

## REPORT OF TRANSIT TRAFFIC PRACTITIONER'S COMMITTEE

### 1. Introduction

In pursuance of the decision of 4<sup>th</sup> Meeting of Steering Committee for Trade and Transport Facilitation Project (TTFP-2) held on 27th December 2007 a Committee comprising the following was constituted to identify bottlenecks in smooth flow of transit traffic to/from Afghanistan and Central Asian Republics (CARs) and propose measures for its streamlining:

|   |    |                  |
|---|----|------------------|
| Mr. Firdaus Alam, Joint Secretary<br>Ministry of Communications, Islamabad            | -- | Chairman         |
| Syed Irtiqa Ahmed Zaidi, Project Director TTFP-2<br>Ministry of Commerce, Islamabad   | -- | Member           |
| Deputy Secretary (Administration)<br>Ministry of Ports & Shipping, Islamabad          | -- | Member           |
| Mr. Habib-ur-Rehman, Joint Director (Operations)<br>Ministry of Railways, Islamabad   | -- | Member           |
| Mr. Amir Muhammad Khan Murwat,<br>Chief (Facilitation & Compliance) FBR, Islamabad    | -- | Member           |
| Brig(R) G.A. Khan Niazi, Director NLC<br>HQ Dry Port, Lahore                          | -- | Member           |
| Mr. Faiz Rasool Khan, VP & Life Member, FPCCI<br>Peshawar                             | -- | Member           |
| Haji Nazir Ahmad, Director,<br>Bashir Ahmad & Company, Karachi                        | -- | Member           |
| Mr. Yaqoob Sheikh, CEO,<br>Pyramid Logistics (Pvt) Ltd, Karachi                       | -- | Member           |
| Major (R) Tariq Hayat Malik, Managing Director<br>Pak Caspian Trade Links, Wah Cantt. | -- | Member           |
| Raja Shakil Ahmed, Managing Director,<br>Pindi Carwan, Rawalpindi                     | -- | Member           |
| Mr. Javaid Mansoor, Executive Secretary, NTTFC, Karachi                               | -- | Member/Secretary |

2. The Terms of Reference of the above Committee are as under:

- a. To determine availability and suitability of vehicles for transport from Karachi Port and Port Qasim to Afghanistan and CARs, and suggest required improvements in the transport vehicles and system;
- b. To review the existing Customs Procedures at Torkhum and Chaman border crossings, arrangements for data exchange between Pakistan and Afghanistan Custom authorities, and propose measures for necessary improvements;
- c. To identify difficulties encountered in transportation of Cargo to Central Asian Republics through Afghanistan and propose measures for eliminating these difficulties;

- d. To identify bilateral/multilateral agreements that need to be entered into or improved upon to facilitate transit traffic to Afghanistan and Central Asian Republics (CARs); and
- e. To identify international conventions which need to be ratified/acceded by Pakistan to facilitate transit traffic to Afghanistan and Central Asian Republics.

3. The Committee first met at Karachi on 6<sup>th</sup> and 7<sup>th</sup> May 2008. The list of Participants is attached as **Annex I**. Second meeting of the Committee was held on 24<sup>th</sup> October 2008. List of participants of the second meeting is attached as **Annex II**. During the intervening period Mr. Firdaus Alam retired and Mr. Altaf Asghar, Joint Secretary, Ministry of Communication assumed the charge as Chairman of the Committee. The Core Working Group constituted by NTTFC to look into the requirements for opening the land transit route between Pakistan and Turkey through Iran was also invited to join the second meeting.

4. On 6<sup>th</sup> May 2008 presentations were made by Capt. Tariq Masood, Manager Traffic, KPT; Syed Tanvir Ahmad, Additional Collector Appraisal, Pakistan Customs and Capt. Rashid Jamil, Chief Operating Officer, Karachi International Container Terminal (KICT). The Container handling facilities at KICT and Afghan Transit Shed at KPT containing the frustrated Afghan transit Cargo were also inspected. The information provided during the presentations was discussed in detail.

5. On 7<sup>th</sup> May 2008 the meeting was held in NTTFC Secretariat, Karachi under the chairmanship of Mr. Firdaus Alam, Joint Secretary, Ministry of Communications, where presentations were made by Mr. M. Shoab Dogar, Deputy Director (Road Transport), Ministry of Communications and Mr. Javaid Mansoor, Executive Secretary, NTTFC. The main points emerging from the presentations and discussions subsequent to the presentations were circulated to members of the Committee as report of the first meeting for their review and comments to finalize the report in the second meeting.

6. Report of the first meeting was reviewed in the second meeting of the Committee held on 24<sup>th</sup> October 2008 and after detailed discussions the present report was finalized.

