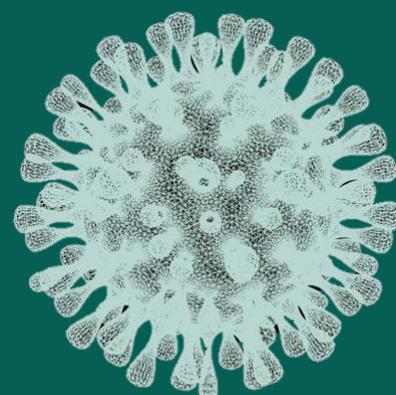




# Pakistan's Disruption of Afghan Transit Trade during COVID-19 Pandemic

Analysis, Lessons Learned & Recommendations

Shoaib A. Rahim



## About Tarzi Research Foundation

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## About the Author

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## Executive Summary

The arrival of the COVID-19 pandemic was an unprecedented event, and not many governments knew how to respond. The implementation of lockdown and social distancing was considered as an immediate and the only available response. The decision not only affected the economic activities nationally but also disrupted the international supply chains. This, unarguably, had severe economic repercussions for all the countries, but the intensity was even more for vulnerable and least developed landlocked countries.

Afghanistan also bore the brunt of the economic repercussions of the pandemic as lockdowns and supply chain disruption transpired into an economic debacle. The trade balance of the country with imports of more than seven billion dollars and exports of less than one billion dollars reveals the dependence of the landlocked economy on the uninterrupted and smooth transit trade. Moreover, the country is mainly dependent on its neighboring country Pakistan for transit trade as around 90,000 to 100,000 transit containers pass through it annually, mainly via Torkham and Chaman-Spin Boldak crossing points. As such, the disruption of transit trade meant almost the collapse of the Afghan economy.

The arrival of pandemic and the decision of Pakistan to close border crossing points for its neighbors had the biggest impact on Afghanistan, its only landlocked neighbor. The country announced the closure of the Chaman-Spin Boldak Crossing point in early March, and that of all other crossing points in mid-March left thousands of Afghanistan-bound containers stranded at the port, en route, and at the crossing points. The government of Pakistan promised to help Afghanistan in terms of trade facilitation during the hard times. In mid-March, Pakistan's Prime Minister Imran Khan announced re-opening the Chaman-Spin Boldak crossing point, and assurance to support Afghanistan through smooth transit services during the global pandemic extended a sigh of relief. However, this relief did not last long as it took weeks before the crossing points were opened and months before the transit trade normalized.

This paper aims to provide an overview of the disruption of transit trade due to the pandemic. Further, it analyses the approaches and decisions of the government of Pakistan, the port authorities, and other relevant entities, including suppliers of bonded carriers and tracking devices. It also analyses the diplomatic efforts made by governments of both countries to address the underlying crisis. Most importantly, the research aims to estimate the extent of losses that the Afghan traders had to bear due to extensive delays. To achieve these objectives, primary and secondary sources of data were used. This included official letters and notifications,

news reports from reliable prominent media outlets, surveys of transporters and traders, and collection of data from relevant entities, including the customs department and Pakistan Afghanistan Joint Chamber of Commerce and Industry (PAJCCI). Multiple sources were used to verify facts and figures to ensure that valid pieces of information could be considered for analysis.

The findings of this paper reveal that the Afghan transit trade was not mainly affected by the disruption of global supply chains but rather the decisions and approaches of relevant government departments, port authorities, and unauthorized individuals in Pakistan. The Afghanistan-bound transit containers were reaching ports of Pakistan from different parts of the world but were not cleared efficiently, resulting in a pile-up of containers. On the other hand, hundreds of vehicles remained stranded at the crossing points and en route due to the closure of crossing points. The number of stranded containers reached close to 8000 on March 22 and then 14,000 on March 28 despite the assurance of support from the Pakistani side at senior-most levels. In the meantime, two dozen vehicles loaded with export goods from Pakistan were allowed to enter Afghanistan on March 21, while the fate of and plan for Afghan transit cargo was yet to be developed.

The situation needed efficient mechanisms to clear the transit cargo at the port and crossing points so that congestion could be reduced and space could be created for the oncoming cargo. However, the decision to open the crossing points on April 10, 2020, came together with unanticipated and unprecedented stringent Standard Operating Procedures (SOP's). For instance, the scanning of transit containers was increased from the prevailing threshold of 20% to 200%, i.e., 100% scanning of cargo at the port, and again 100% scanning of sealed containers at the crossing points before the goods could cross over to Afghanistan. To make things worse, even the cargo that had cleared the scanning stage before the notification of SOP's were re-sent for scanning.

The requirement for excessive scanning can be interpreted as the first step in the manufacture of delay, which the interest group exploited to receive financial gains. Scanning of each container costs around \$50. As such, a hundred percent scanning of 40,000 containers only at the port meant a financial gain of two million dollars. The terminals at Karachi port provide some free days for the goods within which they should be removed from the port. After which, the trader has to pay demurrage charges between PKR. 2000 – 6000 (~\$12.5 - \$37) daily. The Afghan traders use Karachi International Container Terminal (KICT), which provides only five demurrage free days after which payment must be made for each day of delay. The officials of government of Pakistan accepted that Afghan traders paid around PKR. 400 million (\$2.5 million) in demurrage charges between March to July 2020. The findings of the survey based on the minimum amount of average daily demurrage

charges paid by an Afghan trader reveal that the amount of demurrage charges was three times more than the figure officially accepted by Pakistani officials i.e. PKR. 1.2 billion (~\$7.5 million).

On the other hand, the containers in which the goods are transported belong to the shipping lines, which provide three to four-week time to return empty containers. After the free period, the shipping lines apply a progressive detention rate between \$80 to \$240 for every single day of delay. Given that the containers remained stranded for weeks at the port, another few weeks en route, and an equivalent amount of time before they could return to the port and be handed over to the shipping lines, colossal amounts were to be paid in the form of detention charges. The findings of the paper show that Afghan traders paid a minimum estimated amount of \$40 million in terms of detentions charges to shipping lines between March to August 2020.

The findings of this paper show that excessive scanning was only a source of delay. The Afghan transit containers need to be tagged with tracking devices and transported in the sealed containers through Customs Licensed Bonded Carriers (CLBC) as per routine procedures. As the transit trade resumed, thousands of transit containers were already piled up. There is only one company TPL Trakker Ltd that provides tracking devices, and it could hardly arrange 250 to 300 devices per day. On the other hand, there are Customs Licensed Bonded Carriers (CLBC) companies that went through a severe shortage of vehicles. Therefore, as tracking devices were a compulsory requirement as per the SOP's, the containers had to wait for weeks before they could be picked up by a carrier tagged with tracking devices.

The issue of tracking devices was so painful and serious that letters were sent to the Prime Minister's office in which the customs clearance agents association complained about the incompetence of the TPL Trakker Ltd. The issue of the mentioned company was at the heart of news stories and open letters written to the Chief of Army Staff and Prime Minister of Pakistan. However, the situation did not improve for Afghan transit containers. To address the issue of tracking devices, the Afghan traders proposed transporting the goods in the form of a convoy under the security of customs officials (escort en route) and paying for the associated charges, but it was declined. It is interesting to note that while the government of Pakistan allowed people to attend congregational prayers during Ramadhan despite a surge in COVID-19 cases nationwide in April 2020, no flexibility was showed in the stringent SOPs for the Afghan transit trade. It is further important to mention that the traders have to pay around \$50 for each device. As such, the company collected the due amount of two million dollars for a minimum of 40,000 containers despite all the losses it extended to the traders.

The shortage of vehicles in the market means an increase in freight rates. The data based on the invoices of clearing agents showed that the freight rates increased by as much as 100% compared with the freight rates just

before March when the border crossing points were closed. The estimates revealed a minimum loss to the traders and gains to the Pakistani transport companies close to PKR.3.2 billion (~\$20 million) between March to August 2020.

The paper's findings further reveal that after all the delays, when the containers somehow managed to leave the port, more delays awaited them. The customs officials issued a notification that the vehicles had to stop at four different locations and report to customs officials en route to Torkham and Chaman-Spin Boldak crossing points. In addition, the local transport union established illegal parking areas, which were referred to as mafia in the official letters. The evidence revealed that they stopped the vehicles and charged around PKR 1000 per vehicle. While stationed in parking, the vehicles were allowed to skip the queue in return for bribes ranging between PKR. 10,000 to 35,000. Frequent complaints were made, protests were launched, and official notifications were issued about the union leader named Shakirullah Afridi. However, no action was taken against him, while the queue of vehicles stretched to a length of 46 kilometers. At the same time, as the news about his arrest was making rounds in the media, he was spotted in a news report cutting the cake with the federal minister for Religious Affairs on Independence Day of Pakistan.

The clearance at the crossing point was another source of delay. As per SOP's, the sealed containers, tagged with a tracking device and transported in the licensed bonded carriers, were required to be scanned regardless of any irregularity. In addition, the transit trade was resumed for only three days in a week with a reduced number of hours. As such, only around thirty vehicles could cross over to Afghanistan. A month later, the number of days increased to five while the number of vehicles was increased to 100, including 50 Afghan transit vehicles and 50 export vehicles of Pakistan. While Pakistan's exports continued to enter Afghanistan since March, the Afghan exports to Pakistan resumed in June 2020. After the goods were offloaded, the containers had to be returned to the shipping lines at the earliest to avoid any additional detention charges. It is interesting to note that even the empty containers returning from Afghanistan were scanned, which only added to the delay and, in this way, to detention charges.

The situation remained grim as the traders suffered heavy losses. The response of the government of Pakistan appeared to aim putting Afghan stakeholders through a hoax only. The trade diplomacy of the government of Pakistan surfaced with the appointment of Sadiq Khan as a Special Envoy for Afghanistan in June 2020. During the engagements between the Afghan and Pakistani delegations in different events, commitments were repeatedly made about waiver of exorbitant demurrage and detentions charges. However, after months of discussions, it was announced in January 2021 that demurrage and detention charges could not be waived

because port authorities and the shipping lines are private entities. The findings of the paper show that this was not the first-time commitments about waiver of demurrage and detention charges were made and then not fulfilled by Pakistani officials. There are more instances of similar promises about waiver of demurrage and detention charges due to delays caused by *force majeure* reasons were repeatedly made in the past too, but they were never fulfilled.

The findings further reveal that commitments about waiver of demurrage and detention charges were the answer of Pakistani officials every time the traders complained about the underlying transit trade issues during pandemic at any platform. In addition, while thousands of containers were stuck at the port, en route, and at the crossing point, causing heavy charges on a daily basis, opening of new crossing points including Ghulam Khan, Kharlachi, and Angoor Adda were presented as a solution to the underlying problems by Pakistani officials. Both these approaches were used to handle the complaints, pressure and anger of the Afghan government, international community as well as traders.

On the other hand, the response of Afghan institutions lacked the needed clout to address the situation. One of the major reasons was the make shift set up at the key entities, including the Ministry of Finance, Minister of Industry and Commerce, and Ministry of Foreign Affairs, which were led by acting ministers. Similarly, the embassy of Afghanistan in Islamabad failed to engage effectively with relevant entities particularly Federal Bureau of Revenue (FBR) and senior officials to present the case of Afghan transit trade disruption. It even failed to arrange a meeting of Afghan traders with senior Pakistani officials, and so they may discuss and find the solutions to the underlying disruption despite repeated requests.

In order to evaluate the nature of transit trade via Iran and Pakistan from March to November 2020, a comparative analysis was conducted based on the number of Afghan transit trucks through each country. The data revealed that the duration of disruption of transit trade via Iran was much shorter than that of Pakistan. Similarly, the import and export transit via Iran witnessed an overall positive trend compared to that with Pakistan. Overall, the transit trade via Pakistan showed a decrease of 23%, while that via Iran showed an increase of 6%.

The study identifies some important lessons that Afghanistan needs to learn from the experience of disruption of transit trade during the pandemic. Some of the key lessons include blatant violation of bilateral trade agreement by Pakistan, and a repeated pattern of disruption of transit trade followed by commitments to compensate or recover the losses are a common practice. Further, it was learned that strong institutional support

and timely engagement at the senior level play a vital role in resolving such disruptions. The transit trade data revealed that Iran is much more reliable than Pakistan even during a crisis, like a global pandemic.

The paper recommends that to come in a stronger bargaining position and be able to act reciprocally to influence Pakistan in such events of the violation; it is crucial to create interdependence by allowing Pakistan access to Central Asia on the one hand. On the other hand, reduce overreliance on Pakistan by diversifying transit routes by building stronger transit trade relations with Iran. Similarly, as APTTA expired in February 2021, it is important to align the new transit trade agreement with Pakistan strictly under the WTO principles and international best practices.

## 1. Introduction

The outbreak of the COVID-19 Pandemic is an unprecedented event in recent times. The pandemic that originated in China reached the rest of the world in no time. Therefore, social distancing and lockdowns are considered important tools to control the spread. The pandemic had not only health aspects but also economic aspects. The global supply chains were disrupted, and economies were hit hard by the ceasing of economic activities.

While the pandemic hit different economies terribly, the vulnerable least developed landlocked countries were affected even more, given the dependence on the neighboring coastal countries. Afghanistan falls within the same group of countries as it has mainly remained dependent on Pakistan for transit trade. Each year, around 90,000 to 100,000 transit trade containers have been coming to Afghanistan via Pakistan under Afghanistan Pakistan Transit Trade Agreement (APTTA) signed in 2010.

After Pakistan decided to close all its borders in mid-March, the economy came to a standstill as Pakistan remains a major transit route for Afghanistan. Based on the ten-year figures since enforcement of APTTA about Afghan transit trade from the Federal Board of Revenue (FBR) of Pakistan, around 90,000 to 100,000 containers of Afghan transit goods pass through Pakistan.<sup>1</sup> This makes it an average of 7500-8000 containers a month. As such, it was not surprising to see the severe ramifications that the Afghan economy was exposed to after the crossing points were closed.

Apparently, the Prime Minister of Pakistan committed to open the border crossing points for Afghan transit immediately. However, the crossing points were opened after weeks under stringent Standard Operating Procedures (SOP's), inefficient mechanisms, and unfriendly approaches. As such, while the global supply

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<sup>1</sup> Transit Trade Deal Favours Afghanistan, *Express Tribune* (February 20, 2021)

<https://tribune.com.pk/story/2285082/transit-trade-deal-favours-afghanistan>

chains were disrupted, the Afghanistan-bound cargo continued to reach the ports of Pakistan. It was mainly disruption in Pakistan that left the Afghan transit trade in shambles as thousands of Afghanistan-bound containers remained stranded at the port, en-route, and the crossing points on the Pakistani side for months.

As a result of these disruptions, the Afghan transit trade bore terrible losses. The quality of goods, both perishable and unperishable, was affected due to months of delays. The Afghan traders had to bear the brunt of tens of millions of dollars in the form of officially paid demurrage and detention charges and unofficial payments to unauthorized individuals who exploited this as an opportunity. Considering the need to understand the severity of the losses caused due to underlying situations, the research aimed to answer the following questions:

- How Pakistan violated the trade and transit agreement during COVID- 19?
- How different interest groups exploited the situation?
- The extent of losses that Afghan traders bore in the form of demurrage and detention charges, hike in freight rates, and extortion money?
- Did the Pakistani government and port authorities take timely and sincere actions to resolve the issue?
- Did the Afghan government play an effective role in resolving the transit issue during COVID-19?

