

Afghanistan's Trade Routes

By Mariam Nawabi



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Afghanistan's location as a hub between Central and South Asia and the Middle East and Far East presents enormous opportunities for the country to serve as a hub for regional trade and commerce. Afghanistan lies across ancient trade routes and can now once again reclaim its historic role. Now that political stability is being achieved, institutions are being rebuilt, and infrastructure is being developed, private sector activity is increasing and will lead to positive changes not only for Afghanistan, but for the region.

Regional Land Routes

Since Afghanistan is a "land bridge" between many countries, the main trade routes are highways and roads that link various areas of the country with neighboring states. The main highway artery running through Afghanistan is the "ring" highway. This road links Kabul to Kandahar in the south, which links to Herat in the west, to Mazar-e-Sharif in the north, and then back to Kabul. The first paving of the Kabul to Kandahar road was completed by USAID in December 2003 and multilateral plans to rehabilitate and complete the ring road include Japan, the Asian Development Bank, Saudi Arabia, and Iran.

Roads, bridges and barge services link northern Afghanistan to the Central Asian republics. The Turkmenistan border has two major crossing points at Torghundi and Aquina. The major border crossing with Uzbekistan is at Hairatan and Sher Khan Bandar with Tajikistan. As roads and bridges are being rebuilt or constructed between Afghanistan and its Central Asian neighbors, these trade routes will become more accessible and attractive and will serve to make Afghanistan a stronger hub between central and south Asia.

In the south and east, roads link the country to Pakistan, which has the greatest volume of trade with Afghanistan. Pakistan is an important transit route for Afghanistan not only because of bilateral trade relations between the country and the longest shared border, but also due to the presence of ports in Pakistan that are used to transit goods for import to and export out of Afghanistan.

A commonly used trading route between Afghanistan and Pakistan is the Kabul to Peshawar highway. Major crossing points in Afghanistan to Pakistan include Torkham, Nowapass,

Marawara and Barikot. The largest official trade crossing in the south to Pakistan is at Chaman in Kandahar province.

Another important trade route for Afghanistan is through Iran, which shares the second longest border with Afghanistan. The official crossing border point is Dougharoun on the Iranian side and Islam Qaleh on the Afghan side. The Iranian customs point is located in the vicinity of the Taibad border town, about 150 km east of Herat.

Ports and Rivers

Under a bilateral treaty signed by Afghanistan and Pakistan in 1965, the Afghan Trade Transit Agreement (ATTA), goods transiting through the Pakistani port of Karachi for import or export in Afghanistan are exempt from Pakistani duties or customs tariffs. In addition, the charges for rail or transport of the goods are required to be the same as those charged for goods destined for Pakistan.

During the past twenty years, Pakistan created a list of goods exempt from the ATTA, which reached 24 exempted goods at one time. However, as a result of negotiations with Afghanistan on the issue in 2003, the list has been reduced to four items. Although Pakistan remains in violation of the ATTA due to charging customs tariffs on these four goods, bilateral trade relations between the two countries have improved and with greater customs checkpoints on the border between the two countries, the list will hopefully be eliminated.

There are two ports in Iran that are utilized to transit goods to and from Afghanistan – Bandar Abbas and Chabahar. Afghanistan concluded a transit agreement for Bandar Abbas in 1974 and concluded the transit agreement for Chabahar in 2003. Access to either port from Afghanistan is either through vehicle transport from Herat to Mashad and then rail from Mashad to these ports or through direct vehicle transport. These ports link Afghanistan to the Arabian Sea, providing an opportunity to transport goods internationally by ship.

In order to improve transit traffic, Afghanistan is making efforts to procure better facilities such as port, warehousing, transit forwarding and trucking operations. These improvements will allow for even greater volumes of trade and quicker shipping times.

Although most rivers are not passable by barge, the Amu Darya (Oxus) River, which forms part of Afghanistan's border with Turkmenistan, Uzbekistan and Tajikistan, does have barge traffic. The U.S., in conjunction with the Afghan and Tajik governments, is currently exploring the feasibility of rebuilding the bridge link over the Amu Darya. The reconstruction of this infrastructure will allow for the expansion of trade routes in the north.

Air Transport

Air transportation is becoming a more viable trade route since the cost of air cargo has become more competitive. Ariana Airlines, Afghanistan's state-owned airline, offers passenger and cargo service between Kabul and many international destinations such as Dubai, New Delhi, Frankfurt, Istanbul, Moscow and Peshawar. Ariana also offers domestic air transport and cargo between Kabul and several cities in Afghanistan, including Herat, Mazar-e-Sharif, and Kandahar.

There are airports in Kabul and Kandahar, as well as small airports in most provinces. Currently, the airports in Kabul and Kandahar are undergoing renovation and improvement and plans are underway to improve communication and landing facilities at many of the small airports across the country.

Internationally-recognized companies, such as FedEx and DHL, now offer service to Afghanistan. Smaller air carriers have also started or are planning operations to offer air cargo and passenger service within the region. The expansion of air routes will allow trade and commerce from Afghanistan to extend to the Middle East and Far East and will make Afghanistan an even more attractive trading partner.

Trade Agreements with Neighboring Countries

Not only is the physical infrastructure needed to trade with its neighbors, including roads, bridges and airports, being constructed or improved, but the legal framework within which freer trade can take place is being developed. In the past two years, Afghanistan has negotiated several trade agreements with its neighbors, as well as with its major trading partners.

Two trade agreements and a Technical Assistance Memorandum of Understanding were signed with the Islamic Republic of Iran. A Trade and Transit Agreement was also entered into with the Chabahar Free Zone Authority, allowing goods destined for import to and export from Afghanistan through this port to receive a 90% discount on Iranian customs duties or tariffs and allowing 20% of warehouse space to be allocated for goods transiting to Afghanistan. This can be increased to 30% in the future and Afghanistan will have the opportunity to build its own quay in this port.

In addition, a trilateral Trade and Transit Agreement was signed with the Islamic Republic of Iran and the Republic of India, enabling improved trade relations between India, Afghanistan and Iran. This will allow Afghanistan to offer alternatives to the Karachi port access point.

Moreover, a Trade, Transit, and Railroad Memorandum of Understanding was signed with the Republic of Uzbekistan, allowing for more attractive access through a northern entry and exit point.

Trade Agreements with Major Trading Partners:

In addition to agreements with neighboring countries, Afghanistan entered into a Trade, Transit, Investment, and Technical Support Agreement with the Republic of Turkey and a Preferential Trade Agreement with the Republic of India.

Afghanistan obtained GSP status from the United States, ESP status from the European Union and LDC status from Japan. GSP was obtained from the Czech Republic and a Memorandum of Understanding for a Textile LDC was signed with the Government of Canada.

Furthermore, Afghanistan signed the ECO Trade Agreement (ECOTA) and received observer status from World Trade Organization (WTO).

Conclusion

All of these trade-related achievements in the past two years are enormous given that Afghanistan is still in a post-conflict period. Progress made to strengthen trade routes with neighboring countries through infrastructure and legal agreements will lead to better regional trade relationships and will allow private sector development to increase. It is such private sector development that will pave the road towards stability and sustainable economy recovery in Afghanistan and which will lead to greater regional trade and commerce.