**Map 1. Asian Highways through ECO Countries**

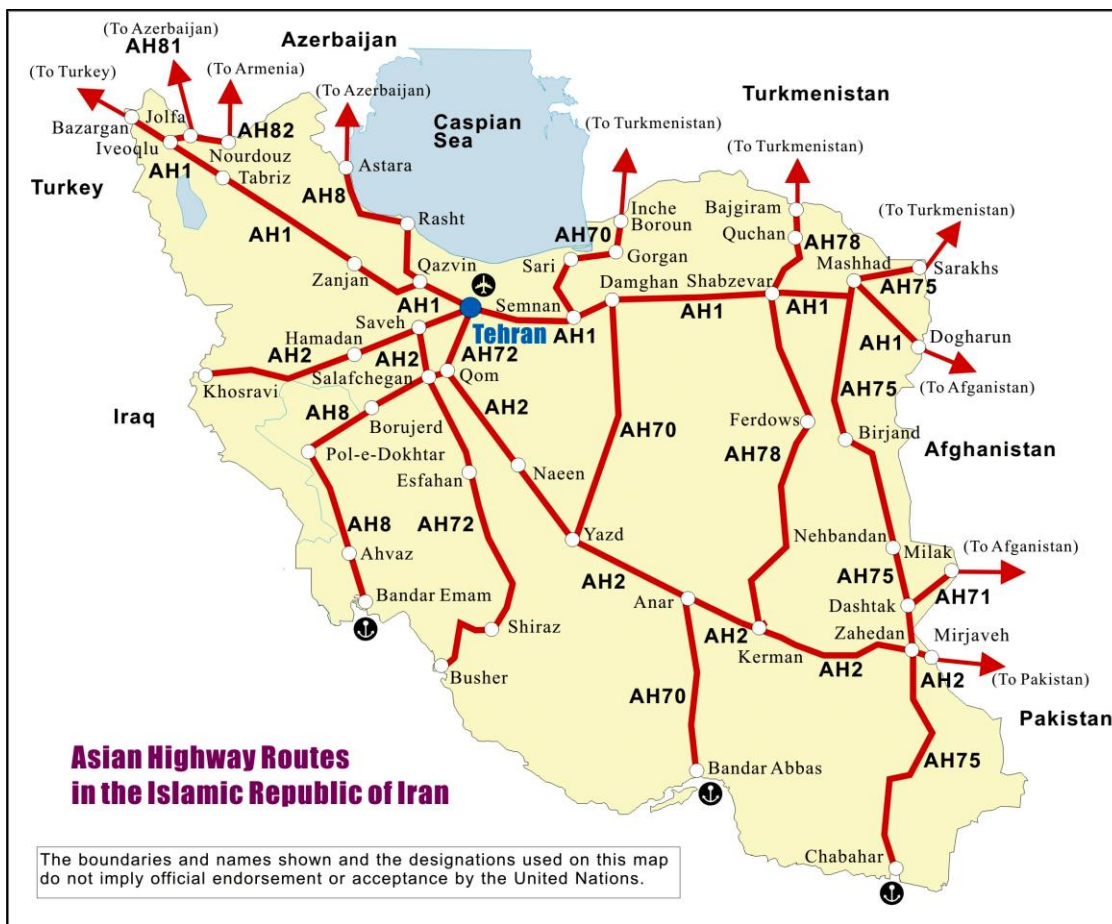


**2. Regional perspective**

7. CARs comprising of Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan are landlocked and require access through neighboring countries for their international trade. Iran has developed excellent road and rail infrastructure (AH70, AH72, AH75) linking its sea ports to Central Asian Republics (CARs). Iran is also offering concessionary tariffs for attracting CARs transit trade. Turkey is also linked to CARs through Iran by the Asian Highway AH1. Necessary regulatory and procedural arrangements have been completed and the route has recently been opened providing direct access to CARs from the Mediterranean ports. CARs are also linked to North Europe by road (AH61, AH63, and AH70) and rail through Russia.

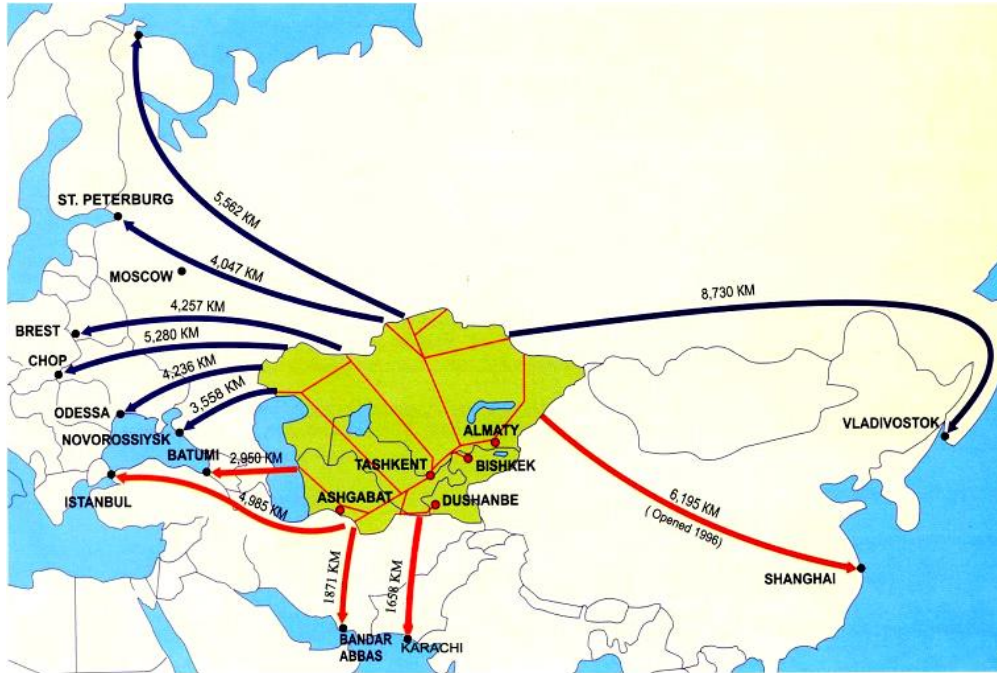
8. Recently during the NATO meeting Russia has offered these routes for transport of goods to CARs. China is also linked to CARs through Asian Highways AH4, AH5, AH61, AH65, AH67, and AH68. Major Asian Highway routes through ECO countries are shown in the Map 1. However, Iran is our major competitor for providing access to CARs. Asian Highway Network through Iran providing access to CARs is shown on the Map 2.

**Map 2. Asian Highway Routes through Iran**



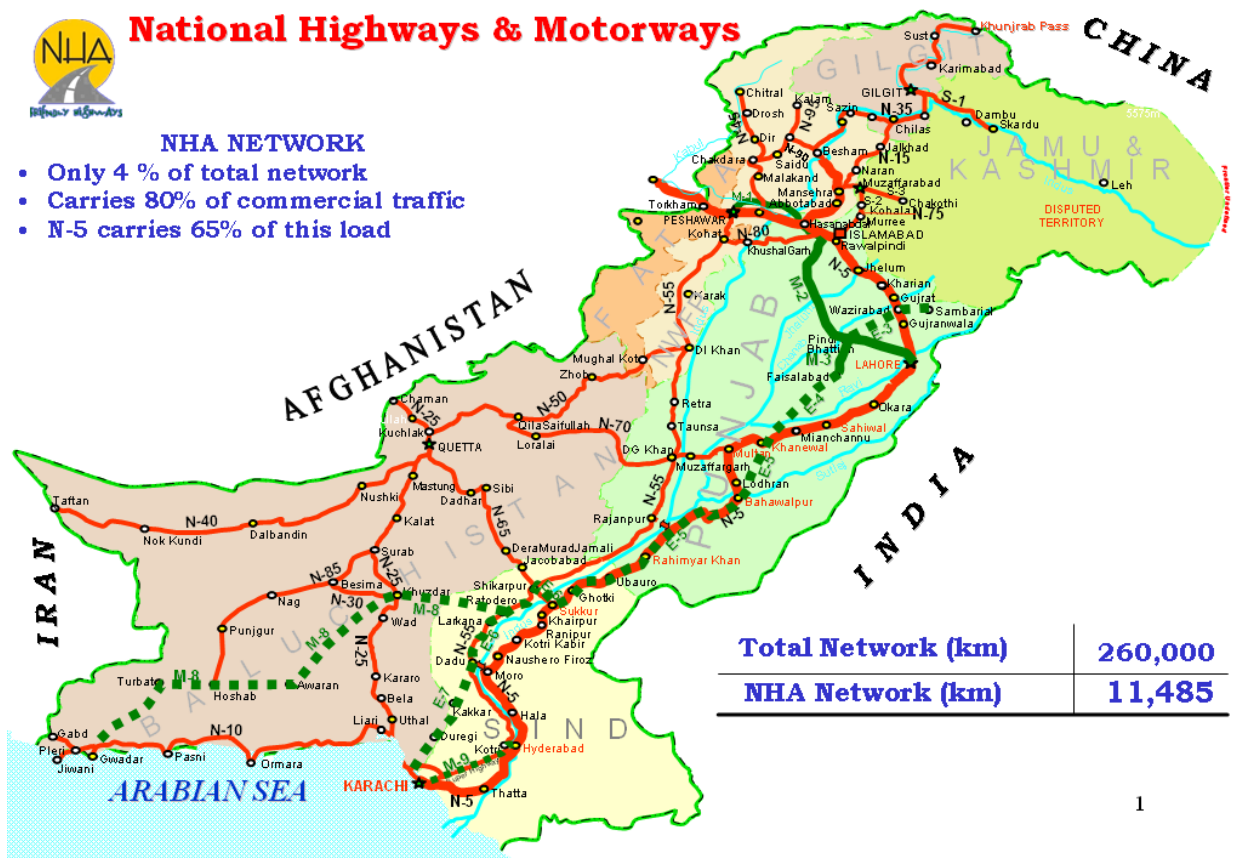
9. Pakistan is linked to CARs through Afghanistan by Asian Highways AH1 and AH7. AH4 provides another route to CARs through China. Pakistan owing to its strategic location in the region offers the shortest land route to some of the CARs. It is therefore favorably placed for the transit trade to CARs. Map 3 shows the distances to CARs through various routes.