While attempting to answer the above questions, the paper provides a chronology of important events, an analysis of critical decisions, and the effectiveness of the response to the situation. In addition, it provides an account of similar disruption of transit trade in the recent past.

## 2. Methodology

### 2.1. Research Objectives and Approach

The paper aims to document the incidents, facts, figures, and extent to which traders bore the brunt of a sudden disruption of transit trade as the arrival of COVID- 19 pandemic and the consequent lockdown in Pakistan transpired into a nightmare for the Afghan transit trade. It provides an overview of the major challenges that Afghan traders, transporters, and the government faced during the pandemic starting in March 2020. In general, the paper aims to provide:

- An analysis of key decisions, policies, and actions of private sector actors and relevant departments of the government of Pakistan

- An analysis of the response of different departments of the Afghan government to address the underlying challenges
- An estimate of financial losses at different stages, including the arrival of goods at the port, en route, at the crossing point

As observed commonly, different stakeholders make political or generalized statements to either defend their position or to highlight their problems in such a crisis. Therefore, the focus of the research is to segregate the process of Afghan transit trade via Pakistan into different stages and study from different aspects at each stage during the pandemic.

## 2.2. Research Design and Implementation

To ensure that the major objectives of the research are achieved, it was made sure that facts and figures from reliable sources serve as a basis for the analysis. Therefore, multiple primary and secondary sources were used to ensure a realistic, rational, and verifiable analysis. Recognizing that the nature of problems and the extent of losses caused at each stage of transit of Afghan goods is different, it was necessary to break down problems at different stages. For simplicity, it was planned that the process of Afghan transit trade was broken into different stages, and problems, pain points, and financial costs or losses in each stage are analyzed. Therefore, the problems at key stages in three locations were studied, which broadly included:

- Challenges at the port of entry (Scanning, supply of tracking devices, supply of carriers, etc.)
- Challenges en route (stoppage of vehicles and associated illegal activities)
- Challenges at the crossing point (scanning, procedures, and clearance)

Once the stages and the pain points in each stage were identified, the next important step was to collect relevant facts, figures, and information about each stage. In order to collect data and get a better understanding of the situation, the following sources and techniques were used as part of the study:

- **Official Letters and Notifications:** Several official letters and notifications were issued by relevant departments of Afghanistan and Pakistan, including instructions, complaints, concerns, and notes for different stakeholders. These letters served as a source of providing important information about a number of containers stranded at different locations, the concerns and complains of Afghan traders, the decisions and instructions of different officials, and other relevant facts and figures.

- **Surveys:** A team of surveyors conducted a survey of more than one hundred surveys with driver and traders. The survey had two sections. The first section was for transporters in which the information about the stoppage at different locations and the amount of extortion money paid at each location were collected. The second section was for the traders, and it collected information about the number of days and amount of demurrage and detention charges paid. In addition, it asked about the number of days they had to wait for the tracking devices and the hike in the freight rates compared with those before the arrival of the pandemic.

The paper also used survey data collected by the Afghanistan chapter of Pakistan Afghanistan Joint Chamber of Commerce and Industry (PAJCCI). This survey collected data about detention payments based on bills of lading for more than two thousand transit consignments. The amount of detention charges was analyzed through the percentiles approach. Percentiles indicate the percentage of scores (in our case, detention charges) that fall below a particular value. For instance, the number of consignments or containers for which the detentions charges were \$5000 or below. The same approach was used to analyze other variables like extortion payments, stoppage at different locations, or wait for the tracking devices.

- **Data from Customs Department:** The data from the customs department was collected to understand the flow of goods at the crossing points. The customs department shared an important set of data related to the number of transit trucks/ vehicles that crossed the crossing points along with Pakistan and Iran between March to November in 2019 (before the pandemic) and 2020. The data for the mentioned period was used to conduct a comparative analysis of transit of containers via Iran and Pakistani during and before the pandemic and understand the extent of disruption in both countries.
- **News Reports and Media Interviews:** The paper collected and analyzed facts, figures, and other information from the news reports of prominent media outlets. In addition, interviews and video reports were considered to collect data for analysis.

In order to ensure the reliability of data, multiple sources were used to verify the data from one source. For instance, the traders claimed to have paid a much higher amount of freight charges during the pandemic. In order to understand the validity of these claims, a number of invoices of clearing agents were collected from other traders and the freight rates in the invoice were compared with those claimed by the traders in the survey. A similar approach was used to estimate other variables like demurrage and detentions charges.

### **3. What Actually Happened: Manufacture of Delay & Exploitation**

The shipping lines usually deliver Afghan transit goods in sealed containers. Each consignment reaches in one or multiple sealed containers to the port. As the goods reach the port, they go through customs clearance procedures. Before leaving the port, the customs officials put their own seal on the containers and allow the consignment to leave the port in a bonded carrier tagged with tracking devices.

The containers in which the goods are delivered belong to shipping lines. The shipping lines allow a specific number of days, usually 15- 30 days, to return the container to the shipping line after the goods have been offloaded at the destination. The time needed for clearance of goods at the port, transporting goods to the destination after crossing over to Afghanistan, offloading the goods, and returning the empty container back to the company is unpredictable and usually takes more time than the allotted days to return the container. Therefore, the Afghan traders make an extra payment to the shipping lines and buy additional free days. If the container is not returned to the port within the allotted free days, the company charges progressive per-day container detention charges. The rate roughly ranges between \$ 80 - \$ 240 per day and the daily rate increases progressively after given time slabs.

On the other hand, the port authorities provide a number of days for the goods to be cleared from the port. If the goods do not leave the port within the allotted time, the traders have to pay per day demurrage charges for the number of days the goods stay at the port.

Therefore, the Afghan traders would ideally prefer immediate clearance at the port and return the container on time to avoid demurrage and detention charges as well as avoid damage to goods caused by delays. The time pressure on the Afghan trader usually creates incentives for the interest groups to delay the consignments and exploit the Afghan transit trade as a milking cow. The Afghan transit trade faced a similar situation in which delays were manufactured and heavy costs were exerted to traders during the COVID- 19 pandemic. The headings below provide an overview of how a sequence of events and different tactics put in place to manufacture delay and allowed the interest groups to benefit financially.

### 3.1. Excessive Scanning

As per normal procedure, a specific percentage of containers arriving at the port of entry is sent for scanning based on the Risk Management System for customs control purposes. The international standards proposed by the Revised Kyoto Convention insist on simple, efficient, and effective control procedures. As such, the two countries agree on a specific percentage of scanning to be carried out. From 2017 onwards, the Customs Rules of Pakistan required 20% of Afghan transit goods to be scanned at the port.<sup>2</sup> The decision to re-open the crossing points for Afghan transit came up with stringent conditions of the Federal Board of Revenue (FBR) with the following scanning requirements:<sup>3</sup>

- 100% scanning of Afghan Transit cargo at the port of entry, including the already cleared containers and lying at the port and waiting for the gate out.
- 100% scanning of transit cargo at Torkham/ Chaman

As such, a 200% scanning of transit goods and re-sending the goods that had already cleared the scanning stage back to the scanning machine meant more delays. This is why the Commercial Attaché officially complained to Customs House Karachi about re-scanning of goods that have already been cleared and are waiting for the vehicle to leave the port. He further requested that 100% scanning of goods at the port only one time should be enough.<sup>4</sup> However, these requests did not help in the resolution of the process.

The reports revealed that the customs officials cleared around 600 import containers of Pakistani officials while only around 150 transit containers were cleared on a daily basis.<sup>5</sup> Given that an average of 7500- 8000 transit containers passes through Pakistan and that a backlog of 9000 containers was reported even in September 2020, the estimated number of containers scanned can easily reach 40,000 between March and August 2020 if we assume an average of 7000 containers per month.<sup>6</sup> The excessive and compulsory 100% scanning at the port meant that the port authorities could easily mint around \$2 million by scanning at least 40,000 containers only

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<sup>2</sup> Customs Rules of Pakistan, S.R.O.564(I)/2017

<sup>3</sup> Letter from FBR to DG Transit Trade Customs House Karachi and other relevant directorates (No. C.No.1(13)T&BT/2013-64606R; Dated: April 07, 2020)

<sup>4</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to DG transit Trade Custom House Karachi (Ref # AF/CA/129 April 15, 2020).

<sup>5</sup> Open letter to PM, COAS: FBR and police running down Pakistan, *Global Village* (July 17, 2020)  
<https://www.globalvillagespace.com/afghan-transit-trade-the-plight-of-traders/>

<sup>6</sup> Border Delays Risk Pakistan's Trade Surplus, *The Bloomberg* (September 07, 2020)  
<https://www.bloombergquint.com/onweb/border-delays-risk-pakistan-s-trade-surplus-with-afghanistan>

at the port—the scanning of each container costs around \$50. The delays further add to the financial gains of other stakeholders who claim fees and fines due to the delay of the Afghan cargo.

### 3.2. Supply of Bonded Carriers

The Afghan transit cargo is transported in the Customs Licensed Bonded Carriers (CLBC) in the sealed containers. One of the major requirements for the issues of license for the companies to carry Afghan transit goods is owning a fleet of at least 25 trucks along with other requirements like security deposits. As the companies must have a fleet of only 25 trucks, the additional trucks are picked from the open market. Therefore, a limited number of companies have the license and meet the additional demand by outsourcing the additional trucks from the open market. They normally charge 30%-50% more than market prices, including payment to the transporter and their own mark-up.

One of the important requirements for the bonded carriers is that the truck must cross over to Afghanistan within 14 days. If the truck fails to do so, the National Tax Number (NTN) of the company is automatically blocked by Web Based One Customs (WeBOC), and the process to unblock it takes a significant amount of time.

The requirement created a major challenge for Afghan transit as the Afghan-bound trucks could not manage to cross over to Afghanistan within the required number of days due to the closure of crossing points. Therefore, the NTN of almost all bonded carriers was blocked by WeBOC by March 22.<sup>7</sup>

- The shortage of bonded carriers increased the market prices, which rose by more than 100%.
- Therefore, after going through the scanning process and completing the clearance process, the Afghan transit containers waited for the supply of trucks by the CLBC to leave the port

In order to understand the fluctuation in the freight further, a survey of transporters was conducted in which they were asked about the freight they paid just before the pandemic and then during the pandemic for the same size containers. The comparative analysis of data reveals that freight rates were significantly higher during April and May when the traders had to pay 70% to 80% more than the normal freight rates. Notably, an increase in the freight rates ranged between PKR. 40,000 to 150,000. If we assume an average increase of roughly PKR. 80,000 per vehicle, the total losses to the traders and gains to the transporters would amount to an estimated PKR. 3.2 billion (~\$20 million) for a minimum of 40,000 containers.

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<sup>7</sup> *ibid*

Figure 1: Change in Freight (PKR)



Source: Survey Conducted by Tarzi Research Foundation

In order to understand and validate the fluctuation in the freight rates due to shortage of vehicles as revealed by the survey of transporters, invoices of clearing agents were collected for a number of consignments between December 2019 and November 2020.

The data shows a clear increase in freight during the pandemic. This implies that the cartel of bonded carriers made a considerable amount of profit. However, the problem with the invoices was that they are prepared after the consignment is delivered, which took at least a month on average. Therefore, the freights are for the consignments that arrived a month or forty days ahead of the mentioned date. The data shows a significant increase in freight during the pandemic.

Figure 2: Vehicle Freight (PKR)



Source: Customs Clearing Agent Invoices collected by Tarzi Research Foundation

### 3.3. Supply of Tracking Devices

In the letter from FBR to customs officials in April 2020, another important requirement for re-activating the Afghan transit trade was the compulsory use of tracking devices. It is important to mention that by March 22, around 6000 containers were already stuck at the port following the closure of crossing points. In the meantime, more transit consignments were reaching the port. In the following week, the figures reached close to 10,000.<sup>8</sup> This implies that figures for the stranded containers had easily crossed the figures of March by the time the letter from FBR reached the customs and transit officials in the first week of April 2020.

The supply of tracking devices for Afghan transit consignments is the monopoly of a single company named TPL Trakker Ltd. The company uses the devices on a re-use basis, and as soon as any empty container reaches the port, the device is removed and made available for the next container. The company charges around \$50 per device, which sums up to around \$50 million a year for an average of 100,000 transit containers. Now that a backlog of more than 10,000 containers was created, the company failed to supply the needed number of tracking devices. The company could only manage to provide 4100 devices during 19 days between June 15 and July 7, 2020, after several complaints were made against the company.<sup>9</sup> The impact of a shortage of supply of tracking devices was so severe that the association of customs agents officially sent complaint directly to the Prime Minister's Office and proposed that TPL be held responsible for paying the Afghan traders' exorbitant charges have had to bear due to delay.<sup>10</sup>

As tracking devices was a compulsory requirement for the transit containers, while the company could manage devices for only half of the pending consignments, the transit goods remained at the port waiting for the devices to leave the port.

In order to understand the severity of the wait for the tracking device, a survey was conducted in which the transporters were asked about the number of days they had to wait for tracker devices. As the tracking devices and the vehicle were interdependent, the containers either had to wait for the tracking devices or the vehicle.

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<sup>8</sup> Letter of Commercial Attaché to multiple government departments, PM Office and Chambers of Commerce (Ref No. AFG/CA/125 Dated: March 29, 2020)

<sup>9</sup> A Company Destroying Pakistani Interests?, *Matrix Magazine*, (July 29, 2020)

<https://www.matrixmag.com/5000-containers-a-company-destroying-pakistani-interests/>

<sup>10</sup> Letter from Karachi Customs Agents Association to Prime Minister Imran Khan (Ref NO: KCAA-449-/2019-2020 Dated: July 02, 2020)

Even if the vehicles were available without a tracking device, they could not pick the container from the port and depart. Therefore, the survey asked the transporters about the number of days they had to wait either for the tracking device or the vehicle. Surprisingly, the containers had to wait for one month on average, while some had to wait for around two months for the tracking devices. Despite being one of the major reasons for disruption of transit trade and consequent financial losses, the company received around \$2 million for an estimated 40,000 transit containers.

*Figure 3: Wait for Tracking Device/ Carrier*



Source: Survey Conducted by Tarzi Research Foundation

### 3.4. Demurrage Charges

As per normal procedure, the port authorities provide a number of free days for the goods to leave the port. If the goods stay at the port after the free days, the traders have to pay demurrage charges every day. The number of free days at different terminals of Karachi varies.

- Pakistan International Container Terminal (PICT) and Qasim International Container Terminal (QICT) allow 15 demurrage free days
- Karachi International Container Terminal (KICT) and South Asia Pakistan Terminal (SAPT) allow only five demurrage free days

Most of the Afghan transit cargo is channeled through KICT. The clearance process at the port is not completed within the allotted time during the normal days given the scanning process, breakdown of scanners, complicated customs procedures, and heavy cargo traffic. The Afghan traders have repeatedly raised the issue at Afghanistan Pakistan Transit Trade Coordination Authority (APTTCA) platform and request an increase of

demurrage-free days.<sup>11</sup> However, the situation remained unchanged and Afghan traders had to pay the demurrage charges.

