Resolving the “Af-Pak Transit Trade Agreement”

What is the issue?

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- Afghanistan-Pakistan Transit Trade Agreement (APTTA) is a bilateral trade agreement that was signed in 2010 between Pakistan and Afghanistan.
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- While this is currently under contention, Indian efforts could greatly influence the narrative about the agreement.
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What were the contours of the Af-Pak trade ties?

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- “Afghanistan Transit Trade Agreement” was signed in 1965, which granted Afghanistan the right to import duty-free goods through Pakistani seaports.
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- Notably, this did not offer Pakistan reciprocal rights to export goods to the then “Soviet Union or Central Asian Republics (after the fall of the USSR)”.
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- In 2010, for greater regional connectivity between South Asia, Central Asia and the Middle East APTTA became a reality.
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- While APTTA was believed to be key to jumpstart the Afghan economy, it has rather proved to be an unfavourable agreement.
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What are the problems with APTTA?

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- Pakistan has lately closed its borders with Afghanistan multiple times, where it has used blockades for arm-twisting political circles in Afghanistan.
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- This usually causes priced to spiral in Afghan markets as costlier or smuggled imports are what satiates demand.
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- The primary grievance that Afghanistan has with the current APTTA is that it does not allow for bilateral trade with India.
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- Afghan goods can unload at Wagah for Indian destinations, but cannot take Indian goods back to Afghanistan.
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- This is because Pakistan contends that this would fuel a black market of Indian goods in Pakistan through back channels.
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What has been the counter measures taken?

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- **Crackdown -** Afghan's government has been threatening to cut-off Pakistan's transit route to Central Asia if Afghan is restricted to buy from India at Wagah.
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- In October 2017, in an aggressive move that visibly surprised Pakistan, president Ghani banned Pakistani trucks from entering Afghanistan.
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- Hence, Pakistani trucks will now have to offload their goods at the Af-Pak border, which is carried further by Afghani trucks.
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- **Diversification -** Afghan has gone ahead with signing transit agreements with Tajikistan, Uzbekistan and Turkmenistan.
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- Pakistan's exports to Afghanistan dropped by over 27% over the past one year and India has currently become Afghan's chief importer.
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- Afghan's trade with Iran has also grown by 25%, while the Pakistan's bilateral trade has come down from $3 billion in 2011 to about $1 billion n 2o17.
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- Afghan also became a WTO member and spelt out its vision to integrate into the global economy based on 'non-discriminatory' and 'rules-based' order.
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How does the future look?

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- APTTA is surely tilting the power balance, though the likelihood of India replacing Pakistan’s primacy for Afghanistan is constrained by geography.
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- Afghanistan might soon be pulling the strings unilaterally in transit allowances due to Pakistan’s need to access central Asian resources in future.
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- The shortest and most commercially feasible way is through Afghanistan, and a transit agreement on more mutually agreeable terms is hence crucial.
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Source: Business Line

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