to less than 30% in 2016. On the other hand, transit via Iran increased from 15-20 to 37-40 percent during the same period.

5.1 Afghanistan's Transit Trade Challenges

The transit trade relations between the two countries have remained capricious akin to political relations ever since 1947. The agreements signed between the two countries spelled the rules of the game. However, the implementation has remained a big challenge. This section outlines the key challenges that Afghanistan is facing.

Closure of Main Crossing Points

APTTA allows transit trade via Chaman- Spin Boldak and Torkham as major and regular crossing points. Every day, hundreds of trucks cross these points to carry import and export goods of Afghanistan. Perishable fresh fruits and vegetables shape significant portion of Afghanistan's exports. Therefore, it is very important for the trade route to be smooth, reliable and time efficient.

In this context, sudden and prolonged closure of crossing points harmers the Afghan economy. The evidence reveals that such closures take place when it is peak export time for Afghan fresh vegetables and fruits export. As such, year 2016 was one of the toughest ones for Afghan farmers and exporters in terms of frequency of closures. Only Torkham crossing point was closed four times during the year. The Chaman- Spin Boldak crossing point was closed for fourteen days when the grapes in Southern region were ripe and ready to be exported causing an estimated average daily loss of AFN 12 million in August, 2016. The closure severely affected the exports. In 2015, around 52,000 tons of pomegranates were exported to Pakistan, the UAE and India. However, due to frequent closures in 2016 the exports dropped to 15,000 tons, a small fraction of the total production. In the same way, other fruit exports also suffered. A similar situation was witnessed during harvest time in 2015.

The livelihood of farmers in the rural communities greatly relies on the output and sale of their agriculture produce. In case the major source of income becomes unreliable, they have to look for alternative options. The losses as a consequence of restrictions on trade prompt farmers to return to illicit business like poppy cultivation.

In February 2017, all the crossing points were closed after a terrorist attack in Pakistan. The border remained closed for more than a month and lead to humanitarian crises for people as thousands of Afghans remained stuck on both sides of the Durand Line. The import and export remained suspended during the mentioned period. An estimated 1000 trucks remained stranded in Torkham, another 1000 in Spin Boldak on Pakistan side of Durand Line and 1200 more trucks transporting goods from Pakistan to Afghanistan were stranded elsewhere in Pakistan. On the other hand, 300 trucks remained stranded on Afghan side waiting for the gates to open.

The closure of border extended heavy losses to both Afghan and Pakistani traders. However, traders and ordinary people from landlocked Afghanistan bore the ramifications in the form of financial losses, and surge in prices.

Once the crossing point is closed, it takes weeks to re- open. The stalemate continues even after requests are made at the prominent regional platforms to open the closed crossing points. Afghan officials believe that Pakistan uses security issues as pretext to sabotage exports. On the other hand, Pakistani analysist and official also believe such interruptions are merely political moves. Therefore, business should be separated from politics. However, concrete steps in response to concerns and recommendations of business community still remain a far cry.

Barriers to Trade with India

India and Afghanistan share strong political and economic relations. At the moment, Afghanistan can trade with India via

Pakistan under APPTA. However, the arrangements and transportation mechanism ruin the efficiency and as such potential economic gains. The Afghan trucks are allowed only up to Waga, to reach border town of Attari, which is less than a kilometer away from Waga. The goods, mostly fresh fruits, dry fruits, vegetables and herbs are then carried through carts, to Attari and then loaded on again, which causes spoilage as well as loss of time. On the other hand, they Afghan trucks have to return empty and cannot load Indian goods to be supplied to Afghanistan. Therefore, Afghan trucks have to charge for return journey as well which significantly increases transportation costs.

Alternatively, the Afghan trucks could easily offload the goods in Delhi and carry Indian goods on return. Further, if Afghan Trucks could deliver Indian goods to Central Asia this would make trucking for Afghanistan viable and cost effective.

In the recent years, both India and Afghanistan have attempted to convince Pakistan to allow transit facility to India and allow Afghan trucks to reach Delhi. On the other hand, Afghanistan has showed its intention to provide Pakistan smooth transit route to Central Asian Republics. This would not only benefit the three nations but significantly contribute towards increased regional trade. The formal requests were made in at important regional platforms including the Heart of Asia Conference as well as the Joint Economic Commission (JEC). However, Pakistan declined the requests.

Given the fact that Afghanistan needs overland access to New Delhi via Pakistan while Pakistan needs access to Central Asia via Afghanistan, it is rational that both countries cooperate and accommodate requests of each other. However, Pakistan wants access to Central Asia while declining Afghanistan's request. Therefore, Afghanistan made access to Central Asia conditional upon provision of access to new Delhi and refused to provide any access unless its request was met. As such, Afghanistan- India overland continues to suffer as the stalemate in relations continues.