The arrival of pandemic and resulting situation transpired into a heavy situation for the Afghan transit goods as the goods could not be cleared within the allotted number of free days due to:

- 100% scanning of goods at the port
- Re- sending the goods that were already cleared to the scanning machines
- Delay in the supply of tracking devices
- Delay in Supply of vehicles

The demurrage charges for the consignments are around PKR. 5000 to 10,000 normally. However, prolonged delays caused by multiple reasons meant exorbitant demurrage charges that Afghan traders had to pay for their consignments. According to the Ministry of Maritime Affairs of Pakistan, the number of demurrage charges levied on Afghan transit cargo was around PKR. 400 million (~\$2.5 million) between March 24 to July 21, 2020.<sup>12</sup> In order to understand the amount of demurrage charges paid individually, questions were asked about the amount of demurrage charges paid by each trader for a given consignment between March and August 2020 in the survey. In order to ensure reliable data can be considered for analysis, the only verifiable amount reflected in the invoices were considered. The amounts reflected in the invoices revealed that the traders had paid a minimum PKR. 30,000 (~\$180) and as much as PKR. 323, 000 (~\$2000) in terms of demurrage charges as revealed in figure 4 below.

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<sup>11</sup> Pakistan- Afghanistan Bilateral and Transit Trade Issues & Proposed Resolutions, (April 2018)

<sup>12</sup> ECC Allows TCP To Import 200,000 Tons of Wheat, *Profit News* (August 21, 2020)

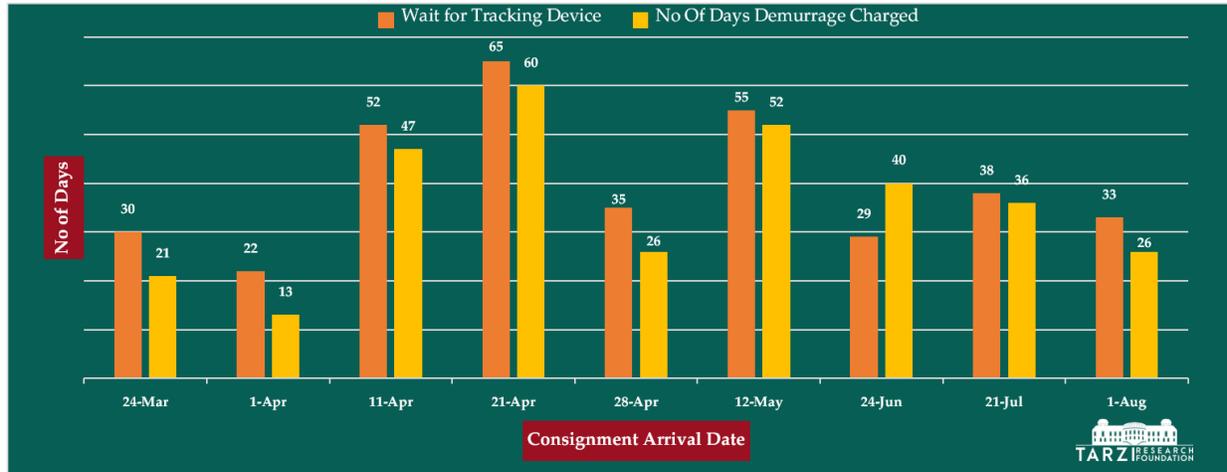
<https://profit.pakistantoday.com.pk/2020/08/21/ecc-allows-tcp-to-import-200000-tonnes-of-wheat/>

**Figure 4: Demurrage Paid (PKR)**

Source: Survey Conducted by Tarzi Research Foundation

The heavy demurrage charges were levied because the goods remained at the port for a longer time than the allotted free days due to multiple reasons mentioned above. The major terminal which handles more than 80% of Afghan transit cargo i.e. Karachi International Container Terminal (KICT) provides 5 demurrage free days. The most serious problem was that goods could not leave the port within allotted free days either due to the lack of tracking devices or vehicles. Therefore, the traders who had paid heavy demurrage charges were asked a follow-up question about the number of days for which demurrage was paid and the number of days they had to wait for the tracking device or vehicle. The data reveals that the delay in the supply of vehicles or tracking devices was the major reason behind the superfluous demurrage charges.

A comparison of amount of demurrage charges in figure 4 with the number of days for which demurrage was paid in figure 5 was done to calculate the average amount of demurrage charged paid per day. If we take the minim average daily demurrage charges paid for a container i.e. the consignment that arrived on April 28 which paid PKR. 1500 demurrage charges per day for 20 days for a 20ft container and estimate demurrage charges for 40,000 containers that arrived between March and August 2020, the estimated amount of total demurrage charges during the period appears to be PKR. 1.2 billion (~\$7.5 million), three times more than the amount acknowledged by Pakistani officials. It is important to mention the amount of demurrage charges increase depending on factors like the size of container, nature of goods, duration of stay on the port etc.

**Figure 5: Contribution of Tracking Device/ Carrier Delay in Demurrage Charges**

Source: Source: Survey Conducted by Tarzi Research Foundation

### 3.5. Stoppage en Route

The departure from the port after weeks of wait for the supply of bonded carriers and tracking devices did not mean the end of miseries for the Afghan transit trade. The vehicles carrying transit goods were required to stop at different locations. The transporters moving towards the Torkham crossing point were stopped at different locations.

The customs officials issued a notification in early May which pointed out a list of locations where the transporters carrying transit cargo to Afghanistan were required to stop at each location and report to relevant customs officials.<sup>13</sup> As per the notification, the transporters going to Torkham were required to stop at four different locations in Hyderabad, Multan, and Peshawar. Those going to Chaman- Spin Boldak were required to stop at four different locations in Gwadar and Quetta and report to relevant customs officials.

The most extended stoppage was notable at Bara road, where the local transport union led by Shakirullah Afridi had established its own illegal parking lot or staging point and asked the transporters to stop until permission was granted. They ran the parking lot through their fifty-people group, charged PKR 1000, and hardly provided any other services to the transporters in the hot summer. At the mentioned check point, the excessive stoppage resulted in a 46KM long queue of trucks waiting to reach Torkham and cross over to Afghanistan.<sup>14</sup>

<sup>13</sup> Customs Order No. 22/2020- Estt- DTT letter No. SI.Misc/07/2013-Estt -( DTT) dated (May 29, 2020)

<sup>14</sup> Sadiq Khan, PM's Special Representative for Afghanistan, on Hum News Program Bari Baat, *Youtube*, (September 24, 2020) <https://youtu.be/6-LDx05O9vA>

The real business at the mentioned location started at night. The transporters who paid bribes could skip the queue and move towards the crossing point. The transporters who could not pay the bribe had to wait under the sun in the long queue. Local journalists covered the ongoing appalling situation and conducted interviews with the union head, the local authorities, and the transporters. The transport union denied any charges of exploitation or corruption. On the 05th of July, 2020, one of the transporters named Haji Sada Khan led a protest against the transport union and complained that the union charged PKR 1000 for no service and allowed the transporters who paid PKR 50,000 to skip the queue. On the following day, a local journalist reported that the union dragged Mr. Haji Sada Khan into a fight and killed him.<sup>15 16</sup> In the protest against the killing of Sada Khan Mohmand, his brother claimed that the illegal parking lot of Bara Road is led by a local mafia. However, government officials who are sitting in the air-conditioned room are giving them full backup and support.<sup>17</sup> He further added that up to PKR 50,000 is illegally collected from the transporters to skip the queue.

The issue of Shakirullah Afridi was repeatedly raised at different platforms as well as formally reported by Afghan and Pakistani officials in which the parking lot was declared as illegal and legal action was requested against the mafia head who charged an illegal amount of PKR. 20,000-50,000 from each container. The notable communication of the issue includes:

- Notification and complain about Shakirullah Afridi by Afghan Consulate to the Office of Chief Minister of Khyber Pakhtunkhwa<sup>18</sup>
- A detailed account of illegal activities was reported by Customs House Peshawar Director General Transit Trade Custom House Karachi and requested strict legal action against him.<sup>19</sup>

In order to verify the extent to which bribe was collected at the illegal parking area and the number of days each truck had to wait, a survey of 100 transporters was conducted at Torkham about stoppage at different locations and the amount of money that was taken from them. The survey findings revealed that most of the trucks were stopped at Karak for two to three days, but the real challenge was the illegal parking lot or staging point at Bara Road led by Shakirullah Afridi. At the mentioned location, the survey findings reveal that the trucks were

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<sup>15</sup> Journalist Abdul Azam Shinwari, (July 6, 2020) <https://tinyurl.com/yf4d9r8x>

<sup>16</sup> Shinwari Media, July 6, 2020 <https://tinyurl.com/3zxb6j67>

<sup>17</sup> Kyber Maraka, July 27, 2020 <https://www.youtube.com/watch?v=zMITsYjDHVk>

<sup>18</sup> Letter from Office of Commercial Attaché Peshawar to Office of Special Assistant to Chief Minister KP on Industry and Commerce (Ref. No: 257 Dated: July 08, 2020)

<sup>19</sup> Letter from Director Transit Trade Customs House Peshawar to Director General Transit Trade Customs House Karachi (No: C.No.05-01/DTP/2013/Pt-II/16 Dated: July 13, 2020)

stopped for at least 7 days and up to 26 days. The number of days stoppage percentiles reveals that 50% of the vehicles were stopped for up to 16 days.

The pandemic was a critical time, and it was important to ensure on-time delivery of food items, including medicines. The tweet of PM Imran Khan had assured people that his country would stand with the Afghan nation during a hard time. However, the ground realities state a different story. The survey segregated the extortion money collected from trucks loaded with food items and those without food items.

It is important to note that hardly any priority was given to the food items which were at high risk of damage as we compare the number of days for which food and non- food items were stopped at the illegal check point. The percentiles of the number of days each transporter was held at the check point reveal that there was hardly any difference between the duration for which the truck had waited. In fact, the trucks loaded with food items waited for slightly more number of days than the non- food items, as revealed in the figure below:

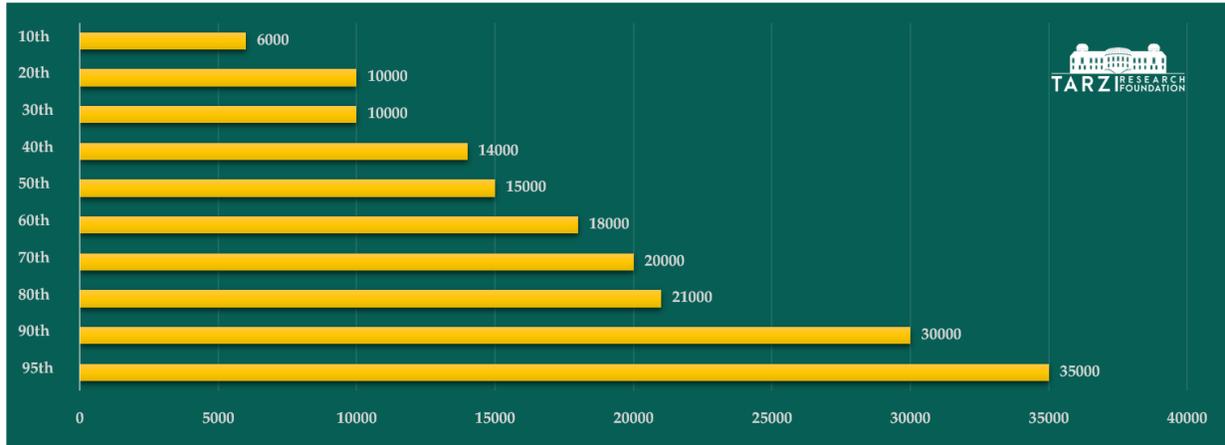
Figure 6: Food Vs Non- Food Consignment Stoppage Days (Percentiles)



Source: Survey conducted by Tarzi Research Foundation

In order to verify the extortion money, the survey collected data from the transporters about the amount of money that each transporter had to pay at the illegal parking lot. The survey revealed that they had paid at least PKR. 6000 and at most PKR. 35,000 at the illegal check point. The percentiles of extortion amount paid by each transporter show that 80% of the transporters had paid up to PKR. 21,000 before they were allowed to move towards the Torkham crossing point.

**Figure 7: Extortion Money at Bara- PKR (Percentile)**



Source: Survey conducted by Tarzi Research Foundation

The data further revealed that no special provisions or priority was given to the food items when it came to extortion money. The percentiles of data collected from the transporters reveal that the trucks loaded with food items paid more extortions money. This finding falls in line with the fact that the food items are perishable and more vulnerable to the risk of damage. Therefore, as the transporters cannot afford delays compared to the non-food items, it creates an incentive to exploit the trucks loaded with food items to allow them early.

**Figure 8: Comparison of Extortion Money Food vs Non- Food Items (Percentile)**



Source: Survey conducted by Tarzi Research Foundation

The situation was getting worse day by day due to extensive stoppage at the illegal checkpoints and protests of transporters. However, while the news of the arrest of Shakirullah Afridi was making rounds among the

transporters, he was seen cutting the cake with Minister of Religious Affairs Mr. Noorulhaq Qaderi on the Independence Day of Pakistan.<sup>20</sup>

The clearance from the illegal parking lot in Bara and permission to move towards Torkham was not the end of miseries. The video evidence shows that the transporters had to pay around PKR 200 at each Khasadar Check point up to Torkham totaling around PKR.1500.<sup>21</sup>

### 3.6. Disruption at Crossing Point

The departure from the illegal parking in Bara and reaching the Torkham crossing point after extortion payments at different locations was not the end of the miseries of the transporters. The bigger problem was that while the Torkham crossing point was opened, more complexity was added to the problem. The trucks were allowed for only three days in a week, i.e., Monday, Wednesday, and Friday, as thousands of transporters waited at the port, en route, and exit to reach Afghanistan when the transit resumed on April 10, 2020.<sup>22</sup> In addition, the customs officials were instructed to ensure 100% scanning containers before they crossed over to Afghanistan.<sup>23</sup>

The scanning of a single container takes around 5-7 minutes. There is only one scanner at the Torkham crossing point, and selective scanning of containers was not much of a problem. However, a 100% scanning of transit as well as bilateral trade cargo while a backlog of thousands of containers awaited to cross over only added to further congestion and slowdown of the process. The issue was so serious that even the customs officials in Peshawar had to report to the senior officials about the problem.<sup>24</sup>

The question is, why would there be a need for a 100% scanning of transit cargo transported in a sealed container, tagged with a tracking device and supported by relevant documentation just before it crossed over

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<sup>20</sup> Khyber Maraka, Independence Day Celebrations, *You Tube*, (August 14, 2020) <https://www.youtube.com/watch?v=Jz4JJEDJbtw>

<sup>21</sup> Khyber Maraka, Extortion at Torkham, *You Tube*, (December 30, 2020)

<https://www.youtube.com/watch?v=i7IV8CXnoGA>

<sup>22</sup> Transit Trade Resumes at Torkham Border, *Daily Times*, (April 11, 2020)

<https://dailytimes.com.pk/593462/transit-trade-resumes-at-torkham-border/><https://dailytimes.com.pk/593462/transit-trade-resumes-at-torkham-border/>

<sup>23</sup> Letter from FBR to DG Transit Trade Customs House Karachi and other relevant directorates (No. C.No.1(13)T&BT/2013-64606R; Dated: April 07, 2020)

<sup>24</sup> Letter from Director Transit Trade Customs House Peshawar to Director General Transit Trade Customs House Karachi (No: C.No.05-01/DTP/2013/Pt-II/16 Dated: July 13, 2020)

to the destination? It was not surprising that only 30 vehicles could cross over to Afghanistan in such an arrangement in a day.<sup>25</sup> The decision was revised in early May. According to new arrangements, 100 vehicles could enter Afghanistan, which included 50 Afghan transit vehicles and 50 export trade vehicles of Pakistan, with the justification that the measures were put in place to curb the spread of the virus.<sup>26</sup> It is interesting to note that while the Pakistani government allowed large gatherings at the mosques during Ramadhan despite the surge in COVID-19 cases in the country, strict measures were still maintained for the Afghan transit trade.<sup>27</sup> The exports of Afghanistan to Pakistan finally resumed in the third week of June after three months.<sup>28</sup> The restriction of Afghanistan's imports to Pakistan had created another backlog of export goods in addition to empty containers waiting to cross over to Pakistan.

