BUSINESS
RECORDER

# Border trade in Balochistan

Ajmal Kakar| 08th Sep 2024

**Balochistan, Pakistan's largest province in terms of area, plays a crucial role in the country's border trade. Sharing extensive borders with Afghanistan (1468 km) and Iran (909 km), Balochistan's unique position makes it a hub for bilateral and transit trade.**

Out of its 36 districts, 13 are located along these international borders, with nine districts bordering Afghanistan and five bordering Iran. Trade along these borders is not merely a matter of economic transactions; it's a lifeline for the local populations.

Communities on both sides of these borders share common languages, cultures, values, and histories, particularly the Pashtoons along the Pak-Afghan border. This deep-rooted connection underscores the dependency of these border communities on cross-border trade for their livelihoods.

We at the Pakistan Institute of Development Economics (PIDE) conducted a comprehensive study on cross-border trade in Balochistan, funded by RASTA-PIDE. The study aims to pinpoint the major trade hotspots along the border in the bordering districts, the nature of trade, the importance of border trade for the local population, commodities being imported and exported, the size of border trade particularly the Petroleum import from Iran, resultant revenue loss, the cost-benefit analysis and finally the study highlights the expected repercussions if the border trade closes.

Our study reveals that in four districts of Balochistan—Kech, Punjgor, Chaghi, and Washuk—the government of Balochistan has implemented a token system that originated in 2020. Initially managed by the FC, the token system is now overseen by the DC office.

They provide a list that comprises of the information of token holder, CNIC number, 'Zamyad' vehicle engine number, chassis number, registration number, address, barcode number and driver name to both the drivers and border management one day prior to the border crossing. This system permits the bordering districts' residents to import Iranian petroleum. The allocation of Zamyad vehicle tokens varies across districts. In fact, in each district the tokens are distributed among Union Councils (UCs), and the size is based on the population of the UCs.

According to our RASTA-PIDE report, in the Kech district, 600 documented Zamyad vehicle tokens are authorized to transport 4000 liters of petroleum each Zamyad per day, totaling 2.4 million liters. Likewise, in district Chaghi 250 tokens are sanctioned to the local residents, which allow them to import a total of 1 million liters per day.

Additionally, in district Punjgor Zamyad vehicle tokens/Permits are allocated for two trade hotspots along the border, 250 for Chadagi and 350 tokens for the Jirak border, thus a total of 600, leading to a daily import of 2.4 million liters. On the other hand, in district Washuk a total of 700 Zamyad vehicles import petroleum from Iran on a daily basis, resulting in an import of 2.8 million liters daily. Thus, in these four bordering districts, there are a total of 2150 Zamyad vehicle tokens, resulting in a combined daily import of 8.6 million liters of petroleum. And, the nature of trade in these districts is informal but documented.

Additionally, in the Gwadar district, small ships are employed for the import of petroleum from Iran through the Kontani border. At this border point, approximately 2000 depots or storage facilities, locally referred to as “mandies/depoos” operate to handle the importation of petroleum using small speed boats known as Khaiks. Our estimates suggest that 2000 boats/ships, termed as Khaiks, are engaged in this informal and undocumented trade activity.

Each boat/Khaik has a capacity to carry 23 gallons, with each gallon containing 70 liters of petroleum or diesel. Consequently, the total capacity of each Khaik to transport petroleum or diesel amounts to 1610 liters. As a result, the daily petroleum imports at the Kontani border stand at 3.22 million liters, reflecting the substantial volume of petroleum being traded through this informal channel. Moreover, this shows that the district-wise Gwadar through Kontani border imports the most in Balochistan. Thus, our study reveals that the overall daily import of petroleum from Iran stands at 11.82 million liters. However, our study does not take into account the supply through Taftan and Rimadan/Gabd border, Gwadar.

Furthermore, our study reports the volume of petroleum imports on daily, monthly, and yearly bases with respect to bordering districts and major trade hotspots along the borders in Balochistan. On a yearly basis, the import quantities are substantial. Punjgur imports 312.86 million liters via the Chadagi border and 438.00 million liters through the Jirak border annually. Washuk's yearly imports are 500.57 million liters at Guazar and 375.43 million liters at Bacharahi.

Kech's annual imports through the Abdue border are 750.86 million liters. The Rajy-Rotiq border in Chaghi sees 312.86 million liters imported each year. Finally, Gwadar, with the largest annual import volume, receives 1007.4 million liters through the Kontani border. Collectively, the yearly imports for these districts total 3698.0 million liters with a revenue loss of around Rs232972.3 million (US $810.73 million).

The Government of Pakistan has implemented a levy of Rs 60 per litre on energy products, along with a 10% customs duty. However, imports (petrol/diesel) from Iran are not adhering to these regulations, despite most border trade being well-documented. This non-compliance is leading to a significant loss in government revenue. The total daily revenue loss due to Iranian petroleum imports across various districts and borders is of Rs 744.66 million ($2.59 million).

Specifically, Punjgur incurs a daily loss of Rs 151.2 million, Washuk Rs176.4 million, Kech around Rs 151.2 million, Chaghi Rs 63 million, and Gwadar (Kontani) Rs 202.86 million, the highest daily loss. On an annual basis, the estimated revenue loss is Rs 3,942 million for Punjgur, Rs 4,599 million for Washuk, Rs 3,942 million for Kech, Rs 1,642.5 million for Chaghi, and Rs 5,288.9 million for Gwadar. Altogether, this results in a total annual revenue loss of approximately Rs 232,972.3 million ($810.73 million).

The size highlights the significant role Iranian petroleum plays in Pakistan's energy consumption. According to the Oil Companies Advisory Council (OCAC) Pakistan, in 2022-2023 the annual consumption of energy products (Exclusively MS, HSD, and Kerosene) was 13,899,139 M.tons at the national level.

Province-wise the consumption of energy products was the highest in Punjab, followed by Sindh and KPK, Azad Kashmir, Balochistan, and Gilgit Baltistan, with 63.9%, 21.3%, and 11.0%, 1.5%, 1.3%, and 1.0%, respectively.

***Our study shows that Iranian petroleum contributes around 3.6 billion liters annually and makes up 17.4% of the total consumption. This reveals that the consumption of Iranian energy products is not limited to Balochistan. These are being supplied to other provinces in the country because the supply from Iran at various borders exceeds the demand for energy products in Balochistan.***

(The writer is a Research Associate at the Pakistan Institute of Development Economics (PIDE), Islamabad. He tweets @ajmalkakar34)

Newspaper Link