Map 3. Distances to CARs through various routes



10. Map 4 produced below shows various roads being developed in Pakistan under National Trade Corridor Implementation Program to provide better access to CARs.

Map 4. National Highways and Motorways in Pakistan



### **3. Developments in Pakistan**

11. Karachi Port and Port Qasim are linked by railway line to Peshawar and Chaman. There is a railway track beyond Peshawar up to Landi Kotal near Torkhum, but at present it is not operational. Pakistan Railways has carried out a feasibility study for linking Gwadar to the rail network and is in the process of working out the necessary plan for its implementation. However, development of the rail link from Chaman to Kandahar in Afghanistan and subsequently to Kushka in Turkmenistan is subject to prevailing law and order situation and political developments in the region. Pakistan Railways has acquired high speed / high capacity wagons along with locomotives to reduce the transit time from Karachi Port to Peshawar for facilitation of Afghan trade.

12. Although considerable progress is being made in development of roads infrastructure, the transit trade to CARs through Pakistan is hampered because of the security situation in Afghanistan, lack of modern road transport vehicles complying with international standards; non-availability of containers for transit to CARs; and, most importantly, lack of adequate regulatory framework, systems and procedures for movement of transit goods and transport vehicles to CARs. In light of these shortcomings the position in respect of the terms of reference (ToR) is explained below.

### **4. Availability and suitability of vehicles for transit transport and required improvements in the transport vehicles and system**

13. Afghan Transit Trade Agreement (ATTA) restricts movement of Afghan transit cargo from Karachi Port to Pakistan Railways only. However, because of non-availability of adequate railway wagons, NLC has also been allowed to transport Afghan transit cargo. The freight rates charged by Pakistan Railways are cheaper than those of NLC, but it takes longer to transport cargo from Karachi to Torkhum and Chaman. Although 5 days transit period is quoted by Pakistan Railways for transport from Karachi to Peshawar, the traders complain that sometimes the consignments are delayed for as long as a month. The traders also complain that because of the delays in availability of wagons for loading the cargo they have to pay heavy demurrage charges. Traders also demand that the commodity based freight rate charged by Pakistan Railways should be replaced with a flat rate. Pakistan Railways has informed that it is in the process of acquiring new locomotives and installing modern signaling system. With these additional facilities the transit time, which some times gets extended to 17 days will be much reduced.

14. NLC has its own fleet of vehicles including trailers and tractors. However, these vehicles are not allowed to enter Afghanistan because of army logo and they have to drop the cargo at Amangarh for transit through Torkhum or at Chaman. Onward transport is on Afghan trucks. As the number of vehicles available with NLC is inadequate for the volume of commercial transit cargo for Afghanistan, private vehicles are also used for its transport after obtaining NOC from NLC. NLC charges a fee for issuing the NOC. Private bonded carriers cannot transport Afghan transit Cargo without obtaining NOC from NLC. The transporters nominated by NLC some times do not have the trucks available in time for transport of the cargo. This results in delays in clearance of cargo and extra demurrage charges. The number of vehicles suitable for transporting containers is estimated to be around 2,700, which are not sufficient for handling the containerized traffic.

15. The freight charges for transport on NLC vehicles are higher than those of private vehicles. However, the private Carriers do not accept any responsibility for loss or damage of Cargo. The traders complain that the cargo transported by these vehicles frequently gets pilfered and they have to pay Customs duty to Pakistan Customs for the cargo short declared at Afghan border crossing and they suffer further losses because of short delivery of goods.

16. Pakistani road vehicles are not allowed to enter Afghanistan through Torkhum. The cargo is off-loaded from containers on the Ring Road at Peshawar and transferred in Afghan vehicles. Much smuggling is suspected to take place during this transfer operation. To overcome these problems Pakistan Customs has established through NLC a bonded container terminal at Jamrud. However, the transporters and traders are reluctant to operate from there because of the security problems in the tribal area.

17. The Afghan cargo transported to Peshawar in railway wagons is offloaded at Peshawar Dry Port established at Peshawar City railway station. There it is transferred in Afghan trucks for onward transport to Afghanistan. It is suspected that this operation also results in pilferage and smuggling. Pakistan Customs intends to shift the Peshawar Dry Port for Afghan cargo to the Dry Port established at Jamrud Railway Station, from where the cargo to Afghanistan will be transported in sealed containers. The changeover has been delayed, because of the bridge on the way to Jamrud being washed away by rains and being under repairs. In the mean while Pakistan Railways is also in the process of establishing its own facility for transfer of containers from rail to road at Azakhel. To enable commissioning and proper utilization of the Dry Port established at Jamrud the railway bridge needs to be repaired expeditiously. Pakistan Railways has prepared the PC-I for obtaining approval of CDWP.

18. There is an important issue of availability of containers for transport of cargo to Afghanistan and CARs in sealed containers. The containers used for international transport are mainly owned by the shipping lines. They are reluctant to allow the containers to be transported to Afghanistan or CARs because of the chances of these containers not being returned. To allow such transport the shipping companies ask for a security deposit ranging from Rs. 400,000 to Rs. 1,000,000 depending on the size and type of container. Moreover, heavy daily detention charges have to be paid till the container is returned to the shipping company. This makes transport of cargo in shipping line containers very expensive and uneconomical.

19. The Government of Iran has solved this problem associated with transport of transit cargo in containers to Afghanistan and CARs by allowing cross stuffing of the cargo from the containers of shipping lines into the containers owned by the freight forwarders / transporters at the container terminal at the ports Bunder Abbas and Chabahar. The cross stuffed container is then sealed by the Customs authorities and allowed to be transported to its destination. It has been suggested that the same facility of cross stuffing the cargo from the containers owned by shipping lines into the containers owned by Pakistani freight forwarders / transporters at Pakistani ports and off-port container terminals in Karachi may be allowed. Duty free import of modern prime movers, trailers and containers to facilitate transit trade has also been requested.

20. Besides the commercial Afghan cargo a larger volume of non-commercial cargo for American security forces, NATO and British troupes stationed in Afghanistan is also transited through Pakistan. American forces have their own contracted transporters for movement of this cargo from Karachi Port and Port Qasim to Afghanistan. NLC arranges the private transport vehicles for cargo of NATO and British troupes. These vehicles have to be registered with Pakistan Customs.

