

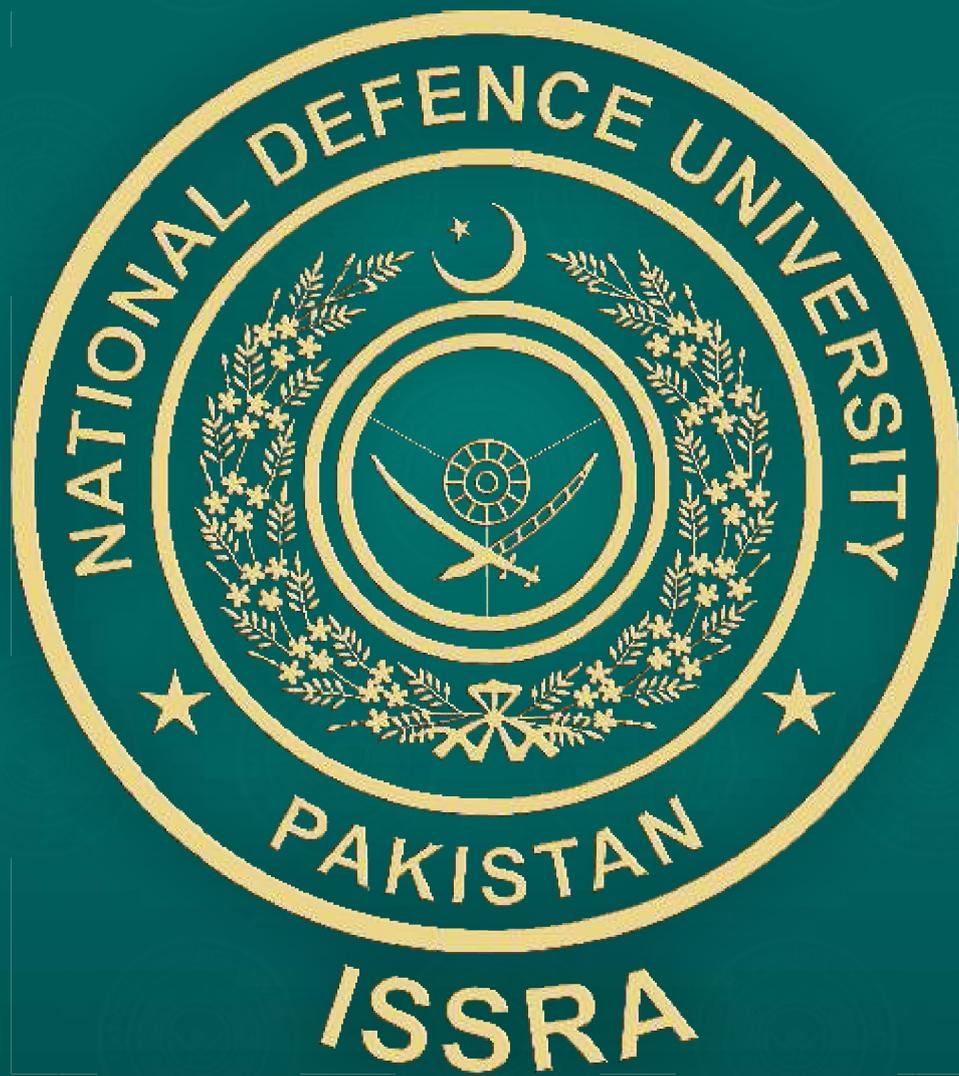


*“Trade and Connectivity:  
Western Neighbourhood Of Pakistan”*

**INTERNATIONAL SEMINAR**

**24 - 25 January 2023**





## CONCEPT NOTE

Pakistan's location at the confluence of the ancient Silk Route lends the country with a unique significance amidst the evolving multipolar global environment, especially as a hub for connecting important economic and resource-rich regions. Historical, ethnic, and religious ties to Pakistan's immediate west create opportunities that have not been fully explored. From its very inception in 1947, Pakistan was dubbed as part of the subcontinent ruled by the British and thus part of India that was “partitioned”. Before the emergence of Pakistan and India as two Dominions, there was in fact neither a state of Pakistan nor a state of India. Professor Ahmad Hasan Dani has argued that the greatest influence on Pakistan was neither the Hindu South nor the Arab West but Central Asia, in its Buddhist, Persian and later Sufi guises. Pakistan's genuine cultural, historical, and commercial orientation is towards its West.

Strategic developments in Pakistan's neighbourhood have consumed most of its resources to peace and security in its efforts to maintain a balance of power in the region. Pakistan can neither insulate itself from the impact of major power competition nor ignore to focus on building economic relations with new partners that it shares cultural affinity.

Pakistan's geo-economic pivot in National Security Policy 2022-2026 is focused on enhancing trade and economic ties through connectivity that links Central Asia to the warm waters. Under 'Vision Central Asia', Pakistan is working towards actualising agreements on energy and trade with the Central Asian Republics. It offers shortest route to the sea for all landlocked countries of Central Asia alongside the Western China and connectivity through Karachi port, Port Qasim, and Gwadar port along the Arabian Sea. Central Asian countries, and Pakistan are also important partners in their shared objectives of peace and stability in Afghanistan. Pakistan is committed to reimagining its partnerships with Iran and Turkey.

Pakistan is a multiregional country. Its membership in regional organisations such as ECO (Economic Cooperation Organisation) and SCO (Shanghai Cooperation Organization) offer opportunities and avenues for sustainable economic development of member states among the Central Asian states, Pakistan, Iran and Turkey. Regional cooperation under ECO has brought CARs closer to its founding members i.e. Pakistan, Iran and Turkey. The SCO is fast emerging as an influential organization. The Samarkand Declaration and various other agreements at the SCO Summit 2022 in Uzbekistan in September lay particular emphasis on regional cooperation, peace, and security.