The closure of crossing points and the resulting situation had led to a backlog of consignments and containers waiting to move in the opposite directions. There were two types of vehicles that had to cross over to Pakistan. The export consignments mainly fresh fruits and vegetables meant for Pakistan and the empty containers to be returned to the shipping lines at the port.

Therefore, after the transit containers were offloaded on the Afghanistan side, they returned to the port. However, the long queue of both types of vehicles meant each truck had to wait for weeks to cross over to Pakistan. In the light of instructions of FBR, a 100% scanning of even the empty containers was ensured. The clearance of returning empty vehicles created another headache for the traders.<sup>29</sup> As a result, while around 400-500 containers could enter Afghanistan, only around half of this number could return on a daily basis, creating a backlog of empty containers on the Afghanistan side. This further slowed down the process and contributed to more congestion and extension of the queue of vehicles.

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<sup>25</sup> See<sup>22</sup>

<sup>26</sup> KP traders demand complete opening of Torkham border, *Profit News*, (May 04, 2020)

<https://profit.pakistantoday.com.pk/2020/05/04/kp-traders-demand-complete-opening-of-torkham-border/>

<sup>27</sup> Mosques to Remain Open in Pakistan Despite Surging Virus Threat, *Times of India*, (April 19, 2020)

<https://timesofindia.indiatimes.com/world/pakistan/mosques-to-remain-open-in-pakistan-despite-surging-virus-threat/articleshow/75229027.cms>

<sup>28</sup> Pak-Afghan trade: 500 truckloads of goods to cross Torkham border on Monday, *Daily Times*, (June 18, 2020)

<https://dailytimes.com.pk/628390/pak-afghan-trade-500-truckloads-of-goods-to-cross-torkham-border-on-monday/>

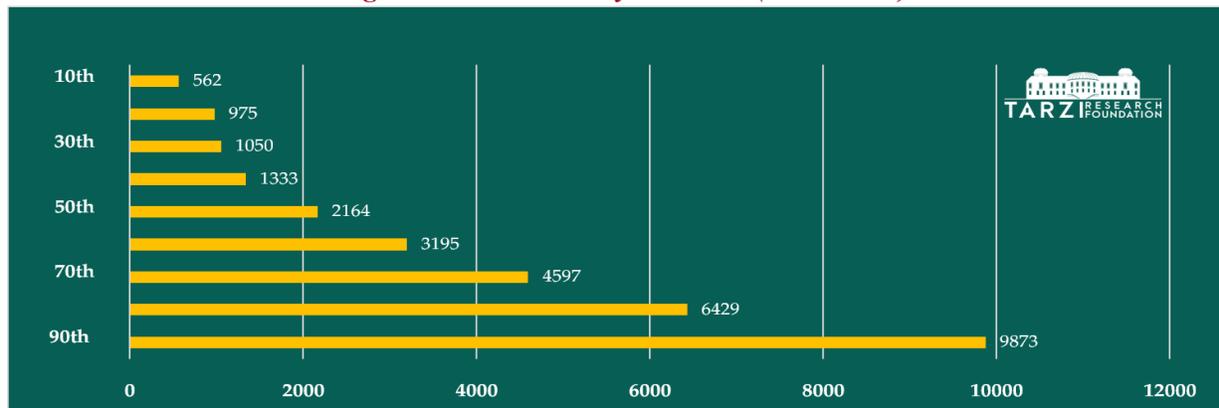
<sup>29</sup> Torkham border: Afghan traders seek resolution of empty vehicles' issue, *Business Recorder*, (Jan. 11, 2021)

### 3.7. Container Detention Charges

The shipping lines provide the traders a specific number of free days, usually around three to four weeks, after which detention charges are applied daily on each container. As per normal practice, the Afghan traders pay an additional amount to buy more free days from the shipping lines to avoid heavy detention charges. The analysis of the number of days a consignment spent at the port, en route, at the crossing point, and way back reveals that the free days for most of the containers had already expired before leaving the port. The exorbitant costs were already a mounting financial burden on the traders. Therefore, the traders started demanding a waiver of demurrage and detention charges as they were not responsible for the *force majeure* causes of delay and other issues due to which the containers could not be returned on time. Despite such Force Majeure, the daily detention rate between \$80 to \$240 was levied on them for the number of days the container could not be returned after the free period expired.

The Afghanistan chapter of Afghanistan Pakistan Joint Chamber of Commerce and Industry (PAJCCI) asked the traders to provide data on the amount of detention that each trader had to pay for a given consignment based on the bill of lading. They were asked to provide data including the name of the company, serial number of bill of lading, name of shipping line, the arrival date of consignment, and the detention amount paid against each bill.<sup>30</sup> In response, data from around 2200 bills was shared. The data was cleaned, sorted, and then analyzed for this paper. The percentiles of the amount of detention charges that each trader had paid in a single bill of lading ranged between \$500 and \$10,000. If we consider only the median, 50% of traders had paid more than \$2000 while the figures are even more exorbitant at higher percentiles.

**Figure 9: Detention Payment US\$ (Percentiles)**



Source: Pakistan Afghanistan Joint Chamber of Commerce and Industry (PAJCCI)

<sup>30</sup> Torkham border: Afghan traders seek resolution of empty vehicles' issue, *Business Recorder*, (11 Jan 2021).

<https://www.brecorder.com/news/40049691>

In order to verify the collected data, the official bills of lading were collected from a number of traders. The data revealed that, on average, the traders had paid around PKR. 500,000 (~\$3125) for a single container. There were some containers for which the detention amount paid by the trader was around PKR. 1.5 million (~\$9375) for a period of 83 days. Even if we consider only \$1000 detention charges on average for a container, the estimated figures would easily reach \$40 million for an estimated 40,000 containers.

Figure 10: Detention Charges



Source: Bills of lading collected by Tarzi Research Foundation

## 4. Response of the Government of Pakistan

In February 2020, the United States and the Taliban signed the “Agreement for Bringing Peace to Afghanistan”. The agreement between the two parties implied a new and active role for Pakistan in the forthcoming set up in Afghanistan. As such, the Pakistani government had to launch a renewed engagement in Afghanistan. As part of the importance of the new engagement activities, prominent senior diplomat Mr. Mohammad Sadiq Khan was appointed as a special envoy for Afghanistan in June 2020.<sup>31</sup> Mr. Sadiq Khan adopted trade diplomacy as a new approach for engaging with Afghanistan and focused on bilateral as well as regional trade and transit. In a meeting with PAJCCI in the third week of June, he discussed the issues of exorbitant demurrage charges, excessive scanning, and shortage of tracking devices with the traders and assured that the issues would be addressed soon.<sup>32</sup>

A month after the appointment of Mr. Sadiq Khan, the Pakistan-Afghanistan Parliamentary Friendship Group (PFG) held its first Executive Committee Meeting.<sup>33</sup> The meeting's primary focus was improving bilateral trade relationships that had slumped to less than one billion dollars from \$5 billion a few years back. The National Assembly speaker, Mr. Assad Qaiser, who had chaired the meeting, established six task forces to work on different issues related to bilateral relations, particularly trade and transit. Two important committees that were given 15 days to consider the matters and present their report were:

- Task Force of PFG on Tracking & Scanning of Containers
- Task Force of PFG in Customs Related Issues

As per the plan, a follow-up meeting was held in the third week of July.<sup>34</sup> The first task force discussed the issue of high rate of scanning and the use of tracking devices and proposed that the scanning should be simplified and brought down to the internally accepted principles. On the other hand, the second task force discussed customs relations issues under the agenda “discussion with institutional stakeholders on waiving off high port

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<sup>31</sup> Mohammad Sadiq appointed as special envoy to Afghanistan, *The News International* (June 7, 2020)

<https://www.thenews.com.pk/print/669221-mohammad-sadiq-appointed-as-special-envoy-to-afghanistan>

<sup>32</sup> Parliamentary Friendship Group Recommends Measures to Facilitate Pak-Afghan Bilateral and Transit Trade, *Afghan Study Center*, (July 22, 2020)

<https://afghanstudiescenter.org/parliamentary-friendship-group-recommends-measures-to-facilitate-pak-afghan-bilateral-and-transit-trade/>

<sup>33</sup> The 1st Executive Committee Meeting of Pakistan-Afghanistan Parliamentary Friendship Group, *National Assembly of Pakistan* (July 08, 2020)

[http://na.gov.pk/en/pressrelease\\_detail.php?id=4071](http://na.gov.pk/en/pressrelease_detail.php?id=4071)

<sup>34</sup> Trade Facilitation and Ease of Doing Business at Chaman Border Is the Priority of The Government, *National Assembly of Pakistan*, (July 22, 2020) [http://na.gov.pk/en/pressrelease\\_detail.php?id=4081](http://na.gov.pk/en/pressrelease_detail.php?id=4081)

demurrage for Afghan bound containers stuck at Pakistani ports.” It proposed that demurrage charges should be waived for Afghan consignments, which are stranded in Pakistan due to the pandemic. In the meeting, it was revealed that the estimated amount of demurrage charged on Afghan transit cargo was around PKR. 400 million and the Ministry of Maritime Affairs would move a summary for the Economic Coordination Committee (ECC) for waiver of charges from March 24, 2020, to July 21, 2020, on the grounds of force majeure and that three precedents for grant of waiver existed in the past.

The Ministry of Maritime Affairs moved the summary for the ECC and proposed a waiver of PKR.397 million demurrage charges, and it was discussed in the meeting held in August.<sup>35</sup> The committee asked the ministry to discuss the issue with port authorities and terminal operators and find a solution to the problem.

In the last week of October, Pakistan Afghanistan Trade and Investment Forum 2020 was held in Islamabad, in which traders, parliamentarians, and civil society organizations from both countries participated. Once again, trade-related problems were discussed in detail exclusive session titled “Reducing the Cost of Pakistan-Afghanistan Transit Trade,” and resolution about waiver of demurrage and detention charges were mutually agreed on, which said:

“(4) Demurrage and containers detentions charges should be waived off on containers that were being stranded due to the ongoing Covid-19 pandemic.”<sup>36</sup>

In December 2020, the 8<sup>th</sup> Afghanistan Pakistan Transit Trade Coordination Authority (APTTCA) meeting was held in Islamabad. Once again, the transit trade challenges during the COVID- 19 were on the agenda as they still required attention and solution.<sup>37</sup> The Afghan side insisted on the outstanding issues, including the waiver of around PKR. 500 million demurrage and PKR. 7 billion detention charges during COVID- 19, aligning the 100% scanning with the international standards, eliminating the monopoly of TPL for the supply of tracking devices and cartel of Customs Licensed Bonded Carrier (CLBC) for the supply of vehicles. It is important to mention that the APTTCA meeting had ended on a negative note due to the refusal of Pakistan to accept the proposal of Afghanistan to draft the new agreement in accordance with WTO agreements and principles. Afghan delegation had returned without signing the minutes of the meeting.

The drop scene of the quest for and promises about waiver of demurrage and detention charges ended up on a frustrating note for the Afghan traders. The Pakistani side stated that no agreement was reached on the waiver

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<sup>35</sup> ECC Allows TCP To Import 200,000 Tons of Wheat, *Profit News* (August 21, 2020)

<https://profit.pakistantoday.com.pk/2020/08/21/ecc-allows-tcp-to-import-200000-tonnes-of-wheat/>

<sup>36</sup> Pak-Afghan Trade, Investment Forum Ends with Inclusive Recommendations, *Business Record Newspaper*, (October 28, 2020)

<https://www.brecorder.com/news/40029205>

<sup>37</sup> Pak-Afghan Trade Talks Go Nowhere, *Business Record*, (January 1, 2021) <https://www.brecorder.com/news/40046486>

of demurrage and detention charges because the charges were private party transactions between private port terminal operators, shipping lines, and Afghan importers and terminal operators.

It is important to mention that this was not the first time that the issue of waiver of demurrage and / or detention charges was raised. Similarly, this is not the first time since the signing of APTTA in 2010 when Afghan cargo has been subjected to mass demurrage and detention charges. More interestingly, there have been other three instances of commitment from the Pakistani side about waiver of demurrage charges due to force majeure and two instances of heavy demurrage and detention charges that Afghan traders have had to pay:

- **2002:** The international community's engagement and the launch of reconstruction work in Afghanistan post 9/11 caused an unprecedented and sudden rise in the imports of the country. However, the railway system- the mode of transit of goods from Karachi port to Peshawar- was not prepared for this change. This resulted in congestion at the port leading to demurrage charges of around PKR. 1.3 billion. However, the Chief Executive of Pakistan, Mr. Parvez Musharraf, granted a waiver to 371 transit consignments of Afghanistan.<sup>38</sup>
- **2010:** In mid- 2010, Pakistan was hit by the worst floods in around 80 years.<sup>39</sup> While the disaster affected people and infrastructure, it also interrupted the transportation networks. As a result, the Afghan transit cargo had to remain at the port waiting for the vehicles and clearance of the roads leading to heavy demurrage charges. In October of the same year, Pakistan's Prime Minister, Mr. Yousaf Raza Gillani, visited Kabul, where demurrage charges were discussed with him, and he committed to waiving the charges. As a follow-up, the Pakistani delegation confirmed in the APTTTCA meeting that the government had decided to waive the demurrage charges.<sup>40</sup> The details revealed that the Economic Coordination Committee (ECC) had not only approved the waiver of demurrage charges for the 2010 consignments but also the consignments that are lying at the Karachi port since 1971, both totaling around PKR. 1.13 billion.<sup>41</sup>
- **2012/13:** APTTA 2010 required multiple guarantees from Afghan traders and transporters. The newly signed agreement had ambiguities, leading to confusion resulting in a halt of around 3700 Afghan transit containers at the port. The containers were stopped for around three months and resulted in demurrage and detention charges close to \$50 million.<sup>42</sup> The losses were so severe that the

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<sup>38</sup> ECC Grants One-Time Waiver of Demurrage on Afghan Cargo, *Business Record* (May 10,2011)

<https://www.brecorder.com/news/3872254/ecc-grants-one-time-waiver-of-demurrage-on-afghan-cargo-201105101186647>

<sup>39</sup> Pakistan: Floods – *Relief Web*, (July 2010) <https://reliefweb.int/disaster/fl-2010-000141-pak>

<sup>40</sup> Minutes of Afghanistan Pakistan Transit Trade Coordination Authority (APTTC) meeting held May 31- June 1, 2011 in Kabul.