21. A substantial volume of commercial cargo for Afghanistan is also transported through Chaman. Chaman railway station is about 3 kilometers inland of the border crossing. All traffic moving by rail to Chaman is transshipped to Pakistan or Afghanistan registered trucks for onward movement to Afghanistan. The Customs station for trucks bringing Afghanistan bound cargo from Karachi is separately located. Here the Afghanistan bound cargo may either be transshipped on Afghanistan registered trucks or Pakistan registered trucks may be allowed to proceed to Kandahar or sometimes even beyond. However, several local tribes at Chaman have formed a union that extorts money from transporters for allowing Pakistan registered trucks or trailers loaded with containers to proceed to Afghanistan. Pakistani vehicles proceeding to Kandahar have also to pay protection money on the way for the safe transit through Afghanistan. To regulate the movement of transit traffic through Chaman NLC has been commissioned to establish a modern Dry Port at Chaman border crossing.

## **5. Customs Procedures at Torkhum and Chaman Border Crossings and Measures for necessary Improvements**

22. Customs clearance procedure for Afghan transit cargo commences at Karachi port or Port Qasim where the cargo from a third country enters Pakistan. Goods Declaration (GD) is filed on line by the Clearing Agent in Pakistan Customs Computerized System (PaCCS). A machine generated unique Free Number is fixed automatically on GD at the Clearing Agent's office. Hard copy of the GD along with the Bill of Lading, Commercial Invoice, Packing List and Jawaz Nama is submitted by the Clearing Agent to Afghan Transit Group (ATG) of Pakistan Customs. After due processing, the Afghan Transit Trade Invoice (ATTI) is registered and allocated the Free Number. The cargo is allowed loading on railway wagon or NLC provided vehicle. Railway wagon / container are then sealed under Pakistan Customs Container Sealing System (PCCSS). Railway / NLC issue receipt of wagon / NLC vehicle and sign ATTI in triplicate and forward to ATG. ATTI is signed by ATG. The original ATTI is retained in ATG. The duplicate and triplicate copies of ATTI are dispatched to the Customs destination station.

23. On arrival of the cargo at the destination, the Clearing Agent's representative approaches Peshawar / Chaman Customs / PaCCS for de-sealing. Customs de-seal and examine the cargo, and allow loading on Afghan trucks and resealing by PCCSS. Trucks move to Torkhum from Peshawar or Vesh from Chaman under Customs escort. After checking the Customs seal and truck number, the Cargo along with triplicate copy of ATTI is handed over to the Border Customs. The Peshawar / Chaman Customs escort staff brings back to the respective Customs House the duplicate copy of ATTI. Border Customs issues the Gate Pass. The staff of the Political Agent at the border checks the Gate Pass and allows the truck to cross the border along with the representative of Border Customs Carrying the triplicate copy of ATTI. Receipt of the cargo is endorsed by Afghan Customs on triplicate copy of ATTI, which is brought back by the representative of the Border Customs and dispatched by Peshawar / Chaman Customs to Karachi Customs confirming border crossing of the cargo. This completes the process.

24. In case of exports from Afghanistan the same procedure is followed in reverse by filing the Goods Declaration for the transit cargo from Afghanistan in PaCCS at Peshawar / Chaman along with the Transit Certificate (issued by the Government of Afghanistan), Commercial Invoice, Certificate of Origin (issued by the Government of Afghanistan) and Quarantine Certificate (in case of edible items).

25. Pakistan Customs is electronically processing the Customs data on PaCCS operated by Pakistan Revenue Automation Limited (PRAL), which is well equipped to transfer data any time through its AS400 system. Afghan Customs have also introduced ASYCUDA electronic processing system. Electronic transfer of data between Pakistan and Afghanistan would considerably simplify the procedure and help in eliminating the possibility of mis-declarations. However, this requires agreement between the both Customs Administrations. To achieve this, technical teams of both the Customs administrations would need to work together to define:

- Data format;
- Frequency of data exchange;
- Data exchange protocol;
- Network details; and
- Medium of data transfer (V-Set, internet, F.T.P. etc.).

26. Pakistan Customs is at present examining proposals to improve the present arrangement. Revised Rules have been drafted and are at present under internal examination of Pakistan Customs. Salient features of the Rules are:

- Rules to be divided in sub-chapters of commercial cargo and non-commercial cargo
- Electronic filing of GD
- 5-10% examination through Risk Management System (RMS)
- Electronic out of Customs charge by computer
- PCSS to seal transit goods
- Weighment at port of origin and destination in Pakistan
- Consignments to be checked through scanner
- Feeding of ATTI particulars at destination
- Splitting of ATTI to be allowed
- Re-export of frustrated Cargo to be allowed
- Re-export of Afghan Cargo to be allowed with permission of the Ministry of Commerce
- Bonded Carriers to be used as alternate mode of transport in addition to Pakistan Railways and NLC
- Only containerized Cargo to be transited
- Only 3 routes prescribed. 2 dangerous routes deleted

27. These Rules need to be finalized and notified to establish a set procedure for clearance of Afghan transit cargo.

## **6. Difficulties in transport of Cargo through Afghanistan to CARs and measures for eliminating these**

28. Difficulties in transporting Cargo for CARs though Afghanistan are of the following

nature:

- (i) Insecurity during transit through Afghanistan because of the disturbed situation in the country
- (ii) Lack of rules and procedures for filing GD of goods destined for CARs
- (iii) Lack of bilateral transit traffic agreements

29. Despite these difficulties occasional shipments to some CARs have been able to transit through Afghanistan by adopting round about measures. Recently there has been a very prominent case of some foreign exporter wanting to ship cargo to Tajikistan through Pakistan. But this could not be arranged, because of no provision in PaCCS for filing a Goods Declaration for cargo bound for Tajikistan. Pakistan Customs have indicated that they could not do so without a bilateral agreement between the Governments of Pakistan and Tajikistan. Bilateral transit traffic agreements are, therefore, of critical importance for the transit trade to CARs to be routed through Pakistan. However, in the meanwhile simplified standard Rules for clearance of transit cargo to all CARs need to be finalized and notified.

## **7. Difficulties in transport of Cargo through China to CARs and measures for eliminating these**

30 There is a Quadrilateral Agreement between the Government of Pakistan, China, Kyrgyzstan and Kazakhstan; and a Bilateral Agreement between the Governments of Pakistan and China for transit of traffic through Karakoram Highway. Under the Quadrilateral Agreement goods can be freely transited across these countries through the Karakoram Highway in Pakistan. Main problem with using this route for transit of cargo to Kyrgyzstan and Kazakhstan is that the route is too long passing through a mountainous and tortuous terrain. The land route in Kyrgyzstan is also stated to be in poor condition. The Customs station in Pakistan at Sust is about 100 km inland of Pak-China border, while the Chinese Customs station at Tashkurgan is about 120 km away in China from Pak-China border. This results in inadequate coordination between the Customs authorities of the two countries. According to the Agreement Pakistani vehicles should be able to transit through China. Chinese authorities do not allow Pakistani vehicles to proceed beyond Tashkurgan, while the Chinese vehicles are allowed to proceed up to Karachi on the designated route. The Agreement restricts the axle load of vehicles to 10 tons. The restriction imposed by Chinese authorities could be due to the axle load being exceeded or vehicles not complying with some other regulations. This needs to be investigated and compliance of the regulations ensured to enable Pakistani vehicles to proceed to Kyrgyzstan and Kazakhstan. The Customs rules for the transit of goods under the Quadrilateral Agreement have not yet been notified by the Federal Board of Revenue. These need to be finalized and notified at the earliest.