To keep the conversation going on how to find ways to diversify Pakistan's foreign policy choices (geo-economics component) and expand its outreach toward its Western neighbourhood, a seminar has been arranged to brainstorm / understand complexity and dynamics of changing world and its impact on regional trade & transit potential with focus on land route connectivity. What immediate, short term and long-term policy decisions and measures Pakistan needs to take and position itself to enhance trade and economic ties.

# Trade and Connectivity: Western Neighbourhood of Pakistan

## Inaugural Session



### Welcome Remarks

**Maj Gen Muhammad Raza Aizad, Director General, Institute for Strategic Studies, Research and Analysis (ISSRA) NDU**

### Key Takeaways

- Pakistan's location at the crossroads of historic confluence and regional flash points provides unique opportunities amidst global competition for power.
- Thus Pakistan's National Security Policy 2022-2026 accords special priority to trade, investment and connectivity.
- In our region where the present government in Afghanistan is still to be recognized and Iran is under US sanctions, Pakistan must create its own paradigm of regional trade and connectivity instead of being hostage to a regional paradigm as a result of great power contestation.
- While recognizing the challenges, we must find ways and means to construct the regional paradigm of economic cooperation based on the principles of mutual interest and geo-economic potential.



## Keynote Speech

**Dr. Moeed Yusuf, former National Security Advisor to the Prime Minister**

### Key Takeaways

- Pakistan has used its geostrategic relevance in the region to build partnerships that created handsome inflows and revenues to build its economy. The geo-political and geo-strategic environment has changed. Pakistan must change accordingly.
- The only option in a transient world of major power contestation is to come together through connectivity, interdependence and partnerships.
- The National Security Policy of Pakistan 2022-2026 visualizes Pakistan's geo-economic advantage with three pillars: Connectivity, Partnerships, Peace with in and around Pakistan to create economic interdependence with its neighbours in its western neighbourhood: Iran, Turkiye, Afghanistan and Central Asia.
- Geography poses a far greater challenge to connectivity. Afghanistan is isolated, Iran is under sanctions, Pakistan's relations with China are under scrutiny by the West, and with India's ideological mindset, relations are unlikely to improve.
- So Pakistan's entire attention should be on its Western Corridor. Economic cooperation and investment with Central Asian Republics, Iran, Turkiye and Afghanistan is absolutely critical. Once this Corridor opens, a whole host of avenues and opportunities will open up. The key word is interdependence



# Trade and Connectivity in Contemporary Geo Strategic Environment

## CONCLUSIONS

- Pakistan has to create its own paradigm within the rapidly changing international environment and great power competition. The country cannot afford to enter into transactional partnerships once again. It must weigh its options very carefully and create its own narrative for regional trade and connectivity.
- It would not be easy to change Pakistan's direction from geo-strategy to geo-economics: two neighbours on its West are under sanctions, China is seen as a rival by the West. Despite these challenges Pakistan should have a clear strategic priority to build and strengthen political, trade and commercial connectivity with its neighbours to the West.
- Central Asia, Iran, Turkiye and Afghanistan present enormous opportunities for Pakistan to realize its vision of geo-economic connectivity as envisaged in the National Security Policy 2022-2026.
- Multiple efforts are being made by the Ministries concerned particularly the Ministry for Trade and Commerce, and the public and the private sectors to address procedural issues, choke points, border-customs regulations, lack of information and above all lack of appropriate framework agreements. These efforts need constant attention, policy directions and coordination among line ministries and departments.
- The role of private sector is of immense importance. Economic gains coupled with national interest and projection of narrative needs serious consideration. Pakistan's business community is enthusiastic about exploring trade and connectivity opportunities and avenues with Central Asia and other countries to the West. Instead of depending on official support processes, the private sector has to come out of its comfort zone to create niche markets for its exports.
- Imaginative ways and measures are required to take advantage of the immense opportunities and possibilities for trade and connectivity such as border markets, commodity trade (electricity, gas), and barter trade, use of local currency or third currency other than dollars.
- Lack of information about the potential for regional trade and connectivity is a major issue that needs to be addressed through campaigns for public awareness, road shows, single or multi-country exhibitions particularly within the business circles in Pakistan.

# Trade and Connectivity in Contemporary Geo Strategic Environment

## Session I



**H.E. Mr. Mehmet Paçacı**  
Ambassador of Türkiye



**Amb Asif Durrani**  
Moderator



**H.E. Seyed Mohammad Ali Hosseini**  
Ambassador of Iran



**Professor Murat Ustaoglu**  
Professor of Economics, Istanbul University



**Mr. Ahsan Ali Mangi**  
Additional Secretary, Ministry of Commerce



## SCOPE OF DISCUSSION

- Contemporary Geo Strategic Environment, (Major Power interest)
- Importance of Regional Trade and Connectivity (Air, Road and Railways)
- Existing Mechanisms, Frame works and Trade volumes
- Opportunities and Challenges