Inefficient Risk Management System

The Standard 6.3 of the Revised Kyoto Convention (RKC) and the corresponding Guidelines define risk management as the systematic application of management procedures and practices which provide Customs with the necessary information to address movements or consignments that present a risk. Under One-Customs System of Pakistan, only 2% of consignments need to be randomly selected for inspection while the inspection of further 3% is at the discretion of senior customs officials as part of risk management mechanism. Under paragraph No. 4, Article 21 of APTTA up to 5% of containers arriving at port of entry will be subject to examination under the risk management system. No further inspection is allowed en route unless irregularity is suspected as provided in the Revised Kyoto Convention, 1999.

However, the practice is that authorities examine 5% of consignments while the additional examination is at the discretion of senior Customs officials even for the low risk commercial consignments. Apart from this, additional checks are conducted by the law enforcements agencies of Pakistan. The inefficient risk management mechanism causes delays, increases the transaction costs as well as creates enabling environment for corruption. The transporters have to go through double verification of 40% physical examination as against 5% risk based examination agreed in APTTA in addition to conducting scanning of cargo. In such a scenario, the Afghan transporters typically have to pay bribes to officials to speed up the process.

Unfair Demurrage Charges and Extortion Fees

The loading and unloading of containers and the system for clearance of documentation at the Customs at Pakistani ports cause unnecessary delays which have cost implications in the form of demurrage charges for Afghan traders. On the other hand, Afghan traders do not have to go through these troubles while transiting via Iran.

There is a specific time period i.e. 12 days within which the trader has to receive the container from the firm which has sold the goods. After the mentioned number of days, the company charges the trader $60 per day. These charges then increase to $80 per day and the fine increases after every 20 days. On the other hand, Pakistani government charges $20 per day for each 40" container after 12 days, which is doubled after every 20 days. This not only increases time and cost but also has impact on the prices of goods imported to Afghanistan.

The story of unfair charges does not end here. The Frontier Constabulary (FC) and Levies force collect extortion fees at each self-made unofficial check points. These fees are often around Rs. 40,000 per truck until they finally cross the border.

Security Overkill

Pakistani officials have had concerns over the illegal or unauthorized trade. First, the transit goods meant for Afghanistan are diverted to Pakistan for sale/ consumption. Secondly, due to the long and porous area along Durand Line, the goods are brought back to Pakistan after they enter Afghanistan. This, according to officials, has been affecting Pakistan's revenue stream. Therefore, they have kept a very strict security system to control the unauthorized trade.

They have placed three security layers under APTTA:

- Insurance Guarantees
- Bonded Carriers
- Tracking devices

In practice these are too tight measures to tackle the underlying problem. Insurance guarantees, needed as customs security, equal to the leviable duties and taxes are required to release the goods. The rule No. 619 of Afghanistan- Pakistan Transit Trade Rules requires the Afghan importer of goods to furnish Customs Security in the form of an insurance guarantee valid for at least one year and cashable in Pakistan. For transport units that are registered in Afghanistan, a bank guarantee or revolving bank guarantee equal to ten percent of the amount of duty needs to be lodged and in case a transport operator desires to operate less than four transport units, there is a requirement for a bank guarantee amounting to one hundred percent of the amount of duties involved.

The Afghan traders are seriously suffering due to strict insurance guarantee requirement, which is equal to leviable taxes with additional premium charges of 0.5 to 0.7 percent of the insurance company. Further, a large number of insurance guarantees are not released even after the goods cross Samarkhhel (for Torkham Crossing Point) and Spin- Boldak (for Chaman Crossing Point) of Afghanistan and reached their destinations. The long delays in release of insurance guarantees significantly increase the transactions costs for Afghan traders.

The second issue is that the goods have to be carried only through the bonded carriers under APTTA. The requirement has increased the transportation costs in the range of Rs. 50,000 to 80,000 from Karachi to Jalalabad. Moreover, the Pakistani trucks which have been authorized to carry Afghan transit goods from Pakistani ports do not comply with technical requirements of vehicles in terms of engine capacity given the mountainous road networks of Afghanistan. Finally, as there is absence of clarity on cost of clearance, fees and other charges in the process, it is hard for a transporter to estimate the reasonable total transit cost.

The third issue is that tracking devices must be installed in the vehicles. According to Rule 328 of Pakistan Custom’s law, in case of transshipment, the bonded carriers will be allowed to use only such vehicles/ trailer units which have a permanently installed tracking device from a reputable company. In the presence of the lengthy documentation process for goods in transit and insurance guarantees, the requirement for electronic devices complicates the process as well as further increase the cost as the cost. Hence, adding to problems of Afghan traders.

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