31. The following problems have been pointed out by Pakistani transporters with transit of traffic on this route:

- Delays and damage are caused at Sust because of manual inspection and lack of suitable crane for off-loading and loading containers from the vehicles. A suitable crane and scanners need to be installed
- Pakistani vehicles are unnecessarily delayed by Customs/Immigration in China and Kyrgyzstan

- Pakistani trucks are not allowed by Chinese authorities to transit through its territory
- Pakistani trucks have to register at Kashgar for transit permission, which consumes 4-5 days
- Chinese authorities charge about US\$ 10,000 Security Fee (refundable) for allowing transit to Pakistani trucks
- Kyrgyzstan roads are in very poor condition, and consume 10 days to transit
- Quarantine Certificate for Pakistani fruit (Kino and mangoes) issued by Department of Plant Protection is not accepted by Chinese authorities
- Issue of visa by Chinese authorities is a major problem
- Chinese do not allow to bring return load from Kashgar
- Under Bilateral Agreement permits for vehicles are issued from Gilgit to Kashgar. However, Chinese authorities do not allow vehicles beyond Tashkurgan (120 kms)

32. The matters relating to transit traffic under the quadrilateral agreement were discussed during the Expert Level Meeting of the Quadrilateral Agreement held at Astana on 25<sup>th</sup> September 2008. However, the issues relating to China could not be taken up because of the absence of the representative of China. These are intended to be taken up during the meeting of Bilateral Agreement with China. The Government of Tajikistan had also expressed the desire to join the quadrilateral Agreement. In the absence of the representative of China this was also deferred for the next meeting of the Quadrilateral Agreement.

## **8. Bilateral / Multilateral Agreements to facilitate transit traffic to Afghanistan and CARs**

33. Pakistan has signed following Bilateral/Multilateral Agreements with Afghanistan, Central Asian Republics and neighboring countries in the region:

### ***a) Agreement on the Commencement of Bus Services between Pakistan and Afghanistan***

34. Two Agreements have been signed by Pakistan and Afghanistan for the commencement of bus services on Peshawar - Jalalabad and Quetta - Kandahar routes respectively. The bus service between Peshawar - Jalalabad has been in operation since May, 2006 while Quetta - Kandahar agreement is yet to operationalize. The joint meeting of Pak - Afghan Standing Committee is expected to be held shortly at Kabul to discuss the issues relating to operationalizing Quetta - Kandahar bus service agreement as well as proposal for the commencement of Peshawar - Kabul bus service.

### ***b) Afghan Transit Trade Agreement 1965 (ATTA)***

35. ATTA signed with Afghanistan in 1965 restricts movement of Pakistani vehicles in Afghanistan. Similarly Afghan vehicles are not allowed to proceed beyond Peshawar in Pakistan. Afghanistan occupies strategic position for transit trade to Central Asian Republics. The Map 5 produced below shows the linkages of Afghanistan with the neighboring countries and the significance of its geographical position for the transit trade to CAR through Pakistan and Iran. In view of this it has been proposed to renegotiate the ATTA with the Government of Afghanistan. A revised draft of the Agreement is at present under consideration of the Ministry of Commerce. The revised draft proposes to allow vehicles of both the countries to transit

through the territory of the other country.

**Map 5: Highway routes through Afghanistan to neighboring countries**



**c) *Quadrilateral Agreement on Traffic in Transit among Pakistan, China, Kyrgyzstan and Kazakhstan***

36. A Quadrilateral Agreement on Traffic in Transit was signed among Pakistan, China, Kyrgyzstan and Kazakhstan in March, 1995. The Quadrilateral Agreement envisages movement of goods through issuance of International road permit system among the signatory states. The Quadrilateral Agreement has come into force in May 2004 and traffic in transit in operation since then. Recently Tajikistan has indicated interest to join this Agreement. The matter will be decided with agreement of all the Contracting Parties to the Agreement. The difficulties in transport of cargo under this Agreement have been pointed out in paragraphs 30 and 31.

**d) *Bilateral Agreement between Pakistan and China on International Road Transport:***

37. Bilateral Agreement between Pakistan and China concerning International Road Transport along with a Protocol was signed in December, 1993. The implementation rules were signed in April, 2005 and agreement was operationalized through signing of the Protocols in May and June, 2006 for goods and passenger services respectively. The agreement is in operation. The difficulties in transport of cargo under this Agreement have been pointed out in paragraphs 30 and 31. These need to be discussed with the Chinese authorities during the next meeting of the Bilateral Agreement to resolve them.

**e) *ECO's Transit Transport Framework Agreement (TTFA)***

38. All the ECO Member states except Uzbekistan have signed the TTFA. Out of 10 member states; Pakistan, Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Tajikistan and Turkey have ratified the TTFA. As a result, the Agreement has been operationalized in May 2006, albeit yet to be implemented as the modalities and other details have not been finalized / agreed to so far by the member states. In view of the large number of countries involved finalization of various modalities for the Agreement to be implemented is expected to take some time.

**f) *Bilateral Agreement between Pakistan and Iran on Road Transportation***

39. Bilateral Agreement on Road Transportation between the two countries has been in operation since 1987. Difficulties experienced during implementation of this agreement were discussed recently in the 5<sup>th</sup> meeting of Pak – Iran Joint Commission on Road Transportation and appropriate remedial actions were agreed. The Government of Iran has already taken the required actions. Traffic signs on the transit route in Pakistan have been installed. Necessary work on development of infrastructure facilities in Pakistan on the route from Quetta to Taftan is in progress.

**g) *International Road Transport Agreement between Pakistan and Iran***

40. The International Road Transport Agreement between Pakistan and Iran was signed on 29<sup>th</sup> June 2008. This agreement will provide transport and transit facilities to the vehicles of both countries in each other's territory. Implementation of the Agreement requires the following actions:

- (i) Establishment of a system of issue of authorization for scheduled transport of passengers in accordance with Article 3 of the Agreement;
- (ii) Establishment of a system of issue of permits for transport operation of goods;
- (iii) Notification of weights and dimensions of vehicles to be used for transport of passengers and goods in both the countries in accordance with Article 10; and
- (iv) Notification of fulfillment of all conditions and requirements for the Agreement to enter into force in accordance with Article 15.

41. Ratification of the Agreement through placing a summary before the Cabinet is under process. A protocol containing the Implementation Rules and mechanism/system of Permits has also been formulated in consultation with Ministry of Commerce and NTTFC Secretariat and would be shared with Iranian Authorities through Ministry of Foreign Affairs. Customs procedures for implementation of the Agreement need to be finalized and mutually agreed. The weights and dimensions of vehicles to be used for transport also need to be notified and mutually agreed through a Protocol.