<sup>41</sup> *See*<sup>37</sup>

<sup>42</sup> Pakistan Fines Afghan Traders for Stalled Containers, *The Nation*, (Feb. 04, 2013)

<https://nation.com.pk/04-Feb-2013/pakistan-fines-afghan-traders-for-stalled-containers>

Afghanistan Chamber of Commerce and Industry (ACCI) threatened to appeal to United Nations as Pakistani officials refused to release the containers. The containers were finally released after three months.<sup>43</sup> The statements of officials reveal three reasons for the release of containers:

- A reciprocal action by the Afghan government to stop 600 Pakistani vehicles<sup>44</sup>
- A high-level meeting between Afghanistan, Pakistan, and United Kingdom hosted by British Prime Minister<sup>45</sup>
- A senior-level engagement, i.e., Ministry of Commerce with his counterpart in Pakistan<sup>46</sup>

It is interesting to note that while the containers were stranded at the port and the issue was on the agenda in the meeting between officials of both countries, Pakistan announced the opening of two new crossing points, i.e., Angoor Adda and Ghulam Khan, to boost trade and transit ties while Afghanistan's Ministry of Defense was on an official visit to Pakistan.<sup>47</sup>

However, these commitments about waiver of demurrage and detention charges were never fulfilled in any of the above cases as no refund or waiver of demurrage took place despite high-level commitments.<sup>48</sup> This statement leads to three basic questions:

- Were the Pakistani officials unaware of the legal aspects of the decision to waive demurrage charges before they committed the waiver during COVID-19?
- Between July 2020 (when the task force proposed waiver of demurrage charges) and January 2021 (when the final decision about waiver of demurrage charges was reported), was there no consultation on the legal status of the waiver?
- If there are no legal provisions for the waiver of the demurrage charges, what was the basis for granting waivers of demurrage charges in 2002 and 2010?

While the Task Force of Parliamentary Friendship Group, the Ministry of Commerce, the Ministry of Maritimes Affairs could not manage to find a way for waiver of demurrage and detention charges for Afghan transit cargo, the Cabinet and the FBR were simply issuing notifications to the shipping lines, and port authorities to waive

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<sup>43</sup> PM Orders Release of 3,000 Afghan Containers, *Dawn*, (Jan. 01, 2013)

<https://www.dawn.com/news/775664/newspaper/column>

<sup>44</sup> Pakistan ends blockage for 3,700 Afghan Containers, *Khaama Press*, (Feb 05, 2013)

<https://www.khaama.com/pakistan-ends-blockage-for-3700-afghan-containers-2165/>

<sup>45</sup> Pakistan Declares Afghan Containers Released from Karachi, *Tolo News*, (Feb. 03, 2013)

<https://tolonews.com/afghanistan/pakistan-declares-afghan-containers-released-karachi>

<sup>46</sup> Afghan Traders Struggling to Pay Karachi Port Demurrage, *Tolo News*, (Feb 18, 2013)

<https://tolonews.com/business/afghan-traders-struggling-pay-karachi-port-demurrage>

<sup>47</sup> Pak-Afghan talks for new trade corridor get boost, *Dawn*, (Feb. 01, 2013)

<https://www.dawn.com/news/782829/pak-afghan-talks-for-new-trade-corridor-get-boost>

<sup>48</sup> Interview with Naqibullah Safi, Executive Director PJCCI Afghanistan Chapter

the demurrage and detention charges and provide more free days to support the traders and economy at the time of crisis. Apart from this, the port authorities were being generous and pro-active in providing relief to the Pakistani traders. Some of the examples are given as below:

- **March 31, 2020:** FBR sends a letter to different stakeholders that demurrage and detention charges may not be charged for 15 days in addition to free days already granted by port authorities as the free time is exceeding the normal free days.<sup>49</sup>
- **April 02, 2020:** Pakistan International Container Terminal (PICT) extends demurrage free period from five days to ten days for containers arriving between March 20 and April 06, 2020, with the spirit to respond to a national crisis and sustain the logistic and trade cycle of the country. It further announced to waive all its charges on import containers of hand sanitizers, surgical gloves, masks, and COVID testing kits.<sup>50</sup>
- **April 03, 2020:** All Pakistan Customs Agents Association (APCAA) requested the FBR to direct shipping lines for waiver of detention charges to prevent and clear the backlog of containers at the port.<sup>51</sup> As a follow-up, Model Customs Collectorate (Enforcement and Compliance) refers to letter of the 31st of March from FBR and asks all Pakistan Shipping Line Association and Pakistan Ship Agents Association not to charge any demurrage and detention charges for the period from the 25th of March, 2020 to April 16, 2020, in addition to free days already allowed by shipping lines.<sup>52</sup>
- **April 22, 2020:** Karachi Port Trust makes reference to the letter of Ministry of Maritime Affairs notifies different stakeholders about approval of Cabinet for extension in the existing free period from five working days to 15 working days for cargo/ containers landing with effect from the 25th of March to the 04th of April, 2020.<sup>53</sup>

On the other hand, the Afghan traders were desperately appealing for relief and waiver. It is even more painful to see that the consignments of the humanitarian NGOs remained stranded and had to bear the brunt of demurrage and detention charges. For instance, the Commercial Attaché requested a D.G. Transit Trade Custom House Karachi to issue tracking devices to the consignee, supplying 18 containers of noncommercial

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<sup>49</sup> Letter from FBR to different stakeholders (Ref No. C. No.3(1)E&C/2017; Dated: March 31, 2020)

<sup>50</sup> Pakistan International Container Terminal circular to chambers of commerce, custom agents associations, and maritime affairs directorate (Ref # CCD0001/04/2020 dated April 02, 2020)

<sup>51</sup> FBR Tells Shipping Lines to Withdraw Charges, *The News International*, (April 04, 2020)  
<https://www.thenews.com.pk/print/639056-fbr-tells-shipping-lines-to-withdraw-charges>

<sup>52</sup> Letter from Model customs collectorate to Shipping Lines Associations and Ship Agents Association (No. SI/Misc-01/2020-Lic(P)

<sup>53</sup> Letter from Karachi Port Trust (Traffic Department) to different stakeholders (Ref # TR/ADMN/WVR/COM/04/2020/021 April 22, 2020).

relief goods for NGOs, namely Human Resources Development Agency (HRDA) needy people before Eid ul Adha.<sup>54</sup>

One more relevant issue casts doubts over seriousness of Pakistani officials in addressing the disruption of the Afghan transit trade. In the middle of the ongoing crisis, there was an important announcement about re-opening the Ghulam Khan crossing point to clear the backlog of thousands of containers.<sup>55</sup> The important question is, while thousands of containers waited for carriers, tracking devices, and scanning at the port and another few thousands were stuck on en-route and at the two crossing points at the mercy of local mafia, how would re-opening a crossing point at a different location address the underlying challenges. It is important to mention that the Ghulam Khan crossing point had remained closed after the Pakistani military launched an operation in Waziristan in 2014. Re-opening a dormant crossing point with poor infrastructure did make some headlines, but it hardly did any favor to solve the underlying transit trade problem.

The news headlines about the opening of Chaman-Spin Boldak and Torkham crossing points, opening of new crossing points, and allowing Afghanistan's exports were needed to serve the purpose of mounting pressure on the country to normalize the transit and bilateral trade given the appalling situation of Afghan traders. China asked Pakistani government to open Torkham and Chaman-Spin Boldak as well as additional three crossing points, including Ghulam Khan, Angoor Addar, and Kharlachi crossing points and resumption of Afghanistan's exports to India via Wagah border.<sup>56</sup> Similarly, on a visit to Pakistan, the United States special representative for Afghanistan, Zalmay Khalilzad, asked the country to open the two major crossing points.<sup>57</sup> The issue of crossing points had also come under discussion in the third China- Afghanistan- Pakistan trilateral dialogue in the first week of July.<sup>58</sup> The dynamics of easing the stringent conditions on transit as well as bilateral trade reveal the role of international pressure to normalize the movement of goods across the crossing points. This further coincides with the event of 2012/13 when Pakistan announced the release of 3700 containers; it had stopped just before a trilateral meeting between Afghanistan, Pakistan, and United Kingdom hosted by British Prime Minister.<sup>59</sup>

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<sup>54</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the DG Transit Trade, Custom House, Karachi (Ref # AFG/CA/264, July 23, 2020).

<sup>55</sup> Pakistan to open Ghulam Khan Point for Afghan trade, *The Nation* (June 21, 2020)

<https://nation.com.pk/21-Jun-2020/pakistan-to-open-ghulam-khan-point-for-afghan-trade>

<sup>56</sup> China pushes Pakistan to open trade routes with Afghanistan, *Nikkei Asia* (August 24, 2020)

<https://asia.nikkei.com/Spotlight/Belt-and-Road/China-pushes-Pakistan-to-open-trade-routes-with-Afghanistan>

<sup>57</sup> *ibid*

<sup>58</sup> Joint Press Release of the 3rd Round China -Afghanistan-Pakistan Trilateral Vice Foreign Ministers' Strategic Dialogue, *Ministry of Foreign Affairs of China*, (July 07, 2020) [https://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zygy\\_663314/gyhd\\_663338/t1795712.shtml](https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zygy_663314/gyhd_663338/t1795712.shtml)

<sup>59</sup> Pakistan Declares Afghan Containers Released from Karachi, *Tolo News*, (Feb 03, 2013)

<https://tolonews.com/afghanistan/pakistan-declares-afghan-containers-released-karachi>

## 5. Response of the Government of Afghanistan

The closure of crossing points and disruption of the transit trade was a big blow to the Afghan economy, which was struggling even before the arrival of the COVID-19 pandemic. The macroeconomic indicators presented a gloomy picture, and the arrival of pandemics made the situation even worse.<sup>60</sup> The disruption of transit trade took place at a time when the bilateral trade ties were already affected by tense political relations. The last APTTCA meeting was held around four years back in February 2016, and further meetings were suspended at the instructions of the Afghan government on the grounds that the platform had failed to address the underlying transit trade challenges of the country.

The disruption of transit trade and the subsequent pile up of thousands of containers had led the Afghan economy to the verge of disaster. The situation required unconventional and meaningful efforts from key relevant institutions, mainly including:

- Ministry of Industry and Commerce (MoIC)
- Ministry of Finance (MoF)
- Ministry of Foreign Affairs and Embassy of Afghanistan in Islamabad

However, the concerning aspect was that all these ministries were led through makeshift set up. The MoIC was led by an acting minister and an acting deputy minister. In June 2020, the acting Deputy Minister MoIC was promoted to replace the sitting acting minister after the latter moved on to serve as acting governor of Da Afghanistan Bank (Central Bank).<sup>61</sup> Similarly, the ambassador to Islamabad was experiencing his first assignment in the diplomatic realm and had previously served as Chairman of the Afghanistan Cricket Board. To make things worse, the ambassador resigned amidst the crisis in July 2020, citing his plans for higher education as the reason.<sup>62</sup>

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<sup>60</sup> What the COVID-19 Outbreak Means for Afghanistan's Troubled Economy, *The Diplomat* (April 11, 2020) <https://thediplomat.com/2020/04/what-the-covid-19-outbreak-means-for-afghanistans-troubled-economy/>

<sup>61</sup> Ajmal Ahmadi, Acting Governor and Acting Chairman of Supreme Council, *Da Afghanistan Bank*, <https://www.dab.gov.af/supreme-council2>

<sup>62</sup> Afghan Ambassador to Pakistan Says Resigning to 'Pursue Higher Education', *Arab News* (July 29, 2020) <https://www.arabnews.pk/node/1711681/pakistan>

The Office of Commercial Attaché in Karachi remained engaged with Afghanistan's embassy in Islamabad and relevant Pakistani officials and ensured that the Afghan transit trade problems are duly communicated and solutions are sought. However, his letters to embassy of Afghanistan in Islamabad, Pakistani customs officials and other relevant entities hardly sparked effective actions from Pakistani officials or MoIC and Afghan embassy in Islamabad to improve the situation. There was a need for active and timely senior-level engagement with Pakistani officials for an immediate solution to the problem. However, it is noted that after the closure of crossing points in March, the first senior-level meeting happened in June when the Afghan Ambassador held a meeting with Advisor to Prime Minister Razaq Dawood, who informed him that the country was opening a third crossing point at Ghulam Khan to clear the backlog of containers.<sup>63</sup> In addition, the visit of the ambassador to Torkham crossing point to assess the situation and meet relevant authorities happened in the third week of August.<sup>64</sup>

In the meantime, Afghan traders were requesting a meeting with key relevant institutions, including FBR, Ministry of Commerce, and Ministry of Maritime Affairs. In the presence of Commercial Attachés of MoIC based in Karachi and Islamabad and ambassador at the embassy in Islamabad, there should not be the need for traders to meet senior Pakistani officials. However, when the acting Minister of Commerce and Industry leaves the ministry to recently appointed acting deputy minister to serve as acting Minister of Commerce and Industry in June while Ambassador does not hold any senior-level meeting with Pakistani officials for more than three months, the traders had to find a solution to the problem on their own.

The Office of Commercial Attaché officially communicated the request of traders for meeting with relevant senior officials of Pakistan particularly Chairman Federal Board of Revenue with the embassy in Islamabad.<sup>65</sup> However, no action was taken and no response was provided. Therefore, considering the gravity of situation and disappointment from the embassy, the Commercial Attaché in Karachi directly wrote a detailed letter to the Office of Pakistan's Prime Minister and requested attention and action to address the underlying transit trade issues.<sup>66</sup> Both these requests of Commercial Attaché to the embassy of Afghanistan and office of Prime

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<sup>63</sup> Pakistan to Open Ghulam Khan Point for Afghan Trade, *The Nation*, (June 21, 2020)

<https://nation.com.pk/21-Jun-2020/pakistan-to-open-ghulam-khan-point-for-afghan-trade>

<sup>64</sup> Afghan Envoy Visits Torkham Border, *Dawn*, (August 22, 2019) <https://www.dawn.com/news/1500933>

<sup>65</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the Ambassador of the Islamic Republic of Afghanistan, Islamabad (Ref # AFG/CA/154 July 07, 2020).

<sup>66</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the Standing Committee of Prime Minister of the Islamic Republic of Pakistan, Delegation of Afghan Transit Issues National Assembly of Islamabad (Ref # AFG/CA.174, August 23, 2020)

Minister were not addressed. Instead, he received a notice from the Ministry of Foreign Affairs of Pakistan for violation of the communication channel.<sup>67</sup> The request to the Prime Minister's office should have been made through the embassy of Afghanistan via the Ministry of Foreign Affairs of Pakistan.

In the light of facts discussed above, it can be stated that while Afghan transit trade was held hostage by Pakistani officials during COVID-19 pandemic, the lack of needed, timely and coordinated actions from Afghan institutions, particularly Ministry of Commerce and Industry and Embassy of Afghanistan in Islamabad was clearly notable. A lack of grit and clout in response of relevant Afghan entities did play a role in exacerbating the underlying grim transit trade situation.

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<sup>67</sup> Letter from Ministry of Foreign Affairs of Pakistan, Islamabad to the Embassy of the Islamic Republic of Afghanistan Islamabad (Ref # Afg(II)-4/1/1010, August 27, 2020).

## 6. A Comparative Analysis of Transit Trade via Iran & Pakistan during COVID-19

Pakistan has remained a major transit trade route for Afghanistan. On the other hand, Iran remains a secondary option for Afghan transit trade to constraints emanating from international sanctions on the country. The decisions of the Pak government to close its borders to control the spread of pandemic and the follow-up actions of relevant authorities and entities transpired into appalling consequences for Afghan transit trade, disrupting both import and export transit of the country. In the meantime, transit trade via Iran was also affected.

In order to understand the extent of disruption in both countries, data about the number of trucks that carried transit goods to and from Afghanistan via Iran and Pakistan for 2019 (before pandemic) and 2020 was collected from Afghanistan Customs Department. A month-on-month comparison of March- November 2019 and a similar period of 2020 reveals that at the start of the period, the import transit of Afghanistan via Pakistan was almost at par with a figure from 2019. The figures for the month of March look normal, although Pakistan closed its Chaman crossing point on the second day while the Torkham crossing point remained open until the 16<sup>th</sup> day of the month. This is mainly because the customs department releases monthly data based on the Afghan calendar, which usually has a ten-day difference with months in the Gregorian calendar.<sup>68</sup> Hence the figure covers the period from February 20 to March 20. As such, a marginal difference between the import transits figures for March despite the closure of crossing points imply that the figures could have been well below the previous year if the interruption had not taken place.