## Perspective from Pakistan



**Mr Ahsan Ali Mangi**

Additional Secretary, Ministry of Commerce

### Key Takeaways

- The Geo-economic vision is to make Pakistan a trade, transit and trans-shipment hub with secure, open, reliable and efficient routes and borders, as well as to ensure connectivity with Afghanistan, Iran and beyond.
- Ministry of Commerce is focusing on Central Asian countries through Transit Trade & Transport Agreements, transit to Uzbekistan through Afghanistan, to Azerbaijan and Russia through Iran.
- It has made logistics and freight handling improvements at sea ports and borders, introduced Barter trade SRO and a module under Pakistan Single Window, TIR implementation and rationalization as well as banking cooperation including MOUs/Currency Swap Agreements/banking relationships.
- Pakistan's bilateral trade with CARs and Azerbaijan in 2021-22 was \$107.45 million. Our trade with Iran, Russia, Belarus, Turkiye and Afghanistan was \$801.6 million.
- Pakistan has signed ECO-TTFA, QTTA, UN conventions for international transport TIR (in 2015), CMR (road) and COTIF (rail). Pakistan's National Authorization Committee issued 14 Licenses in 2021, five licenses in 2022 and two license requests are in process, (global average is 360 licenses per country). Among the ECO countries, Iran issued 125,604 TIR Carnets in 2021, despite being under sanctions.
- In August 2021, Pakistan delivered mangos to Moscow in only 7 days in the first TIR Transport (the transit time was reduced by up to 75% as compared to maritime route). Under TIR it is 25% faster from Karachi to Tashkent through Afghanistan, and 80% faster to Turkiye via Iran and, 15% more cost efficient compared to sea transport.
- Measures to be taken by Pakistan and countries of the region include: Implementation of 'National Freight and Logistics Policy'; upgradation of infrastructure, processes and regulations to implement transit trade functions for CIS countries; Rail-Upgradation & connectivity with Gwadar port and SEZs; Implementation of international transport conventions: TIR, CMR, ADR, Temp Imp of commercial vehicles etc; Implementation of multilateral agreements: ECO-TTFA and QTTA; finalizing PTAs/FTAs, transport and transit trade agreements with regional countries; and Improving systems at trade (sea, air, land) border ports, warehousing and cold storage.

## Perspective from Iran



**H.E. Seyed Mohammad Ali Hosseini**  
Ambassador of Iran

### Key Takeaways

- Iran's membership of SCO and signing of FTA with Eurasia Economic Union is a practical manifestation of the fact that Iran is a main gate to Central Asia and onwards to Russia and Europe.
- Iran and Pakistan have a common goal for regional trade, cooperation and connectivity. Priority should be given to improving the existing capacities such as customs formalities, customs terminals, customs data as well as road safety and remove bottlenecks in bilateral trade.
- The best trade route should be based on certain criteria such as length, security, existing infrastructure at the borders and ports and efficiency of fuel etc. Iran has one of the best road and railway networks. Pakistan can benefit from the rail and road networks Iran has already built.
- The North-South Corridor is another important trade link between Asia and Europe. It is short in distance and time and connects Central Asia to waters in the Persian Gulf. Due to its proximity with Pakistan's railway links, it can serve as another connection between Pakistan and Central Asia.
- The ECO and SCO membership of countries in the region lends them the capacity to sign Free trade agreements, remove customs barriers and implement a new transit route on a trial basis..



## Perspective from Turkiye



**H.E. Mr. Mehmet Paçacı**  
Ambassador of Turkiye



**Professor Murat Ustaoglu**  
Prof of Economics, Istanbul University

### Key Takeaways

- Connectivity is an important factor for trade. It presents both opportunities and challenges as each country is witnessing change that in turn underlines importance of working together.
- Turkiye is a bridge between two continents-Europe and Asia. As an Asian nation, Turkiye has launched 1000 projects to strengthen partnerships and cooperation ranging from trade, economy, transport, culture etc.
- The Middle Corridor is an important infrastructure project to revive the ancient Silk Route. It connects Europe to China through Central Asia and connects to BRI of which Pakistan is a prominent part. The Caravanserai project also aims to revive the Silk Route by focusing on cooperation among the customs authorities.
- Turkiye and Pakistan enjoy special relations. A Preferential Trade Agreement signed in 2022 has encouraged bilateral trade crossing \$1 billion and will take it to \$1.5 billion soon. Pakistan can increase its exports to Turkiye to \$1.2 billion considering the potential trade opportunities.
- A direct marine transportation line or a secure land transportation between countries would be decisive in the future of bilateral trade.
- Regional connectivity can be enhanced by operationalizing mechanisms under ECO. Intra ECO trade should be given particular attention.
- Connectivity is strongly related to security challenges in the region that need to be addressed. Afghanistan is the Heart of Asia. Without Afghanistan, this region cannot achieve connectivity. For the sake of the people of Afghanistan, Turkiye maintains practical engagement with Afghanistan. It supports initiatives for connectivity of Afghanistan with the surrounding region through transportation projects.

# Trade and Connectivity in Contemporary Geo Strategic Environment

## Session II



**Amb Naghmana Hashmi**  
Moderator



**H.E Mr. Atadjan Movlamov**  
Ambassador of Turkmenistan



**H.E. Mr. Khazar Farhadov**  
Ambassador of Azerbaijan



**H.E Mr. Yerzhan Kistafin**  
Ambassador of Kazakhstan



**Professor Naghi Ahmadov**  
Advisor CAIR, Baku



**Dr. Farouq Azam**  
Senior Advisor to Ministry of Energy & Water



## Perspective from Central Asia



**H.E. Mr. Atadjan Movlamov**  
Ambassador of Turkmenistan

### Key Takeaways

- Turkmenistan considers development of cooperation in the transport and energy sectors as one of the most important priorities of its foreign policy. Several major infrastructure projects, launched by Turkmenistan in recent years, open up great prospects for regional cooperation.
- The important tasks for the future should be effective integration of regional connectivity, using existing advantages in the formation of new transport and transit corridors and energy routes.
- Turkmen-Afghan relations are a vivid example of how a neutral country can actively contribute to stability and development in the region. Turkmenistan is contributing to building lasting peace through economic and humanitarian assistance, engaging Afghanistan in regional projects and participating in international initiatives to rebuild Afghanistan, in particular under the RECCA (Regional Economic Cooperation Conference on Afghanistan).
- Turkmenistan offers Pakistan huge support in energy, electricity and communication sectors. Special role is attached to construction of TAPI that will bring direct and indirect social, economic, political and environmental benefits to the entire region.
- Turkmen-Pakistan dialogue has acquired a new content and is developing successfully due to the huge potential and mutual willingness to build mutually beneficial ties.