**h) *International Road Transport Agreement between Pakistan and Turkey***

42. The Agreement was signed on June 15, 2003. Implementation of the Agreement requires action against the following provisions of the Agreement:

- (i) According to Article 5 charges can be levied if weight, dimensions or load of the vehicle exceed the prescribed limits in the national legislation of the contracting parties.
- (ii) According to Articles 12 and 13 the carriage of goods between and transit through the territories of the countries of the Contracting parties shall be subject to prior permit based on quota.
- (iii) According to Article 16 the Contracting Parties shall take all measures, which they deem necessary, in order to facilitate, simplify and accelerate to maximum, the Customs and other formalities related to carriage of passengers and goods.
- (iv) In accordance with Article 17 a vehicle performing international transport by road shall hold the necessary international documents (“tryptique” or carnet de passage) and/or other documents required by national laws and regulations.
- (v) According to Article 20 a third-party liability insurance complying with the laws and regulations in force in the countries of the Contracting parties shall be applied to a vehicle used in international carriage of passengers, baggage, and/or goods between and/or in transit through the territories of the countries of the Contracting Parties.
- (vi) According to Article 26 this Agreement shall enter into force on the date of exchange of notes that requirements in accordance with the national legislations of the Contracting Parties have been complied with.

43. This Agreement could not be put into operation due to non availability of transit through the territory of Iran. By virtue of this Agreement, traffic/trucks from Turkey can ply through Iran into Pakistan, as Turkey has a Bilateral Transit Agreement with Iran. However, Pakistani trucks/buses could not go to Turkey because Pakistan did not have a Transit Agreement with Iran. Now, International Road Transport Agreement has been signed between Pakistan and Iran in June 2008 whereby providing transit facilities to vehicles of both the countries across each other’s territory and also to a third country with which both Pakistan and Iran have bilateral agreement has become possible. Ratification of this Agreement is under process. Once Agreement with Iran comes in operation, Pakistani traders would be able to have benefit of the Agreement with Turkey by having access to Turkey through Iran. However, Protocols containing Implementation Rules, system of Permits and Customs procedures needs to be agreed with the Turkish Authorities for practical realization/operationalization of this Agreement. Some of the requirements mentioned above may be included in the Protocol.

44. Recently it has also been pointed out by a major textiles exporter of Pakistan that because of unsatisfactory shipping services between Pakistan and Turkey; Pakistani exporters are unable to promote their trade with Turkey. They have asked for suitable arrangements to be made for the land route between Pakistan and Turkey through Iran to become operational. Action to finalize the Pakistan draft of the Protocol, Permits and Customs procedures needs to be initiated along with the process for ratification of the Agreement so that the Agreement may be put in operation at the earliest.

**i) *Bilateral Agreement between Pakistan and Uzbekistan on Cooperation in the field of Road Transport***

45. During Prime Minister's visit to Tashkent in March 2007 the agreement on Road Transportation was signed between Pakistan and Uzbekistan on 14<sup>th</sup> March 2007. Implementation of the Agreement requires following actions:

- (i) According to Article 3 the system of international road transit permit shall be mutually agreed upon and implemented for the vehicles for Traffic in Transit.
- (ii) According to Article 4, the parties agreed to identify the list of entry/exit points and land routes for Traffic in Transit.
- (iii) Article 6.3 states, “(In order to facilitate movement of goods in transit, the Parties shall take measures for unification of shipping documents (consignment note).”
- (iv) Article 8.2 states, “The Parties shall make available to each other the list of goods, which are forbidden for import, export and transit through the countries in accordance with national legislation of the Parties.”
- (v) Article 16.1 states, “This Agreement is subject to ratification. It shall enter into force on the date of the exchange of Instrument of Ratification.”

46. The Agreement envisages free traffic in transit by the carriers of Contracting Parties through multimodal transport system (land, rail, sea) in accordance with their existing national laws and regulations. The main objective is to provide Uzbekistan an access for the transshipment of their trade cargo to / from Gwadar Port. The details of exit / entry points, land routes for traffic in transit have been exchanged between the two sides. The other operational details are to be worked out by the two countries in the form of Protocols to the Agreement which would be signed between the contracting parties after completing the ratification process. Summary for the approval of Cabinet has been initiated. However, it will be possible to implement the Agreement after the ATTA has been renegotiated to allow transit routes through Afghanistan. In the mean while the Protocols describing the operational details and the Customs Rules for the transit trade to Uzbekistan through Afghanistan need to be finalized and notified.

**j) *Agreement on International Motor Transportation between Pakistan and Kazakhstan***

47. Government of Pakistan signed a Bilateral Agreement with Kazakhstan on International Motor Transportation in March 1995 at Islamabad. This Agreement provides for regular and irregular motor transportation of passengers, including tourists, and cargoes between the two countries and transit transportation along their territories by routes defined specifically by each contracting party to permit such transit. As there is no direct land route between Pakistan and Kazakhstan, the said Agreement could not be operationalized. The only option available was to enter Kazakhstan through China – Kyrgyzstan – Kazakhstan. The transit traffic is already in operation on this route KKH (Khunjrab / Pakistan) – China – Kyrgyzstan – Kazakhstan under Quadrilateral Agreement.

48. The other route for access to Kazakhstan is Pakistan - Afghanistan – Uzbekistan and Kazakhstan. It is an easier and shorter route to follow. For transit traffic on this route, the territories of two countries i.e. Afghanistan and Uzbekistan have to be crossed to enter Kazakhstan. Pakistan has an Agreement with Afghanistan signed in 1965, but under this Agreement Pakistani trucks can ply only up to the border point Torkham. Beyond this point to any destination in Afghanistan goods have to be transported through Afghan Trucks. Similar is

the case with Afghan side. A revised Afghan Transit Trade Agreement (ATTA) is under consideration in Ministry of Commerce. Only after signing the revised Agreement with Afghanistan it will be possible to transport transit goods beyond Afghanistan.

49. The other state on the route to Kazakhstan via Afghanistan is Uzbekistan. Pakistan has entered into an agreement with Uzbekistan in the field of transport and transit of goods. This Agreement allows free traffic in transit to the carriers of Contracting Parties. The Instrument of Ratification has yet to be exchanged between the two Governments as required under Article-16 of Pakistan – Uzbekistan Agreement. The case for this process is being initiated by the Ministry of Communications. Once the Agreements with Afghanistan and Uzbekistan are put in operation it will become possible to operate the transit traffic from Pakistan to Kazakhstan through these countries.

***k) International Road Transport Agreements with Tajikistan***

50. At present there is no bilateral road transport agreement between the Governments of Pakistan and Tajikistan. Draft of a proposed agreement has been prepared to facilitate transit trade to Tajikistan through Pakistan and Afghanistan which is the shortest route. An inter-ministerial committee needs to be constituted to examine the draft agreement to finalize the agreed draft on the basis of which negotiations with the Government of Tajikistan may be initiated. It is necessary to start this process immediately so that the route may be opened soon after the revised Pakistan – Afghanistan Transit Trade Agreement is negotiated.