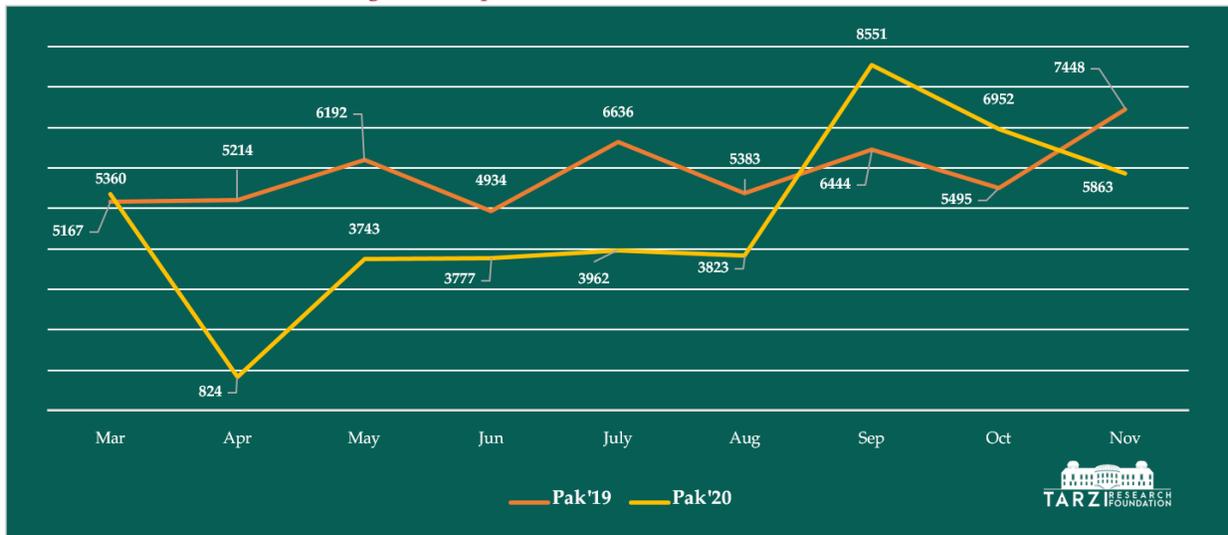
In mid-March, Pakistan's Prime Minister expressed his commitment to extend support to Afghanistan amidst global pandemic and asked to open Chaman- Spin Boldak crossing point so that trucks could cross over to Afghanistan. However, the announcement did not improve the situation. On March 22, the figures had nosedived following the closure of crossing points, leaving 1600 containers at Chaman, 400 at Torkham, and another 6000 Afghan bound trucks loaded with food, medicines, and non- food transit goods. By March 29, the number of stranded containers had reached 9500-10000, while additional 2000 export containers joined the already stranded 2000 containers at the at Chaman- Spin Boldak and Torkham Crossing points. This implies that immediate shock to the Afghan economy during the pandemic was not caused by disruption of global supply chains but rather closure of crossing points for the containers that could have easily crossed over into Afghanistan.

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<sup>68</sup> 1<sup>st</sup> day of *Hoot* month of Afghan calendar coincides with 20<sup>th</sup> of February, 2020.

The figures surged in the second half of April after the crossing points were opened on the 9<sup>th</sup> day of the month. However, the figures remained well below the same period than last year and flat due to strings associated with the decision to re-open the crossing points. The most important ones being 200% scanning of transit cargo, i.e., 100% scanning at the port of entry (mainly Karachi) and 100% scanning at Torkham and Chaman crossing points. It is important to note that according to the customs rules of Pakistan, only 20% of transit goods are required as well as international practice.<sup>69</sup> The officials have further instructed to re-scan the goods that have already cleared the scanning stage and lying at the port and waiting to leave the port. In addition, the use of tracking devices was re-iterated as a compulsory requirement for transit consignments.

**Figure 11: Import Transit via Pakistan (No of Trucks)**

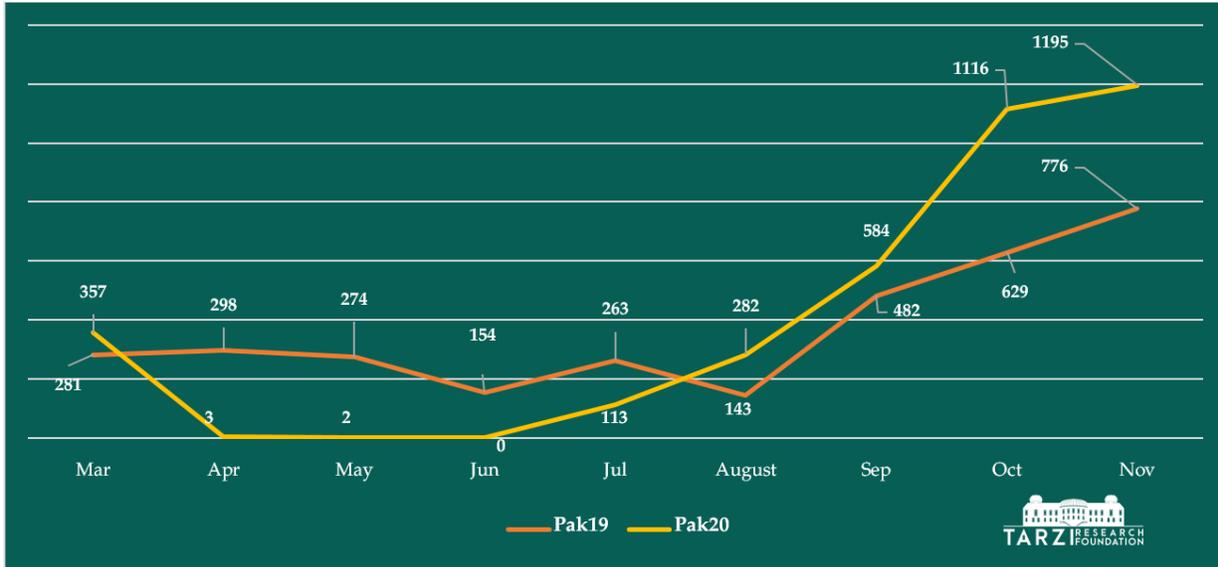


Source: Afghanistan Customs Department

A similar trend was visible in the case of export transit of Afghanistan. The month-on-month export transit figures for 2020 and 2021 reveal that the export transit remained almost nil from April to June 2020 before it accelerated in July. The figures for the coming months were much higher than the previous year, most probably due to the backlog of goods that could not be exported via Pakistan in previous months.

<sup>69</sup> Pakistan Customs Rules, Chapter XXV, Rule No. 475 (Physical Customs inspection at Office of Departure.)

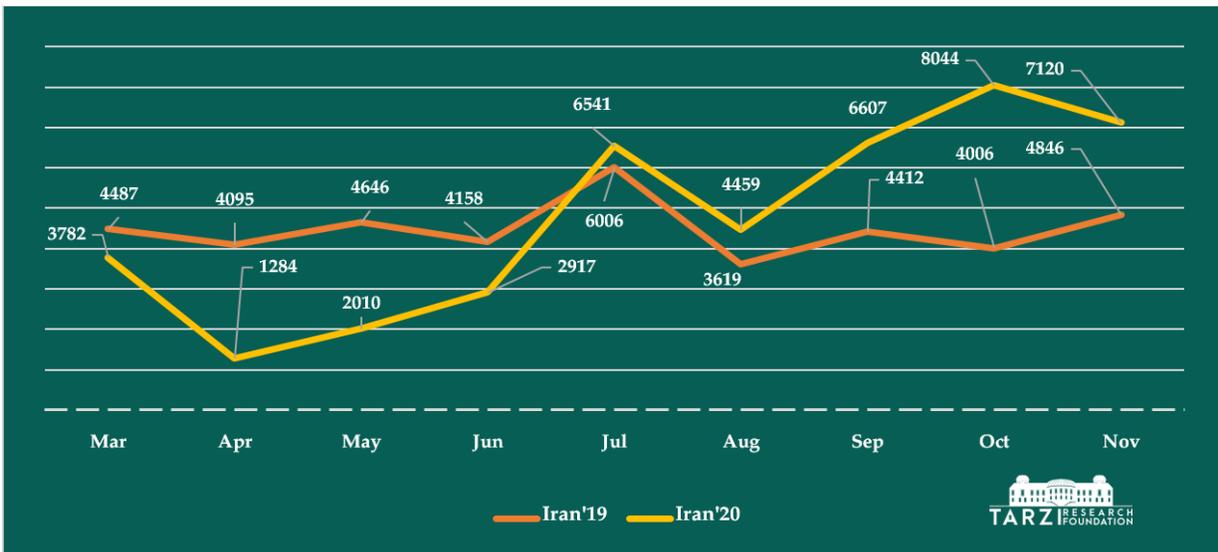
**Figure 12: Export Transit via Pakistan (No of Trucks)**



Source: Afghanistan Customs Department

In recent years, the transit trade via Iran has remained under discussion as Afghan traders shift towards it whenever the transit via Pakistan became cumbersome. The data reveals a similar situation. The month-on-month comparison of data reveals that after the arrival of the pandemic, the import transit via Iran figures dropped. However, the recovery of figures was much quicker than in the case of transit via Pakistan. In the case of Pakistan, the figures remained low until August, before the figure rose in September, while in the case of Iran, the figures rose in July. Moreover, while import transit figures maintained the higher momentum after July, they soon dropped in November via Pakistan.

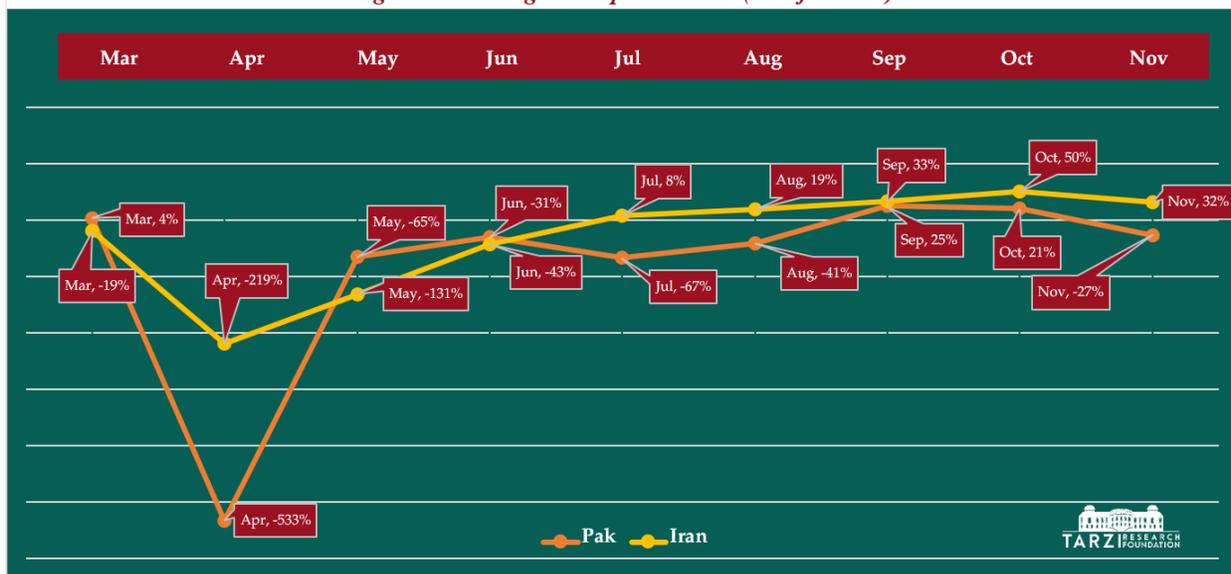
**Figure 13: Import Transit via Iran (No of Trucks)**



Source: Afghanistan Customs Department

A comparative analysis of month-on-month fluctuation in import transit figures via Iran and Pakistan reveals that while import transit dropped by more than 500% in Pakistan's case, it decreased by slightly more than 200% via Iran. Over the following months, while Pakistan showed a negative change, import transit via Iran showed a positive outlook. This reveals the extent of reliability and trust of Afghan traders on transit trade via Iran to a great extent. From March to November, while the total transit imports via Pakistan showed a 23% decrease, that via Iran showed an increase of 6%.

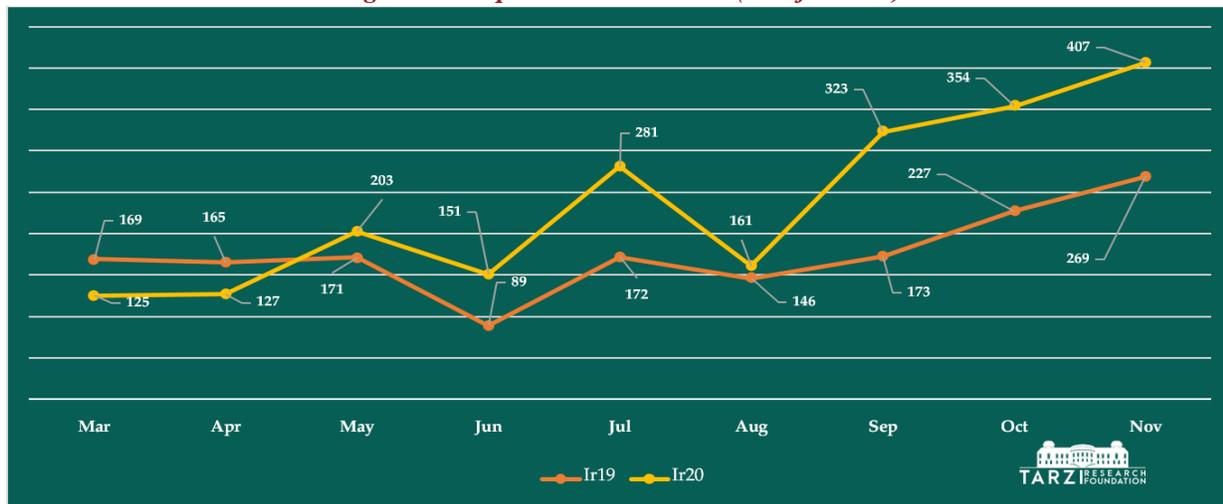
Figure 14: Change in Import Transit (No of Trucks)



Source: Afghanistan Customs Department

A similar trend is notable in the case of export transit via Iran. The export transit via Iran showed an overall positive trend starting in May and staying positive till November. It reveals that Iran remained a preferred option not only for import transit but also for export transit.

Figure 15: Export Transit via Iran (No of Trucks)



Source: Afghanistan Customs Department

## 7. Lessons Learned

The Afghan government and the trader community can learn many important lessons from the experience of transit trade disruption during COVID- 19 pandemic. Some of the important lessons are outlined under the following headings.