## Perspective from Central Asia



**H.E. Mr. Khazar Farhadov**  
Ambassador of Azerbaijan



**Prof Naghi Ahmadov, Advisor**  
Centre of Analysis of International Relations, Baku

### Key Takeaways

- There is a unique relation between Azerbaijan and Pakistan. Pakistan supported Azerbaijan at the time of its independence. Undoubtedly, our political relations with Pakistan are at the highest level but economic relations lag far behind. It is economic relations that serve as a base and enabler for other priority areas of cooperation.
- Azerbaijan invests millions of dollars in infrastructural projects for establishing connections with neighbouring countries. Connectivity and trilateral cooperation between Pakistan-Türkiye-Azerbaijan will further strengthen bonds among the three countries.
- Bilateral trade with Pakistan has doubled last year in just ten months. As a good will gesture, Pakistani rice was exempted from import tariffs last year.
- There is need for direct flights and simplification of the visa regime between the two countries to facilitate trade and connectivity.
- The Middle Corridor is a new multi model transnational international transport route that extends from the Chinese-Kazakh border to Europe with rail, road and sea connections. This initiative creates a natural synergy with China's Belt and Road Initiative (BRI).



## Perspective from Central Asia



**H.E Mr. Yerzhan Kistafin**  
Ambassador of Kazakhstan

### Key Takeaways

- For Kazakhstan, the world's largest landlocked country, connectivity is critical. Kazakhstan and Pakistan can complement each other as regional hubs. Kazakhstan can get access to warm waters through Pakistan and Pakistan can gain access to Central Asian, Eurasian and European markets through Kazakhstan.
- There are three issues for business promotion: 1. Connectivity, 2. Visa agreements, and 3. Banking Channels. Pakistan and Kazakhstan have through collaboration addressed these issues.
- Business connectivity gets a boost through bilateral visits. Private sector in Pakistan still depends on the government. The Azerbaijan embassy has organised several visits and single country exhibitions to explore business opportunities. At first, the response from private sector was lukewarm but now Pakistan's business community is becoming more active in exploring markets in Azerbaijan.
- Once bilateral connectivity becomes strong, a regional approach can then create friendly environment for the business community. Kazakhstan will always be a supporter of regional connectivity and cooperation. Once we connect, the sky is the limit.
- Afghanistan can and should be engaged in regional cooperation.

## Perspective from Afghanistan



**Dr. Farouq Azam**  
Senior Advisor to Ministry of Energy & Water

### Key Takeaways

- Afghanistan has been a buffer zone for nearly two hundred years disconnecting South Asia from Central Asia due to the Great Game. Now the situation is different. Afghanistan can play a greater role in connectivity. Geographically Afghanistan is the heart of Asia rich in mineral worth \$ 3 trillion.

- History and ground realities have shown that the destiny of Pakistan and Afghanistan are intertwined and they must work together. Cooperation with Pakistan is vital for Afghanistan. We should also address shared security issues.
- Afghanistan and Pakistan need to devote their energy to cooperate in moving forward. Afghanistan is peaceful with a strong central government. Peace offers opportunities for Pakistan to focus on its geo-economic vision. It is especially important for Pakistan to reach Central Asia via Afghanistan and it is in the interest of Afghanistan to connect South Asia with Central Asia. CPEC via Afghanistan will boost economies of both Afghanistan and Pakistan and transit trade to Europe.
- Regional cooperation will boost socio-economic development of the region and the Gwadar Seaport will bring tangible benefits for Pakistan.
- The Wakhan corridor is vital for connectivity, but there are several other routes through which Pakistan can connect with Central Asia, especially Turkmenistan and Tajikistan.
- As the gas and fuel resources are mainly from Turkmenistan, it should be a priority for Pakistan and Afghanistan to construct the TAPI gas pipeline on their territories first.



# Trade and Connectivity: Western Neighbourhood of Pakistan Strategy and Framework

## RoundTable Inaugural Session



**Ambassador Khusrav NOZIRI**  
Secretary General ECO



**Maj Gen Farrukh Shahzad Rao**  
DG NLC



**Maj Gen M. Raza Aizad**  
DG ISSRA





## **Keynote Message by Secretary General ECO**

Ambassador Khusrav NOZIRI

### Key Takeaways

- Connectivity is integral for enhancing trade with sustainable economic development across a region. Currently, the ECO countries have gained remarkable progress in connectivity and trade. A number of projects and programmes have been implemented to enhance economic integration of states, in areas of road, maritime, aviation and customs.
- ECO has tackled major challenges in the operationalization of ITI (Islamabad-Tehran-Istanbul) rail and road corridor. On other routes, there are certain sustainability challenges that need to be addressed such as reconstruction and rehabilitation of Kuwait railway, development and extension of services to Europe, Russia, China and Afghanistan, regularization of trade services to attract more customers and build trust, promotion of regularized shipments for safety and security, assurance of customs facilitation and commercialization and marketing power.
- It is important to focus on sustainable transport and connectivity and outline the prerequisites for a sustainable and exclusive connectivity for trade and planning in the future. ECO shall continue to support Pakistan in its efforts for regional integration and enhancement of sustainable development



## **Maj Gen Farrukh Shahzad Rao**

DG NLC

### Key Takeaways

- Considering the current geopolitical and geo-economic environment, there could not be a more opportune time for opening our land borders and enhancing trade.
- NLC, being the largest logistics organization is playing its role in enhancing regional trade with neighbouring countries. Currently NLC transports 65% of national food and oil requirement of Pakistan.
- In terms of TIR operations, the NLC currently transits from Pakistan to Turkey and Azerbaijan, while passing through Iran. However, Afghanistan is not being approached as of now. Currently, it takes 8

days to reach Ankara from Karachi by road as compared to 21 days via sea routes. NLC plans to extend TIR operations in other Central Asian states such as Kazakhstan and Uzbekistan in 2023.