***l) International Road Transport Agreements with Turkmenistan and Kyrgyzstan***

51. At present the Government of Pakistan has no bilateral agreement with the Governments of Turkmenistan and Kyrgyzstan for the transit transport to take place through Afghanistan. Work on drafting the international road transport agreements with these countries on the pattern of existing agreements with other countries needs to be commenced so that the bilateral negotiations may be initiated in due course.

**9. Levy of Transit Fee on transit traffic through Pakistan**

52. At present no transit fee is levied on the transit traffic passing through Pakistan. Although at present this transit traffic is limited to Afghanistan, the vehicles transporting goods for Afghanistan have start to impact the infrastructure and add to the wear and tear of roads. Opening of Pakistan route for the transit traffic to CARs will further increase the load on the roads and the consequent wear and tear. To generate funds for the necessary maintenance of the roads it is proposed to levy transit fee, to be recovered from the consignee, on all transit traffic through Pakistan according to the following schedule:

|                             |                        |
|-----------------------------|------------------------|
| 20 foot container (loaded): | US\$ 75 per container  |
| 20 foot container (empty):  | US\$ 15 per container  |
| 40 foot container (loaded): | US\$ 140 per container |
| 40 foot container (empty):  | US\$ 25 per container  |
| Non-containerized cargo:    | US\$ 5 per tonne       |

## 10. International Conventions that may be ratified / acceded by Pakistan to facilitate transit traffic

53. To enable smooth flow of transit traffic it is necessary that the Government of Pakistan should accede to the relevant international conventions. The conventions which need to be studied to decide which of these may be acceded to by the Government of Pakistan are the following:

- Customs Convention on the International Transport of Goods under the Cover of TIR Carnets (1975)
- Customs Convention on Temporary Importation of Commercial Road Vehicles (1956)
- Customs Convention on Containers (1972)
- International Convention on the Harmonization of Frontier Control of Goods (1982)
- Convention on the Contract for the International Carriage of Goods by Road (CMR) 1956

54. TIR Convention is the most important for enabling the transit transport. Ministry of Commerce is attending to it in consultation with Ministry of Foreign Affairs. It is necessary to constitute Working Groups comprising the representatives of Pakistan Customs, Ministry of Communications, Ministry of Commerce and NTTFC Secretariat to study the remaining conventions and recommend appropriate measures for accession to them.

## Recommendations

55. In light of the above findings the following is recommended:

- |      |  |                                |
|------|--|--------------------------------|
| i.   | Pakistan Customs may finalize the revised Rules for the Customs clearance of the Afghan Transit Trade.   | Action<br>FBR /<br>Customs     |
| ii.  | Pakistan Customs may take up with the Customs administration of Afghanistan the matter regarding electronic transfer of data between Pakistan and Afghan Customs, and constitute the required technical team to define the technical details pointed out in Para 26. | Action<br>FBR /<br>Customs     |
| iii. | Customs Rules for transit of goods under the quadrilateral Agreement between Pakistan, China, Kyrgyzstan and Kazakhstan may be finalized and notified.   | Action<br>FBR /<br>Custom      |
| iv.  | Standard Customs Clearance Rules for the Transit Trade to CARs and other regional countries may be formulated and notified.  | Action<br>FBR /<br>Customs     |
| v.   | All bonded carriers may be allowed to transport Afghan transit cargo as has already been agreed by FBR in the meeting of NTC Task Force. Notification to this effect may be issued by FBR.   | Action<br>FBR                  |
| vi.  | A crane and scanner may be installed at Sust Customs station.  | Action<br>FBR /<br>NLC         |
| vii. | The railway bridge between Peshawar and Jamroud washed out by floods may be rebuilt at the earliest to enable Afghan cargo transported by train to be transferred to trucks at Jamroud Dry Port.   | Action<br>Pakistan<br>Railways |

|        |  |  |
|--------|--|--|
| viii.  | The Dry Port at Chaman may be built and put in operation at the earliest.  | Action<br>NLC /<br>FBR                             |
| ix.    | Cross stuffing of transit Cargo bound for Afghanistan and CARs from the containers of shipping lines into the containers owned by the freight forwarders / transporter in port area or off-shore container terminals / container freight stations may be allowed, provided the containers owned by the freight forwarders / transporters are certified to be suitable for international carriage and are cross stuffed in bonded area. | Action<br>FBR                                      |
| x.     | To enable freight forwarders / transporters acquire modern transport vehicles and containers conforming to international standards, duty free import of prime movers, trailers and containers may be allowed.  | Action<br>FBR /<br>Min. of<br>Industries           |
| xi.    | The difficulties pointed out in Para 30 under the Quadrilateral Agreement and the Bilateral Agreement with China may be discussed with the Chinese authorities and resolved.   | Action<br>Min. of<br>Communi<br>cations            |
| xii.   | Revised Afghan Transit Trade Agreement may be negotiated with Afghan authorities and finalized.  | Action<br>Min. of<br>Commerce                      |
| xiii.  | The Protocols defining the Permits, Authorizations and Customs and other procedures related to the International Road Transport Agreement on Road Transport between Iran and Afghanistan may be finalized and the Agreement ratified.  | Action<br>Min. of<br>Communi<br>cations            |
| xiv.   | The Protocols containing Implementation Rules, system of Permits and Customs and other procedures may be drafted and agreed with the Turkish Authorities and the Agreement ratified.   | Action<br>Min. of<br>Communi<br>cations            |
| xv.    | Protocols defining the routes, border points and Customs clearance procedures for operationalizing the Bilateral Agreement between Pakistan and Uzbekistan may be finalized and the Agreement ratified.  | Action<br>Min. of<br>Communi<br>cations            |
| xvi.   | Bilateral International Motor Transport Agreement between Pakistan and Kazakhstan may be ratified to operationalize on finalizing the revised Pakistan – Afghanistan Transit Trade Agreement and ratification of International Road Transport Agreement between Pakistan and Uzbekistan.   | Action<br>Min. of<br>Communi<br>cations            |
| xvii.  | An inter-ministerial committee may be constituted to finalize the draft of International Road Transport Agreement between the Governments of Pakistan and Tajikistan and commence negotiations between the two governments.  | Action<br>Min. of<br>Communi<br>cations            |
| xviii. | Work on drafting the international road transport agreements with Turkmenistan and Kyrgyzstan on the pattern of existing agreements with other countries may be commenced so that the bilateral negotiations may be initiated in due course.   | Action<br>Min. of<br>Communi<br>cations /<br>NTTFC |
| xix.   | To generate funds for the necessary maintenance of the roads a transit fee, to be recovered from the consignee, may be levied on all transit traffic through Pakistan according to the following schedule:   | Action<br>Min. of<br>Communi<br>cations            |
|        | 20 foot container (loaded):  | US\$ 75 per container                              |
|        | 20 foot container (empty):   | US\$ 15 per container                              |
|        | 40 foot container (loaded):  | US\$ 140 per container                             |