- **Violation of the Agreement:** The treatment of and attitude towards the Afghan transit trade reveals that no matter what is written in the agreement, it can be easily violated through a unilateral decision. The increase of scanning to 200% against the agreed 20% and the international standards and conventions like the Revised Kyoto Convention at a time when smooth and straightforward procedures were required to clear the backlog of the containers is beyond understanding.
- **Afghan Transit as a Milking Cow:** The pattern of events reveals that the Afghan transit trade has been used as a milking cow whenever there was an opportunity. Even the force majeure reasons like floods of 2010 or COVID- 19 pandemic hardly make any difference when it came to levying exorbitant charges on transit goods. It further reveals how easily the vulnerability of the Afghan transit trade can be exploited not only by the official circles but also the unofficial set ups as the traders and transporters whine about their appalling circumstances.
- **Hollow Commitments:** There is a pattern of response by the Pakistani government whenever the Afghan transit trade has been disrupted. There is political and diplomatic engagement, and many promises are made about the immediate solution to the problem as requested by the Afghan side. The commitment to waive the demurrage charges is a good example. The time passes by, commitments are reaffirmed, and discussions continue, but the Afghan traders end up paying all the superfluous charges at the drop scene.
- **Trade via Iran:** The analysis of data reveals that transit trade via Iran is much more reliable than that via Pakistan. In spite of the pandemic and disruption of global supply chains, the fluctuation in transit trade via Iran is much less than that via Pakistan. Similarly, a shift of transit trade via Iran was clearly notable and implied the priority of Afghan traders.

- **Institutional Support:** The focus of both the Afghan and Pakistani governments has been political ties, while trade and economic ties have not been treated equally. The Afghan traders could not receive timely support during pandemic due to a weak institutional setup at key relevant entities. This delay in support to the traders and business community and prevented timely resolution of problems and challenges. Therefore, strong institutional support should be ensured to support and facilitate trade of the country.
- **Role of International Partners:** The engagement of international partners can play an essential role in addressing trade and transit issues. The release of 3700 containers just before the trilateral meeting hosted by the British Prime Minister in 2013, the ease of stringent processes at the crossing points after the trilateral meeting hosted by China in 2020, and follow up of the transit issues during COVID-19 by U.S. special representative reveal that the engagement of international partners can play a decisive role in addressing transit trade issues of the country.
- **Media Coverage:** Afghan economy was the victim of appalling transit trade disruption during the COVID- 19, and it should have gained needed attention on the print and electronic media. However, the number of news stories about the transit trade crisis published by Pakistani media outlets is much more than that of Afghan media houses. The weak coverage of trade and transit-related issues in general and the COVID-19 crisis, in particular, implies that the voices of Afghan traders were not amplified properly by Afghan media, which delays the timely delivery of justice.

On the other hand, it is important to note that creating positive news during a crisis is a common tactic that has been repeatedly used at the time of crisis. The news headlines and reports can cause a diversion of focus from the core issue. Therefore, while Afghan officials acknowledge and appreciate the big announcements, it is important to ensure strict follow-up of the core causes and timely solutions to the problems.

## 8. Recommendations

- **Ensure Timely Support:** The focus of both the Afghan and Pakistani governments has been political ties while trade and economic ties have not been treated equally. The vulnerable trade and transit of Afghanistan via Pakistan require political and diplomatic support and should get equal attention whenever it comes to problems and challenges of traders. Given that Afghanistan has to adopt a market economy, in which the support to the private sector and traders means supporting the economy, ultimately benefiting the consumers. Therefore, trade and transit-related issues should receive the needed institutional support on a timely basis. In this regard, Afghan institutions need to ensure close communication and coordination with traders.
- **Create Interdependence:** A reciprocal action is an effective way to counter the other party's actions in trade and transit relations. Unfortunately, Afghanistan has not been in a strong position due to over-dependence on Pakistan for international trade. Therefore, it would be helpful if Afghanistan could create interdependence by allowing Pakistan access to Central Asia. If any unfair stringent restrictions are applied or exploitation is practiced, Afghanistan could reciprocate with similar action to exert the needed pressure.
- **Diversification of Trade Routes:** It is important to reduce overreliance on Pakistan as a transit route by diversifying trader routes. This could be effectively achieved through improved trade and transit relations with Iran, whose Bandar e Abbas is already in use and acquiring better facilitation and access to the sea through improved terms and conditions in the agreement could enable the country to reduce overreliance on Karachi port of Pakistan. In addition, Chabahar, which has been exempted from U.S.

sanctions, could be another attractive option. Further development of the port, followed by increased traffic of shipping lines, could ensure the port's economic viability. Therefore, as soon as any problems are created for transit via Pakistan, the traffic could be easily diverted to Iran.

- **Revision of the Transit Agreement:** The current Afghanistan Pakistan Transit Trade Agreement (APTTA) has been open to exploitation with very weak dispute resolution mechanisms. The Afghanistan Pakistan Transit Trade Coordination Authority (APTTCA) has hardly played an effective role in finding timely solutions to the problems and complains of Afghan traders that have been on the agenda ever since the agreement was signed. Similarly, the text of the agreement has flaws and is vulnerable to violation. As the revision of the agreement is under discussion, it is important to strictly sign the new agreement according to WTO principles, agreements, and international best practices. The text of the new agreement must kill the incentives for the exploitation of the Afghan transit trade.
- **Senior Level Engagement:** At the time of such disruptions or serious violations, it is important to engage with key counterparts to build the needed pressure on the relevant departments to resolve the issues. Exchange of letters and engagement at lower levels would only result in the documentation.
- **Institutional Capacity:** Trade and transit is a specialized area of study. Therefore, it is important to ensure people with expert-level knowledge are deployed to facilitate the operations of relevant entities, particularly MoF, MoFA, and MoIC. The investment on institutional capacity-building would enable these institutions to adopt technical approaches to address underlying issues.

## 9. Annex: Chronology of Events

No	Date	Event
1	March 02, 2020	Pakistan closes Chaman – Spin Boldak Crossing Point for Seven days until the 09th of March
2	March 09, 2020	Pakistan extends closure of Chaman – Spin Boldak crossing point for another week until the 16th of March <sup>70</sup>
3	March 16, 2020	Pakistan closes all border crossing points with Afghanistan and Iran for two weeks <sup>71</sup>
4	March 18, 2020	As a result of the closure of crossing points, 1700 trucks are stuck at Chaman- Spin Boldak and Torkham crossing points. The Commercial Attaché writes to D.G. Transit Trade Customs House Karachi about the risk of spoilage and damage to perishable food items and medicines due to exposure to sunlight and high temperature. He also raises concerns about potential detention charges that Afghan traders would have to pay due to force majeure. <sup>72</sup>
4	March 18, 2020	The Commercial Attaché writes to D.G. Transit Trade Customs House Karachi and requests waiver of demurrage and detention charges on humanitarian grounds. The traders were already facing huge losses due to the closure of crossing points resulting from force majeure. <sup>73</sup>
5	March 20, 2020	Imran Khan expresses his commitment to support Afghanistan during the crisis and that he has instructed the relevant authorities to open Chaman- Spin Boldak crossing points for Afghan bound trucks to cross over <sup>74</sup>
6	March 20, 2020	Following the statement of PM Imran Khan, two dozen vehicles carrying export goods from Pakistan to Afghanistan were allowed to cross over to Afghanistan on the 21st of March. However, not even a single transit vehicle was allowed. <sup>75</sup>

<sup>70</sup> Pakistan Extends Chaman Border Closure with Afghanistan, *Garda World Crisis24* (April 26, 2021)

<https://www.worldaware.com/pakistan-extends-chaman-border-closure-afghanistan>

<sup>71</sup> Pakistan shuts border with Iran, Afghanistan over virus, *Anadolu Agency*, (March 16, 2020)

<https://www.aa.com.tr/en/asia-pacific/pakistan-shuts-border-with-iran-afghanistan-over-virus/1767278>

<sup>72</sup> Letter of Commercial Attaché to DG Transit Trade Customs House Karachi (Ref No. AFG/CA/111 Dated: March 18, 2020)

<sup>73</sup> Letter of Commercial Attaché to DG Transit Trade Customs House Karachi (Ref No. AFG/CA/114 Dated: March 18, 2020)

<sup>74</sup> Imran Khan orders opening of Afghan border in Chaman, *Business Recorder*, (March 20, 2020)

<https://www.brecorder.com/news/581819/>

<sup>75</sup> Pak-Afghan trade slips to \$720.4mln in July-January, *The News International*, (March 22, 2020)

7	March 22, 2020	<p>According to the Chairman of All Pakistan Customs Bonded Carrier Association, the number of Afghan bound containers stranded in Pakistan crosses the 8000 marks.<sup>76</sup></p> <ul style="list-style-type: none"> <li>- 1600 vehicles carrying Afghan bound containers stranded en- route to Chaman crossing point</li> <li>- 400 vehicles carrying Afghan bound containers stranded en- route to Torkham crossing point</li> <li>- 6000 Afghan bound containers stuck at the port</li> </ul>
8	March 22, 2020	<p>The National Tax Number (NTN) of almost all bonded carriers is blocked by WeBOC (Web Based One Customs) as they failed to cross over to Afghanistan within the required 14 days period. The unblocking of the NTN is a lengthy process. Hence, there is a shortage of bonded carriers in the market leading to further delays and a significant hike in the freight rates for Afghan-bound cargo.<sup>77</sup></p>
9	March 29, 2020	<p>The Commercial Attaché writes to multiple authorities, including the prime minister's office, and reminds them about the commitment of PM Imran Khan to open the crossing point. He provides an account of the appalling situation of truck drivers and cleaners who have been waiting in the open air without basic facilities under the open sky for around a month. He points out discriminated attitude towards Afghan cargo as transport of goods from port to all other dry ports of Pakistan are allowed. In contrast, Afghan cargo is not allowed to the nearest crossing point of Chaman on the pretext of COVID measures. He adds that seven trucks of chicken, 53 trucks of fruits and vegetables, and 17 trucks of rice were exported to Afghanistan; however, transit trade remained on hold. He expresses concerns over accumulating demurrage and detention charges on Afghan cargo for around a month and provides a detailed breakdown of stranded containers:<sup>78</sup></p> <ul style="list-style-type: none"> <li>- 1657 transit containers stuck at Chaman crossing point</li> <li>- 351 transit containers stuck at Torkham crossing point</li> <li>- 2000 export containers from Pakistan stuck at Torkham and Chaman crossing points</li> <li>- 9500-10000 containers stuck at the Karachi port</li> </ul>
10	March 31, 2020	<p>Pakistan extends the closure of border crossing points until the 09th of April.<sup>79</sup></p>
11	March 31, 2020	<p>Pakistan agrees to allow the import of food and medicines to Afghanistan after the 09th of April.<sup>80</sup></p>

<https://www.thenews.com.pk/print/632519-pak-afghan-trade-slips-to-720-4mln-in-july-january>

<sup>76</sup> *ibid*

<sup>77</sup> *ibid*

<sup>78</sup> Letter of Commercial Attaché to multiple government departments, PM Office and Chambers of Commerce (Ref No. AFG/CA/125 Dated: March 29, 2020)

<sup>79</sup> Pakistan to Allow Imports of Food, Medicine to Afghanistan, *Tolo News*, (April 03, 2020)

<https://tolonews.com/business/pakistan-allow-imports-food-medicine-afghanistan>

<sup>80</sup> *ibid*

## Pakistan's Disruption of Afghan Transit Trade during COVID-19 Pandemic

### Analysis, Lessons-Learned & Recommendations

12	<i>March 31, 2020</i>	FBR sends a letter to different stakeholders that demurrage and detentions charges should not be charged for 15 days in addition to free days already granted by port authorities as the free time is exceeding the normal free days. <sup>81</sup>
13	<i>April 02, 2020</i>	Pakistan International Container Terminal (PICT) waives all its charges on import containers of hand sanitizers, surgical gloves, masks, and COVID testing kits. Further, it extends the demurrage free period from five days to ten days for containers arriving between the 20th of March and the 06th of April 2020 with the spirit to respond to a national crisis and sustain the logistic and trade cycle of the country. <sup>82</sup>
14	<i>April 03, 2020</i>	Model Customs Collectorate (Enforcement and Compliance) refers to letter of the 31st of March from FBR and asks all Pakistan Shipping Line Association and Pakistan Ship Agents Association not to charge any demurrage and detention charges for the period from the 25th of March, 2020 to the 16th of April, 2020 in addition to free days already allowed by shipping lines. <sup>83</sup>
15	<i>April 07, 2020</i>	Federal Board of Revenue (FBR) issues notification to customs house Karachi under the subject "Measures Required for Reactivating Transit Operations at Chaman/Torkham. The most concerning part of the instructions are: <sup>84</sup> <ul style="list-style-type: none"> <li>- 100% scanning of Afghan Transit cargo at the port of entry, including the containers which are already cleared and lying at the port and waiting for the gate out.</li> <li>- 100% scanning of transit cargo at Torkham/ Chaman</li> <li>- Compulsory use of tracking devices</li> </ul>
16	<i>April 10, 2020</i>	Torkham and Chaman crossing points re-open for trade and transit for three days in a week after weeks of closure. <sup>85</sup>
17	<i>April 15, 2020</i>	Commercial Attaché complains to Customs House Karachi about re-scanning of goods that are already cleared (and are at scanning stage), 100% scanning of goods at the port, and again 100% scanning at the crossing points and requests that only one-time scanning should be enough. <sup>86</sup>

<sup>81</sup> Letter from FBR to different stakeholders (Ref No. C. No.3(1)E&C/2017; Dated: March 31, 2020)

<sup>82</sup> Pakistan International Container Terminal circular to chambers of commerce, custom agents associations, and maritime affairs directorate (Ref # CCD0001/04/2020 dated April 02, 2020)

<sup>83</sup> Letter from Model customs collectorate to Shipping Lines Associations and Ship Agents Association (No. SI/Misc-01/2020-Lic(P)

<sup>84</sup> Letter from FBR to DG Transit Trade Customs House Karachi and other relevant directorates (No. C.No.1(13)T&BT/2013-64606R; Dated: April 07, 2020)

<sup>85</sup> Transit trade resumes at Torkham border, *Daily Times*, (April 11, 2020)

<https://dailytimes.com.pk/593462/transit-trade-resumes-at-torkham-border/>

<sup>86</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to DG transit Trade Custom House Karachi (Ref # AF/CA/129 April 15, 2020).

## Pakistan's Disruption of Afghan Transit Trade during COVID-19 Pandemic

### Analysis, Lessons-Learned & Recommendations

18	<i>April 22, 2020</i>	In order to facilitate the trade, the federal government of Pakistan has conveyed approval for extension in the existing free period from 05 working days to 15 working days for cargo/containers landing with effect from 52.03.2020 till 30.04.2020 <sup>87</sup>
19	<i>May 04, 2020</i>	The arrangements put in place for the resumption of transit trade on the 10th of April was revised. Now 100 vehicles per day would be allowed, including 50 transit vehicles and 50 vehicles of exports of Pakistani goods to Afghanistan via Torkham for five days a week. <sup>88</sup>
20	<i>May 20, 2020</i>	Commercial Attaché complains to Customs House Karachi regarding Unsettled Pending Afghan Trade Transit Issues and the most concerning parts of the complaint are: <ul style="list-style-type: none"> <li>- Shortage of tracking devices</li> <li>- Demurrages and detention</li> <li>- Scanning and examination</li> <li>- Slow movement at CHAMAN/ TORKHAM cross points</li> <li>- Amend in WEBOC</li> <li>- Excess weight <sup>89</sup></li> </ul>
21	<i>June 2, 2020</i>	Commercial Attaché follows up the complaint with the Custom House Karachi in continuation of letter AFG/CA/136 dated 20/05/2020 regarding Unsettled Afghan Trade Transit Issues, and the most concerning parts of the complaint are still: <ul style="list-style-type: none"> <li>- Shortage of tracking devices</li> <li>- Demurrages and detention</li> <li>- Scanning and examination</li> <li>- Slow movement at CHAMAN/ TORKHAM cross points</li> <li>- Amend in WEBOC</li> <li>- Excess weight <sup>90</sup></li> </ul>
22	<i>June 22, 2020</i>	Exports of Afghanistan to Pakistan resume after three months. <sup>91</sup>

<sup>87</sup> Letter from Karachi Port Trust (Traffic Department) to 1: President, Karachi Chamber of Commerce & Industry. 2: All Pakistan Customs Agents Association, Karachi. 3: All Pakistan Shipping Association, Karachi. 4: Karachi Export Procuring Zone, Karachi. 5: The Karachi Customs Agents Association. 6: Pakistan Shipping Agents Association, Karachi. 7: Secretary, Pakistan Stevedores Conference, Karachi (Ref # TR/ADMN/WVR/COM/04/2020/021 April 22, 2020).