- The organization is also planning to expand its operations at Port Qasim in order to offer End-to-End (E2E) services to partner countries.
- The amount of cargo that NLC has been dealing with, would substantially increase from 600-800 trucks to 3000-4000 trucks every day.



# Trade and Connectivity: Western Neighbourhood of Pakistan Strategy and Framework

## CONCLUSIONS

- Pakistan's location makes it a principal gateway for Central Asian Republics as it offers the shortest route (2600 km) as compared to Iran or Turkey to a seaport. Despite the trade potential between Pakistan and the Central Asian Republics forecasted at several billion dollars by the World Bank and other institutions, bilateral trade between them has remained less than a billion dollars for the past several years.
- Having signed the TIR Convention, Pakistan has successfully opened itself further to the global market by facilitating new trade and transit routes. However, Pakistan's wider implementation of pursuing further international road transport and transit is impeded due to following challenges:
  1. Lack of cooperation between the public and private sector to expand exports. The private sector trade and transport and producers (of goods) need better collaboration with, and facilitation from, the public sector regulators involved in economic activities linked to exports. The later include the State Bank of Pakistan, the Federal Board of Revenue, the relevant federal ministries and provincial departments, and the Pakistan Customs.
  2. Lack of implementation of numerous global trucking industry specific standards, and international and regional regulations regarding dimensions, vehicle fitness, safety compliance and emissions, by Pakistan's trucking industry. The implementation of a modernization and replacement programs for fleet upgradation and considering logistics as industry is essential to meeting all regional transit requirements.
  3. Bilateral trade agreements with countries in the region must be given priority.
  4. Despite State Bank of Pakistan's affirmation that while transiting through a country under sanctions, the same sanctions do not apply to exporters transiting through these countries, Pakistan exporters/importers face financial obstacles as private commercial banks refuse to issue exporters/importers proceeds financial instruments especially for land locked countries. On the flip side, the challenges facing Pakistani banks are US sanctions (whereas no UN sanctions exist) on neighbouring countries such as Afghanistan and Iran. Consequently, self-imposed restrictions by commercial banks in Pakistan supposing hesitance of correspondent banks with regards to transactions through Iran and Afghanistan, complex trade finance practices, smuggling of currencies and the resultant pressure on the Pakistan FOREX market.
- Under the WTO conventions, freedom of transit is guaranteed. Many countries use Iran as a transit trade route, and cargo worth billions of dollars passes through it. Transit trade is mostly happening under the TIR system, of which Iran is the biggest regional beneficiary. Therefore, reservations

regarding transit trade with Iran are misplaced.

- The TIR Carnet is only a permit to transport goods as part of customs convention which ensures the value of goods is maintained while crossing borders. It only gives access to the international trading channels. For regional and international trade, Pakistan still has to meet international standards of transport legislations, ensure a smooth visa process, enhance people to people contacts and provide safe routes for commerce.
- Trade and connectivity will be further strengthened with improvement of infrastructure, simplification of procedures, use of existing international instruments such as TIR and CMR, digitization, and reduction of bureaucratic delays and corruption.
- Pakistan Single Window also provides a knowledge platform and creates an experts' network (though this is not its primary use) that can and should be leveraged for advancing regional integration through intergovernmental agreements on integrated border management, transit and trade facilitation, and business to business connectivity.
- The Economic Cooperation Organization is an important regional platform that takes regionally collective decisions and initiatives are unanimously translated into national priorities and practices.
- Afghanistan has the natural capacity to become a regional transit crossroad, but this has not happened so far due to the security situation. Afghanistan cannot benefit from its potential geographical location without regional cooperation and regional agreements which depends on the political and economic will of the regional countries.
- There are existing mechanisms for banking channels with Afghanistan such as acceptance of export / import proceeds through cash counters (foreign currency), third party/country payment and trading in PKR (though this is particularly designated for commodities like fresh produce with a short shelf life).
- The policy and regulatory environment, high transportation costs, poor infrastructure, limited customs facilitation at border crossings are all surmountable, as the key transit routes through Afghanistan are presently in reasonably good condition and the overall customs and trade facilitation is improving.
- There is an absence, at the borders, of a risk management system to identify risky cargo from the non-risky ones, and a lack of systemic coordination amongst the border agencies. The reliance on discretionary risk management and resulting rents lead to over-inspection, delays, additional costs, and cargo damages because of mishandling during physical inspections.
- Trade among the regional countries is allowed in regional currencies but this mode of payments does not get credited to a country's foreign reserves and for that it has to be ultimately be converted to US dollar. As a substitute to transactions in regional currency, the option of barter trade and commodity trade is always available and has many advantages which should be explored.

