

Resolving the “Af-Pak Transit Trade Agreement”

What is the issue?

\n\n

\n

- Afghanistan-Pakistan Transit Trade Agreement (APTTA) is a bilateral trade agreement that was signed in 2010 between Pakistan and Afghanistan.

\n

- While this is currently under contention, Indian efforts could greatly influence the narrative about the agreement.

\n

\n\n

What were the contours of the Af-Pak trade ties?

\n\n

\n

- “Afghanistan Transit Trade Agreement” was signed in 1965, which granted Afghanistan the right to import duty-free goods through Pakistani seaports.

\n

- 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)”.

\n

- In 2010, for greater regional connectivity between South Asia, Central Asia and the Middle East APTTA became a reality.

\n

- While APTTA was believed to be key to jumpstart the Afghan economy, it has rather proved to be an unfavourable agreement.

\n

\n\n

What are the problems with APTTA?

\n\n

\n

- Pakistan has lately closed its borders with Afghanistan multiple times, where it has used blockades for arm-twisting political circles in Afghanistan.

\n

- This usually causes prices to spiral in Afghan markets as costlier or smuggled imports are what satiate demand.
\n
- The primary grievance that Afghanistan has with the current APTTA is that it does not allow for bilateral trade with India.
\n
- Afghan goods can unload at Wagah for Indian destinations, but cannot take Indian goods back to Afghanistan.
\n
- This is because Pakistan contends that this would fuel a black market of Indian goods in Pakistan through back channels.
\n

\n\n

What has been the counter measures taken?

\n\n

- **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.
\n
- In October 2017, in an aggressive move that visibly surprised Pakistan, president Ghani banned Pakistani trucks from entering Afghanistan.
\n
- Hence, Pakistani trucks will now have to offload their goods at the Af-Pak border, which is carried further by Afghani trucks.
\n
- **Diversification** - Afghan has gone ahead with signing transit agreements with Tajikistan, Uzbekistan and Turkmenistan.
\n
- Pakistan's exports to Afghanistan dropped by over 27% over the past one year and India has currently become Afghan's chief importer.
\n
- 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 in 2017.
\n
- 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.
\n

\n\n

How does the future look?

\n\n

\n

- APTTA is surely tilting the power balance, though the likelihood of India replacing Pakistan's primacy for Afghanistan is constrained by geography.

\n

- Afghanistan might soon be pulling the strings unilaterally in transit allowances due to Pakistan's need to access central Asian resources in future.

\n

- The shortest and most commercially feasible way is through Afghanistan, and a transit agreement on more mutually agreeable terms is hence crucial.

\n

\n\n

\n\n

Source: Business Line

\n