40 foot container (empty): US\$ 25 per container

Non-containerized cargo: US\$ 5 per tonne

- xx. Customs Convention on the International Transport of Goods under the Cover of TIR Carnets (1975) may be acceded to at the earliest. Action  
Min. of  
Commerce /  
FBR
- xxi. A Working Group chaired by FBR and including the representatives of Pakistan Customs, Ministry of Communications, Ministry of Commerce and NTTFC Secretariat may be constituted to study the following international conventions and recommend which of these may be acceded to by the Government of Pakistan: Action  
FBR
- Customs Convention on Temporary Importation of Commercial Road Vehicles (1956)
  - Customs Convention on Containers (1972)
  - International Convention on the Harmonization of Frontier Control of Goods (1982)
- xxii. A Working Group chaired by Ministry of Communications and including the representatives of FBR, Ministry of Commerce and NTTFC Secretariat may be constituted to study the Convention on the Contract for the International Carriage of Goods by Road (CMR) 1956 for recommending accession to it by the Government of Pakistan. Action  
Min. of  
Communi  
cations

## Annex I

**First Meeting of Transit Traffic Practitioner's Committee,  
List of Participants on Tuesday, May 06 2008**

| <b>Sr. No.</b> | <b>Name</b>                      | <b>Designation</b>                           | <b>Organization</b>                     | <b>Telephone / Fax/ Email</b> |
|----------------|----------------------------------|--|---|-------------------------------|
| 1              | Mr. Firdaus Alam                 | Joint Secretary                              | Ministry of Communication               | 051-921 4988<br>051-920 3738  |
| 2              | Syed Irtiqa Ahmed Zaidi          | Project Director (TTFP-2)                    | Ministry of Commerce                    | 0300-5350063                  |
| 3              | Capt. Tariq Masood               | Traffic Manager                              | Karachi Port Trust                      | 021-921 4361                  |
| 4              | Syed Tanvir Ahmad                | Additional Collector Customs (Appraisalment) | Pakistan Customs                        | 021-921 4172                  |
| 5              | Abdul Qadir Sheikh               | Divisional Transport Officer (Ports)         | Pakistan Railways                       | 021-921 3508                  |
| 6              | Mr. Abdullah Laghari             | Director (Cargo Operations)                  | PQA                                     | 0333-2220696                  |
| 7              | Lt. Col. Tanveer-ud-din Farooqui | O.C., Dry Port Karachi                       | NLC                                     | 0321-2390042                  |
| 8              | Mr. Jamshed Ali Talpur           | Deputy Collector (Appraisalment)             | Pakistan Customs                        |                               |
| 9              | Mr. Anwar Khan                   | Appraising Officer                           | Pakistan Customs                        |                               |
| 10             | Mr. M. Shoaib Dogar              | Deputy Director (Road Transport)             | Ministry of Communication               | 051-9205658                   |
| 11             | Mr. Allah Rakha Malik            | Section Officer                              | Ministry of Ports & Shipping            | 0300-5173971                  |
| 12             | Mr. Javaid Mansoor               | Executive Secretary                          | NTTFC                                   | 0333-2260986                  |
| 13             | Mr. Yaqoob Shaikh                | C.E.O.                                       | Pyramids Logistics (Pvt) Ltd.           | 0321-2013800                  |
| 14             | Mr. Amir Anwar                   | General Secretary                            | Pak Afghan Transit Trade Clearing Agent |                               |

**First Meeting of Transit Traffic Practitioner's Committee  
List of Participants on Wednesday, May 07 2008**

| <b>Sr. No.</b> | <b>Name</b>                      | <b>Designation</b>               | <b>Organization</b>           | <b>Telephone / Fax/ Email</b> |
|----------------|----------------------------------|----------------------------------|-------------------------------|-------------------------------|
| 1              | Mr. Firdaus Alam                 | Joint Secretary                  | Ministry of Communication     | 051-921 4988<br>051-920 3738  |
| 2              | Syed Irtiqa Ahmed Zaidi          | Project Director (TTFP-2)        | Ministry of Commerce          | 0300-5350063                  |
| 3              | Mr. Abdullah Laghari             | Director (Cargo Operations)      | PQA                           | 0333-2220696                  |
| 4              | Mr. M. Shoaib Dogar              | Deputy Director (Road Transport) | Ministry of Communication     | 051-9205658                   |
| 5              | Lt. Col. Tanveer-ud-din Farooqui | O.C. Dry Port Karachi            | NLC                           | 0321-2390042                  |
| 6              | Mr. Allah Rakha Malik            | Section Officer                  | Ministry of Ports & Shipping  | 0300-5173971                  |
| 7              | Mr. Faiz Rasool                  | Pass V.P.                        | FPCCI                         | 0300-8592333                  |
| 8              | Mr. Yaqoob Shaikh                | C.E.O.                           | Pyramids Logistics (Pvt) Ltd. | 0321-2013800                  |
| 9              | Raja Shakeel Ahmed               | M.D.                             | Pindi Carwan                  | 0300-90704778                 |
| 10             | Dr. M. Afzal                     | Managing Partner (AHB Afghan)    | Afghan Clearing Agent         | 021-2217921<br>021-2620829    |
| 11             | Mr. Javaid Mansoor               | Executive Secretary              | NTTFC                         | 021-524 2570<br>0333-2260986  |
| 12             | Mr. Waheed Alam                  | Deputy Secretary                 | NTTFC                         | 021-524 2568                  |

## Annex II

### Second Meeting of Transit Traffic Practitioner's Committee List of Participants on Friday, October 24 2008

| Sr. No. | Name                    | Designation                                  | Organization                  | Telephone / Fax/ Email   |
|---------|-------------------------|--|-------------------------------|--|
| 1       | Mr. Altaf Asghar        | Joint Secretary                              | Ministry of Communication     | 051-920 3738<br>051-921 4988   |
| 2       | Syed Irtiqa Ahmed Zaidi | Project Director (TTFP-2)                    | Ministry of Commerce          | 051-9203604<br>0300-5350063  |
| 3       | Syed Tanvir Ahmad       | Additional Collector Customs (Appraisalment) | Pakistan Customs              | 021-921 4716   |
| 4       | Mr. Yaqoob Shaikh       | C.E.O.                                       | Pyramids Logistics (Pvt) Ltd. | 021-582 3598<br>0321-2013800   |
| 5       | Abid Mahmood Khan       | J.D. / Ops                                   | Ministry of Railways          | 051-920 7990   |
| 6       | Raja Shakeel Ahmed      | M.D.   | Pindi Carwan                  | 0300-90704778  |
| 7       | Mr. Javaid Mansoor      | Executive Secretary                          | NTTFC                         | 0333-2260986<br><a href="mailto:nttfc@cyber.net.pk">nttfc@cyber.net.pk</a>                   |
| 8       | Mr. Waheed Alam         | Deputy Secretary                             | NTTFC                         | 021-3524 2568<br>021-3524 2570<br><a href="mailto:nttfc@cyber.net.pk">nttfc@cyber.net.pk</a> |