# Trade and Connectivity: Western Neighbourhood of Pakistan Strategy and Framework

## Roundtable Session-I



**Mr. Amjad Rafi**  
Vice President FPCCI



**Syed Aftab Haider**  
CEO Pakistan Single Window



**Mr. Khakimov Elyor Ilkhomjonovich**  
Chairman Uzbekistan State  
Customs Committee



**Mr. Akbar Khudai**  
Director Transport  
Economic Cooperation Organisation



Moderator  
**Ms. Maria Kazi**  
Jt. Secretary Ministry of Commerce



**Mr. Farooq Azizi**  
Chief Advisor to the Ministry for Industries  
and Commerce, Afghanistan





## **Mr. Amjad Rafi**

Vice President FPCCI

(Co Chairman ECO Transport Committee)

### Key Takeaways

- Pakistan's location makes it a principal gateway for Central Asian Republics that offers these states shortest route of 2600 km as compared to Iran 4500 km or Turkey 5000 km to use seaport. However, Pakistan's trade with ECO countries as well as with CARs is nominal, and its trade with Turkey has just crossed the psychological number of \$1 billion.
- Pakistan implemented TIR for Turkiye and CAR countries through Iran land & rail route to promote regional connectivity in the last quarter of 2021 when goods were transported to/from Azerbaijan and Turkiye by trucks. Later, goods were also sent to/from Turkiye by train. This route has great potential but has yet to be made fully operational.
- Regional connectivity through land route (trucks/train) through Iran is not operational as Pakistani banks are not facilitating businessmen to issue Import and Export Forms which are essential for clearance of shipping documents under Letter of Credits payments. The Commercial Banks claim that the corresponding foreign banks do not agree to facilitate Pakistani banks through Iran, even though TIR facility is granted by the UN Charter body, International Road Union (IRU). Even European countries (who have the same corresponding banks) are using this facility to trade with CAR countries (approximately \$100 billion annually) transiting through Iran.
- If the route is made fully operational, Pakistan's exporters can deliver goods to Turkey in only 12 days compared to minimum 40 days through sea route. The land route will also save additional charges imposed at the seaport like Terminal Handling Charges etc. Moreover, it will facilitate bilateral trade (presently \$35 billion) with Europe.



## **Mr. Khakimov Elyor, ILKHOMJONOVICH**

Chairman Uzbekistan State Customs Committee

### Key Takeaways

- Pakistan-Uzbekistan trade and connectivity can be enhanced by improving infrastructure through international programs, simplification of procedures, use of existing international instruments such as TIR, CMR, digitization and reduction of bureaucratic delays and corruption.
- The only really functioning mode of transport on the Uzbekistan-Afghanistan-Pakistan route is road transport. Several issues, however are hampering progress:
  1. Road surface on certain sections of the route does not meet international standards, which creates a need to improve vehicles, increasing their operating costs, increasing the delivery time, and also affects safety of the route.
  2. Lack of consistency in required documentation and states' failure to use international documents such as TIR, CMR, etc.
  3. Complexity of customs procedures at the borders due to lack of data and information exchange amongst the countries, non-use of risk management system, lack of agreements on transport, and weak implementation of International conventions.





## Mr. Syed Aftab Haider

Chief Executive Officer, Pakistan Single Window

### Key Takeaways

- Regional integration and connectivity lies at the very core of Pakistan Single Window's (PSW) vision and mission of enhancing Pakistan's export competitiveness through use of modern technologies. The trade potential between Pakistan and the Central Asian Republics is forecasted at several billion dollars by the World Bank and other institutions, but has remained less than a billion dollars for the past several years.
- The documented international transit trade to and from Central Asian countries through the Pakistani ports remains abysmally low. The policy and regulatory environment, high transportation costs, poor infrastructure, limited customs facilitation at border crossings, and a general lack of political will and consensus amongst all stakeholders has prevented Pakistan from becoming a regional hub for international transit.
- The average border crossing time for outbound cargo at Torkham and Chaman (Pakistan's gateways to Central Asia) is 60 hours and 36 hours respectively, the highest amongst all the border crossing points measured by ADB's CAREC project that includes Pakistan, Afghanistan, the Central Asian Republics, China and Mongolia.
- There is an absence, at the borders, of a risk management system to identify risky cargo from the non-risky ones, and a lack of systemic coordination amongst the border agencies. The reliance on discretionary risk management and resulting rents lead to over-inspection, delays, additional costs, and cargo damages because of mishandling during physical inspections.
- Single Window systems are acting as a catalyst for change in cross border facilities. PSW can be leveraged for enhancement of regional connectivity with Central Asia with a two-fold focus:
  1. PSW initiative has created a knowledge platform and experts' network for public and private sector stakeholders for collaboration on cross border trade related initiatives. It should be leveraged for regional integration through intergovernmental agreements on integrated border management, transit and trade facilitation, as well as business to business connectivity.
  2. Organizations present at the border or associated with cross border trade in any capacity should review their processes and leverage technology for better data collection and analysis. This will invariably help to make border crossing a smoother and more efficient experience.
- The ECO Transit Transport Framework Agreement (TTFA) requests the member countries to accede and implement international conventions regarding transit transport.



## Mr. Akbar Khodai

Director Transport Economic Cooperation Organisation

### Key Takeaways

- ECO comprises of 10 geographically interconnected member states and its secretariat offers a unique opportunity to its members to collaborate relatively without influence emanating from great power politics.
- ECO has concentrated on various objectives like economic development including promotion of regional economic, technical and cultural cooperation, encouraging sustainable economic development, progressive removal of trade barriers and promotion of intraregional trade.
- ECO is more concentrated on the development of trade corridors rather than focusing on isolated initiatives. Generally, corridors are identified in two segments i.e. railway and road corridors. One of the major corridor is the Islamabad-Tehran-Istanbul corridor, operational since December 2021. Other corridors are connecting CIS through Iran-Turkiye, Pakistan and Europe, Azerbaijan-Iran railway project, and Kyrgyz-Tajikistan-Afghanistan-Iran road corridor.
- ECO is also involved in cooperation in maritime cooperation under ECO Gate project with financial support from the Islamic Development Bank. However, there are some difficulties in air connectivity.