<sup>88</sup> KP traders demand complete opening of Torkham border, *Profit News*, (May 04, 2020)

<https://profit.pakistantoday.com.pk/2020/05/04/kp-traders-demand-complete-opening-of-torkham-border/>

<sup>89</sup> Letter form Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to DG Transit Trade, Custom House, Karachi (Ref # AFG/CA/136 May 20, 2020).

<sup>90</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to 1: Director Trade Custom House Karachi. 2: President PAJCCI, Karachi. 3: President FPCCI, Karachi. 4: President KCCI, Karachi (Ref # AFG/CA/138 June 02, 2020).

<sup>91</sup> Pak-Afghan trade: 500 truckloads of goods to cross Torkham border on Monday, *Daily Times*, (June 18, 2020)

23	<i>July 2, 2020</i>	Karachi Customs Agents write to the prime minister's office and blame TPL Ltd for the delay in clearance of the goods. It asks the PM to hold the company responsible for demurrage and detention charges. <sup>92</sup>
24	<i>July 3, 2020</i>	Commercial Attaché follow up the complaint with the Custom House Karachi under letters AFG/CA/136 dated 20/05/2020 and AFG/CA/138 dated 02/06/2020 regarding Unsettled Afghan Trade Transit Issues and provides details of stranded containers: Currently, up to 7000 trade transit containers/ consignments are stuck at Karachi port. With only 3 scanners available to Karachi port, the maximum scanning capacity is 150 containers per day. Afghan importers are worried about the ensuing demurrage and container detention charges that accrue because of the slow clearance/ screening procedures and no availability of sufficient tracking devices at Karachi port. This invariably causes huge losses to traders on both sides and loss of interest in imports via Pakistan. <sup>93</sup>
25	<i>July 3, 2020</i>	Commercial Attaché sends a letter to China Overseas Porting Company (COPC) Gwadar port Pakistan due to unexplainable delays at Karachi port and pending Afghan Trade Transit issues, by the Ministry of Industry and Commerce govt. The Islamic Republic of Afghanistan, on long-standing Afghan business community requests and for generating business opportunities and employment both in Gwadar and along our highways, is considering Gwadar Port as an alternate to Karachi Port for the smooth flow of Transit Cargo to and from Afghanistan. If the Afghan Trade Transit issues remain pending/ unresolved, the private business sector of Afghanistan is very seriously considering shifting the Afghan Transit through Chabahar port. <sup>94</sup>
26	<i>July 5, 2020</i>	China Overseas Porting Company Pakistan (COPC) sends letter to Commercial Attaché thanks them for interest in considering Gwadar Port as an alternate route for Afghan Transit Trade and about letter no AFG/CA/145 dated 03/07/2020 notifies Commercial Attaché that Gwadar Port is handling both containerized and bulk volumes for Afghan Transit Trade from Jan 2020. <sup>95</sup>
27	<i>July 6, 2020</i>	In continuation of letter No AFG/CA/145 dated 03/07/2020, Commercial Attaché asks China Overseas Porting Company Pakistan (COPC) to confirm the possibility of Exports/Imports of

<https://dailytimes.com.pk/628390/pak-afghan-trade-500-truckloads-of-goods-to-cross-torkham-border-on-monday/>

<sup>92</sup> Letter from Karachi Customs Agents Association to Prime Minister Imran Khan (Ref NO: KCAA-449-/2019-2020 Dated: July 02, 2020)

<sup>93</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan to Director Transit Trade Custom House Karachi (Ref # AFG/CA/147 July 03, 2020).

<sup>94</sup> Letter form Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan to Director Transit Trade Custom House Karachi (Ref # AFG/CA/145 July 03, 2020).

<sup>95</sup> Letter from China Overseas Ports Holding Company Pakistan (Pvt) Ltd to Commercial Consular/Attaché, Consulate General of the Islamic Republic of Afghanistan in Karachi (Ref # COPHC/2020/13, July 05, 2020).

		good/Consignment between Afghanistan and India via Gwadar port to Commercial Attaché Office through an official letter and notification. <sup>96</sup>
28	July 6, 2020	Commercial Attaché sends letter to Mr. Atif Mashal, Ambassador of the Islamic Republic Of Afghanistan requesting his support for the pending Afghan Transit Trade issues and provides the details as follow:  Despite all the Commercial Attaché efforts, the Afghan Transit Trade issue is still in vain. Afghan traders are under unnecessary demurrage and detentions charges for no fault of their end, which is unjust on their part. Sometimes, Karachi authorities escaped from the issues by saying they could only consider the request if instructed; therefore, it is suggested to please tackle the above issues with iron hands by raising these issues on The Presidential Level of both States. <sup>97</sup>
29	July 7, 2020	Commercial Attaché sends a reminder to Trade Transit Custom House Karachi about pending Afghan Transit Trade issues under letter # AFG/CA/147 dated 03/07/2020, AFG/CA/136 dated 20/05/2020, AFG/CA/138 dated 2/6/2020 and asks Trade Transit House Karachi to rectify and solve the matters by initiating a complete inquiry of shortage of Tracking Devices to the Commercial Attaché office of the Consulate General of the Islamic Republic of Afghanistan in Karachi and release transit cargo from Karachi ports with special relaxation/favor in this time of crisis because the Afghan traders are still in a grave situation. <sup>98</sup>
30	July 7, 2020	Commercial Attaché sends letter to Mr. Atif Mashal, Ambassador of the Islamic Republic Of Afghanistan requesting him to arrange a meeting with Chairman FBR Islamabad, the Ministry of Commerce and Industry of Pakistan, and the Ministry of Maritime Islamabad so that Afghan traders could discuss with higher authorities because Afghan Trade Transit issues are still in vain. <sup>99</sup>
31	July 9, 2020	China Overseas Porting Company Pakistan (COPC), in a letter to Commercial Attaché, confirms the possibility of Import/Export of goods/consignment between Afghanistan and India via

<sup>96</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the Chairman, C.O.P.H.C., Karachi (Ref # AFG/CA/149, July 06, 2020).

<sup>97</sup> Letter form Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the Ambassador of the Islamic Republic of Afghanistan, Islamabad (Ref # AFG/CA/148, July 06, 2020).

<sup>98</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to DG Transit Trade, Custom House, Karachi (Ref # AFG/CA/151, July 07, 2020).

<sup>99</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the Ambassador of the Islamic Republic of Afghanistan, Islamabad (Ref # AFG/CA/154 July 07, 2020).

		Gwadar port and assure the Commercial Attaché that there is no restriction from the government of Pakistan for transit trade between Afghanistan and Pakistan via Gwadar Port. <sup>100</sup>
32	July 13, 2020	Commercial Attaché shares its concerns with the Office of Special Assistant to Chief Minister on Industry & Commerce, K.P. regarding the collection of illegal extortion from Afghan Transit Trade Consignment & Afghan transporters in Bara Frontier Road, Peshawar by irresponsible people led by Shaker Afridi under the name of Khyber Trailer-Drivers and workers union. Also, Commercial Attaché requests the SACMIC, K.P. to take actions against mentioned illegal extortion and abolish the mafia band which has been extorting from Afghan Transit Trade Consignment/Containers & transporters under the name of Khyber Trailer-Drivers and workers union in Bara Frontier Road, Peshawar. <sup>101</sup>
33	July 13, 2020	Director Transit Trade Customs House Peshawar to Director General Transit Trade Customs House Karachi and provides a detailed account of underlying problems including pile-up of cargo, exploitation by local transport mafia, and other relevant issues. He requests a relaxation of COVID- 19 related SOPs for a period of three weeks that would help clearance of Afghan transit cargo a great deal. <sup>102</sup>
34	July 17, 2020	Office of Commercial Attaché in Karachi writes a letter to the Embassy of Afghanistan in Islamabad. It informs them that the representative of transit and member of the board of directors of joint Chamber of Commerce and Industries of Afghanistan and Pakistan and members of the Afghan businessman would like to have a meeting with advisor to Prime Minister for Commerce and other relevant authorities of the Ministry of Commerce of the Islamic Republic of Pakistan regarding the problems created in transit, and asking them to arrange the above meetings. <sup>103</sup>
35	July 21, 2020	Commercial Attaché shares the grievance of Afghan Importers with Transit Trade Custom House Karachi that their consignments have been pending since April 2020 at Karachi port due to non-availability/shortage of tracking Devices; their consignments are getting extra Demurrages and Charges. They request the Transit Trade Custom House Karachi to provide TPL Devices for Afghan Transit Trade. <sup>104</sup>

<sup>100</sup> Letter from China Overseas Ports Holding Company Pakistan (Pvt) Ltd to the Commercial Consular/Attaché, Consulate General of the Islamic Republic of Afghanistan in Karachi (Ref # COPHC/2020/014 July 09, 2020).

<sup>101</sup> Letter form Directorate of Transit Trade Custom House, Peshawar to the DG Transit Trade, Custom House, Karachi (Ref # 05-01/DTP/2013/Pt-II/16 July 13, 2020).

<sup>102</sup> Letter from Director Transit Trade Customs House Peshawar to Director General Transit Trade Customs House Karachi (No: C.No.05-01/DTP/2013/Pt-II/16 Dated: July 13, 2020)

<sup>103</sup> Letter form Embassy of the Islamic Republic of Afghanistan Islamabad to the Ministry of Foreign Affairs to the Islamic Republic of Pakistan Islamabad (Ref # PROTOCOL-914/10, July 17, 2020).

<sup>104</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to DG Transit Trade, Custom House, Karachi (Ref # AFG/CA/162 July 21, 2020).

## Pakistan's Disruption of Afghan Transit Trade during COVID-19 Pandemic

### Analysis, Lessons-Learned & Recommendations

36	<i>July 22, 2020</i>	Commercial Attaché follows up with the Transit Trade House Karachi regarding the pending consignments at Karachi Port & Shortage of Tracking Devices. It requests them to instruct the TPL company to provide tracking Devices for Afghan Transit Trade ASAP. <sup>105</sup>
37	<i>July 23, 2020</i>	Commercial Attaché requests Transit Trade Custom House Karachi to issue Tracking Devices to the consignee supplying goods for NGOs, namely Human Resources development agency (HRDA), because the said cargo is meant to be distributed noncommercial relief cargo and has to be distributed to needy people before Eid ul Adha. <sup>106</sup>
38	<i>July 28, 2020</i>	Commercial Attaché follows up the following letters AFG/CA/147 dated 03/07/2020 AFG/CA/136 dated 20/05/2020 AFG/CA/138 dated 2/6/2020 AFG/CA/151 dated 7/7/2020 regarding pending Afghan Transit Trade Issues & shortage of tracking Devices with the Transit Trade Custom House Karachi requesting them to take actions. <sup>107</sup>
39	<i>July 29, 2020</i>	Commercial Attaché Shares concerns of an Afghan Importer with Transit Trade Custom House Karachi requesting them to release his containers because the stuck containers are carrying sugar that can be badly affected due to moister and the consignments are stuck at Karachi port due to shortage of Tracking Devices with no fault of the Importer end. <sup>108</sup>
40	<i>August 12, 2020</i>	Commercial Attaché Shares concerns of one of the leading importers of Afghanistan with the Transit Trade Custom House Karachi. Due to the shortage of Tracking Devices, the consignment is getting late. At the same time, the goods in Transit are highly required in Afghanistan and are Noncommercial. <sup>109</sup>
41	<i>August 18, 2020</i>	Commercial Attache writes the following suggestions on Afghan Transit Trade to Trade Transit Custom House Karachi. <ul style="list-style-type: none"> <li>- The Scanning of Afghan Transit Cargo should be 20% instead of 100%.</li> <li>- The examination of Afghan Transit Containers should not be more than 5%.</li> <li>- Afghan Transit should be exempt 100% from Demurrages and detention charges during the global economic crisis due to COVID-19.</li> <li>- Detention charges on Afghan Transit Cargo Containers should charge equally without any discrimination.</li> </ul>

<sup>105</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the DG Transit Trade, Custom House, Karachi (Ref # AFG/CA/163, July 22, 2020).

<sup>106</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the DG Transit Trade, Custom House, Karachi (Ref # AFG/CA/264, July 23, 2020).

<sup>107</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the DG Transit Trade, Custom House, Karachi (Ref # AFG/Ca/164, July 28, 2020).

<sup>108</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the DG Transit Trade, Custom House, Karachi (Ref # AFG/CA/166, July 29, 2020).

<sup>109</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the DG Transit Trade, Custom House, Karachi (Ref # AFG/CA/166, August 12, 2020).

		<ul style="list-style-type: none"> <li>- Insurance guarantee should be accepted instead of Containers Deposit Pay Order.</li> <li>- TPL Tracking Devices Providers should release unlimited Tracking Devices to avoid further huge Demurrages and detention charges by Afghan Traders. The flow of the Afghan Transit should also run smoothly.</li> <li>- The negative list order on Afghan Transit Trade on Immediate base should be terminated.<sup>110</sup></li> </ul>
42	<i>August 23, 2020</i>	Commercial Attaché shares concerns of an Afghan Importer with Transit Trade House Karachi requests them to provide him TPL Devices as his consignments are stuck for a very long time, and his Cargo delivery agreement is about to expire. <sup>111</sup>
43	<i>August 27, 2020</i>	Ministry of Foreign Affairs of the Islamic Republic of Pakistan informs Commercial Attaché regarding their letter No. AFG/CA/174 dated 23.08.2020 directly to Prime Minister's Standing Committee and instruct them that all communication should be routed through the Ministry of Foreign Affairs of the Islamic Republic of Pakistan. <sup>112</sup>
44	<i>September 07, 2020</i>	Around 9000 Afghanistan-bound transit containers are still stuck at Karachi port. <sup>113</sup>

<sup>110</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the DG Transit Trade (Custom), Karachi (Ref # AFG/CA/170, August 18, 2020).

<sup>111</sup> Letter from Commercial Attaché Office, Consulate General of Islamic Republic of Afghanistan, Karachi to the Standing Committee of Prime Minister of the Islamic Republic of Pakistan, Delegation of Afghan Transit Issues National Assembly of Islamabad (Ref # AFG/CA.174, August 23, 2020).

<sup>112</sup> Letter from Ministry of Foreign Affairs of Pakistan, Islamabad to the Embassy of the Islamic Republic of Afghanistan Islamabad (Ref # Afg(II)-4/1/1010, August 27, 2020).

<sup>113</sup> Border Delays Risk Pakistan's Trade Surplus, *The Bloomberg* (September 07, 2020)

<https://www.bloomberquint.com/onweb/border-delays-risk-pakistan-s-trade-surplus-with-afghanistan>



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