## **Dr. Muhammad Farooq Azizi**

Chief Advisor to the Ministry for Industries and Commerce, Afghanistan

### Key Takeaways

- Afghanistan has a strategic geopolitical position among South Asian and Central Asian countries. This strategic location has created opportunities for the North-South land corridor for transit of electricity, oil and gas and commercial goods for Afghanistan and beyond as it connects Central Asia to Pakistan's warm waters. Afghanistan's economic wellbeing is vital for the crossroads of geo-economics. Similarly, the security of neighbouring countries is tied together as well.
- Afghanistan has the natural capacity to become a regional transit crossroad, but this has not happened so far. Afghanistan is now deprived of been able to be a regional connector by road, railway and air. The issue is that it has not been able to gain a real place for itself in any of the security-economic poles of the region. This is one of the reasons for continuation of the crisis in Afghanistan.
- As an economic transit connection with Central Asia, Afghanistan has not been able to become a complete alternative for Pakistan. Afghanistan is now safe and security situation has improved. After four decades of conflict, this is a great opportunity for all the countries in the region to invest in the transit routes across Afghanistan. The region has a chance to consider a Regional Transit Agreement.
- The country is trying to enhance its regional connectivity importance by joining the international transit highway under One Belt One Road (OBOR). An MOU was signed between Afghanistan and China in 2016.
- Traders from Afghanistan and Pakistan face many hurdles. Goods are stopped unlawfully at road blocks. To resolve these issues, the government of Afghanistan and Pakistan, the provincial governments of KP and Balochistan and the private sector need to resolve these challenges through mutual consultations. In addition, a strong policy is required that not only addresses the impediments to trade but also ensures that commerce between the two countries is not impacted by changing political dynamics.
- Afghanistan has to find its place in this flow of economic artery of the region. This depends on the political and economic will of the regional countries.

# Trade and Connectivity: Western Neighbourhood of Pakistan Strategy and Framework

## Session-II



**Brig (R) Nasir Zia**  
Chief Operating Officer NLC



**Mr. Asayesh Kazem**  
Senior Advisor  
TIR & Transit Services



Moderator  
**Mr. Amer Zafar Durrani**  
President Reenergia



**Mr. Tariq Rangoonwala**  
Chairman PNC-ICC, Pakistan



**Dr. Asif Ali**  
State Bank of Pakistan





## Mr. Asayesh Kazem

Senior Advisor TIR & Transit Services

### Key Takeaways

- The UN Charter body, International Road Union (IRU) is a global organization and its principal strategy of trade and transport facilitation through the Transport International Routiers (TIR) became a UN Convention in 1975 and began to spread to countries beyond Europe. The TIR continues to be the only global transport system enabling goods to be transported from a country of origin, through transit countries on to the receiving countries with appropriate standards in place for facilitation, storage and transport.
- Over two-thirds of the total global TIR usage originates within the ECO region primarily due to three largest issuers of TIR Carnets; Iran, Uzbekistan and Türkiye. The region has also become a pioneer in TIR digitalization. In addition to the existing Iran-Azerbaijan and Iran-Türkiye TIR projects, Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan have joined digital TIR projects since 2020. The first digital TIR model pilot took place in 2022 year between Iran and India and the first e-TIR pilot, using road and air transport, took place very recently between Uzbekistan and Azerbaijan.
- By adopting the TIR instrument in 2015 (fully operational in 2018) Pakistan has successfully opened itself further to the global market by facilitating new trade and transit routes. Pakistani stakeholders have exerted significant efforts to address challenges of TIR implementation and facilitate regional trade. However, Pakistan's wider implementation of pursuing further international road transport and transit has been lacking. In 2022, the TIR national association of Pakistan, the PNC-ICC, issued 34 TIR Carnets, and only 2 Pakistani shipping carriers have been actively involved in international transport beyond Afghanistan and Iran.
- Challenges facing Pakistan to improve its trade and transit capacities include:
  1. The public and private sector must cooperate to move forward but the assistance of the relevant authorities is needed to overcome existing challenges.
  2. Pakistani truck fleets must adopt regional or international standards regarding weight and dimension. The issue of overloads not only damages roads, but also leads to a sub-standard quality check of trucks which harms the ability to trade regionally.
  3. Pakistan must make bilateral trade agreements in the region a priority. This would allow Pakistan access to significant territories and encourage exchange of goods and the mutual facilitation for each country's fleet.

4. Pakistani carriers face financial obstacles as private commercial banks do not offer services when transiting through neighbouring countries, using unilateral sanctions as an excuse. However, the State Bank of Pakistan has affirmed that these sanctions do not apply to carriers transiting through neighbouring countries under sanctions.



**Brig Nasir Zia**

Chief Operating Officer NLC

## Key Takeaways

- As a premier logistics organisation, the National Logistics Cell (NLC), is very well equipped to contribute to facilitate trade and transit between Pakistan and Central Asia, Turkey and Iran. In the last 46 years, the organisation has established itself as a national trendsetter for cross-border transportation with long-haul transport becoming its trademark.
- NLC has facilitated cross-border transportation with Iran (since 1999), Afghanistan (since 2007), China (since 2019) and Türkiye and Azerbaijan (since 2021). Pakistan anticipates establishing cross-border transportation with Kazakhstan and Uzbekistan by late 2023. Currently, NLC's TIR operations have led to reduced transit time to Turkey to 8 to 10 days.
- NLC is in the process of establishing border terminals in Pakistan that will connect border terminals with Iran, Afghanistan, China and India to seaports and dry ports.
- A significant level of expertise and infrastructure is in place to ensure that logistics processes will be smooth and efficient for Pakistan's Western neighbours.





## **Dr. Asif Ali, Director Exchange Program**

State Bank of Pakistan

### Key Takeaways

- Though banking channels are available for regional countries such as CARs and Turkey, unilateral or multilateral sanctions on Iran and Afghanistan have created inactive cross-border banking channels. This has harmed trade potential that should be present or developing between Pakistan and its regional partners.
- It has been suggested to the government to consider a barter trade mechanism for non-sanctioned items and entities to promote regional trade.
- There are existing mechanisms for banking channels with Afghanistan such as: acceptance of cash foreign currency, third party/country payment and trading in PKR (though this is particularly reserved for commodities like daily products with a short shelf life).
- Trade and transit trade operating under the TIR Convention will likely lead to improved and established road infrastructure functioning with a certain legitimacy.
- Access to EU markets via Iran or CARs may lead to reduced costs for Pakistan. The CAR region would benefit from access to 'hot water' seaports of Karachi and Gwadar.
- The challenges facing Pakistani banks are the international sanctions on neighbouring countries such as Afghanistan and Iran and consequent hesitance of correspondent banks with regards to transactions, the trade information practices, smuggling of currencies and the resultant pressure on the Pakistan FOREX market.
- There could be number of solutions to deal with these challenges such as gaining the confidence of



Western partners through diplomatic channels before engaging with sanctioned states as Iran and Afghanistan. Permissions could also be gained from OFAC/US (The Office of Foreign Assets Control of the US Department of the Treasury that administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, etc.) while transacting with high-risk jurisdictions.

- Additional challenges include dissimilar banking or trade practices within the ECO region and no presence of foreign banks from neighbouring countries in Pakistan. This can be resolved through bilateral or multilateral agreements to establish uniform banking and trade practices and opening bank branches in each other's territories to promote regional trade.



**Mr. Tariq Rangoonwala**

Chairman PNC-ICC, Pakistan

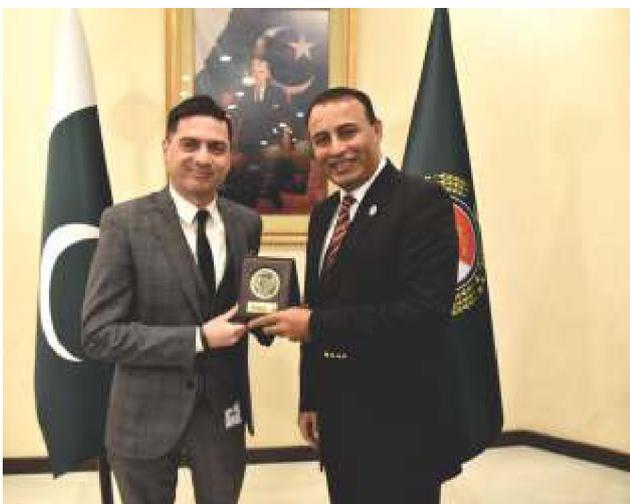
## Key Takeaways

- As the political situation in the region continues to remain unpredictable, many regional and international banks have cited apprehensions while dealing with the Iranian banking system. These concerns stem from Iranian banking records and sanctions on its currency. However, a closer look reveals that these concerns are misplaced and the issues need to be resolved comprehensively by the banks of the concerned countries.
- Under the conventions of WTO, freedom of transit is guaranteed. Many countries use Iran as a transit trade route and cargo worth billions of dollars. This does not entail US cargo but comprises mostly of transit trade under the TIR system, of which Iran is the biggest regional beneficiary. Therefore, most reservations regarding transit trade through Iran are misplaced and a reflection of evolving international political dynamics.
- Due to the turmoil in Afghanistan, Pakistan's outreach to the Central Asian states has been limited. Moreover, because of the diplomatic hurdles, a comprehensive transit trade agreement has still not materialized and many businessmen have been conducting trade with Turkey via Iran, which has proved to be very expensive.
- Foreseeing the significance of connectivity, the government has plans to sign Trade agreements between Pakistan and Central Asian countries to facilitate transit cargo under bilateral regimes. Transport agreements can then be signed between two states to expedite transport of goods and commerce.

- Procedural glitches need to be resolved by the government in order to increase the number of TIR operations in Pakistan. To further enhance trade, restrictions should be lifted and modalities for subcontracting projects to third parties need to be materialized. In addition, a sound transportation regime needs to be devised in order to address the challenges and lags in the system and to facilitate efficient movement of cargo.







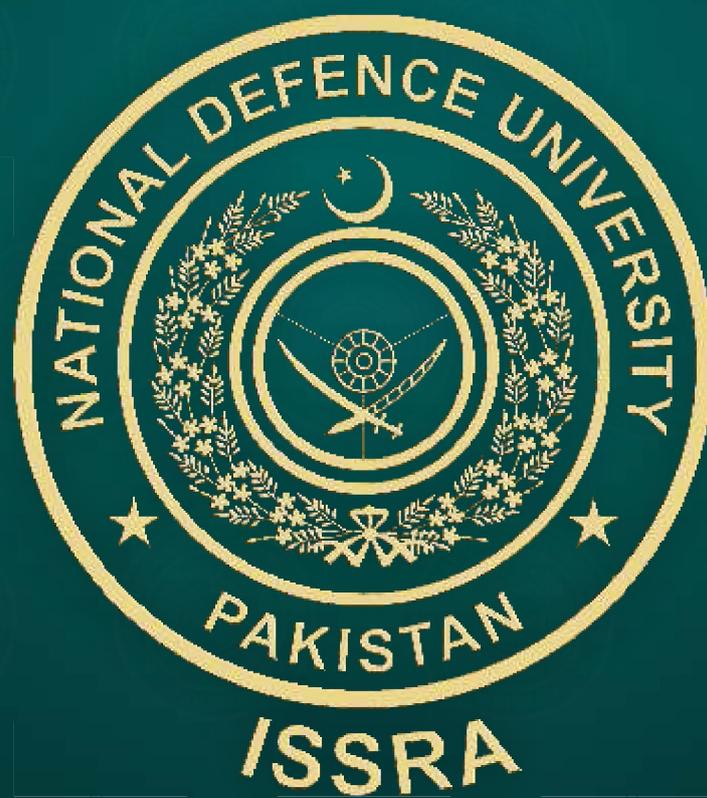
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