



Border Trade Woes & Way Forward

Ajmal Kakar

Balochistan, Pakistan's largest province, wields an immense economic potential. It plays para-mount role in the country's bilateral, transit and border trade, by sharing 1,464 km and 909 km long borders with Afghanistan and Iran, respectively. Out of its 36 districts, 13 are located along these international borders, with nine districts having a physical border with Afghanistan and five bordering Iran. There are nearly 25 trade hotspots along the border. In fact, the border communities on both sides, sharing common language, culture, and history. These deep-rooted commonalities underscore the bordering town's dependency on cross-border trade as a primary source of livelihood.

Our recent comprehensive PIDE-RASTA study (not published yet) reveals that various type of trade take place at prominent trade hotspots along the borders including (1) formal and documented, (2) formal but undocumented (3) informal but documented, and (4) informal and undocumented trade. During

our field survey, the majority of the residents in bordering towns define border and border trade as a primary source of income, backbone of local economy, business hub, a family legacy, a tradition, and even as valuable as gold or a natural resource. Additionally, the study reports the estimated size of labour force participation in border trade and related activities, focusing on the import of petroleum/diesel exclusively. In fact, 31% of the population in district Washuk, 21% in Gwadar, 16% in Punjgor, 13% in Chaghi and around 8% in Kech district are directly involved in petroleum import from Iran exclusively. Similarly, a survey conducted in Chaman and Spin Boldak reports that, 81% of the respondents reported that business activity in their community depends entirely or mainly on cross-border trade. And, 65% revealed that household well-being is mainly dependent on trade. Dependency on border trade extends beyond bordering towns. Balochistan's overall economy is highly depend-ent on cross-border trade with neighboring countries.

However, the border trade in Balochistan is not free of impediments. During our field visit to bordering towns in Balochistan, the respondents including but not limited to traders, member chamber of commerce, members trade unions, transporters and local residents reported various issues in border trade. The reported issues include, token policy regime, loss of economic au-tonomy, public exploitation, rigorous inspections, inadequate infrastructure, impediments in barter trade, interprovincial restrictions and market accessibility, and passport and visa regime. Additionally, since cross-border trade is mainly informal, it leads to significant revenue loss. Furthermore, the existing model is causing human capital loss in bordering districts in particu-lar and Balochistan in general.

In fact, token policy regime (Zamyad vehicle Tokens) has emerged as a prominent concern for the traders engaged in border trade with Iran, a matter that originated in 2020. The respondents reported that, this policy has reduced the access to border, exacerbated regional disparity, en-couraged corruption and government official's involvement, augmented rent-seeking, cost of doing business and which is being used as a political tool by the politicians. The loss of local resident's economic autonomy is also the byproduct of token policy and border fencing and subsequent government officials and political elite's intervention in border trade either direct or indirect. Additionally, respondents also reported trader's exploitation as issue in border trade (with Iran). They believe that border trade is only for the few elites and majority of the masses are earning for them. One respondent expressed in these words: "In the past, people used to earn for themselves, securing their livelihoods. However, now the work here is done for the benefit of DCs, MPAs/ MNAs, powerful individuals, politicians, and other government officials. Their profit is guaranteed, but the public's benefit is uncertain and may even result in losses for them."

Additionally, the traders reported large number of checkpoints and rigorous inspections as one of the stumbling block in border trade. They believed that checkpoints are unnecessary, and in some routes, multiple checkpoints exist, and each increase the cost for businessmen. Moreover, as in Balochistan most of the cross-border points are not formally notified, therefore lack proper infrastructure. Ultimately, inadequate infrastructure increases transportation cost, time-consuming, interrupts the supply chain, increasing risk of accidents, and causes products damage, therefore reducing efficiency and profit. For instance, in district Kech, the Abdu bor-der is approximately 130 kilometers from Trurbat city but due to the lack of infrastructure, it takes around 7-8 hours to reach the border. In the same way, District Zhob Qamerdin Karaz is 208 kilometres, Mazakai

Kundar is 178 kilometers, and Gul Koch is 185 kilometers from Zhob City but due to the pitiable condition of the road, this takes approximately more than five hours.

increasing the risk of accidents

Traders engaged in border trade also reported impediments in barter trade with Iran. The Markran Division Chamber of Commerce Members expressed the issue as: "There is huge po-tential of barter trade with Iran, we are not serious in this regard." They identified a list of 40 potential exportable items in which Pakistan has comparative advantage. Similarly, there are many products in which Iran has comparative advantage, for instance steel, oil, gas, marble and other food commodities. However, these are restricted to informal ways, to please selected individuals."

One of the major issues reported in all bordering towns including traders from Quetta is the difficulties in interprovincial movement/transportation and access to big markets in Pakistan. This further increases the cost of doing business and encourages corruption. Additionally, in Chamn district, most of the respondents reported the negative repercussions of implementation of passport and visa regime which resulted in historic large protest "Parlat" (for details see: <https://eastwestnewswire.com/pakistan-prolonged-sit-in-at-chaman-border-highlights-devastating-impact-of-revoked-easement-rights/>).

The above mentioned are the issues reported by the respondents during our field visit to border-ing towns. However, our study reports additional issues of border trade for Pakistan's economy. As I mentioned the nature trade which is mainly informal but documented, this informal nature of the trade leads to revenue loss and privatization of tax. According to our study, on daily ba-sis Pakistan is losing around USD 2.6 million in petroleum import exclusively. The overall rev-enue loss is many times higher than this. In addition to this, In the bordering region, the pro-spects of education are so bleak that university students abandon education to pursue career in border trade. Thus, such a model of trade is unsustainable. On one hand, it results in revenue loss for the government; on the other, it diverts local residents from formal trade and education, pulling them into an unstable livelihood that could be discontinued at any time. Indeed, the closure will have either more devastating impacts for both the government and local com-munity, its therefor, indispensable to streamline the border trade gradually with alternative business model.

Thus, based on the challenges we observed and those reported by the respondents during our field visit to bordering towns. We suggest the following policy proposal and confidence build-ing measures for a greater interest of state and local community.

Formulization and Regulation of Border Trade: As a policy proposal we suggest to establish officially designated border-crossing points or border economic corridors in each bordering district of Balochistan. Additionally, the establishment of Border Economic Zones or Joint Border Markets along each border gateways.

Revisit the Token Policy: The Balochistan government should revisit the existing Zamyad Vehicle Token policy to enhance transparency in token allocation across designated districts and union councils. Additionally, a rational petroleum tax levy should be imposed. This will not only generate revenue for the government but also reduce the cost of doing business, curbing rent-seeking practices and bureaucratic hurdles.

Infrastructure Development and Trade Facilities: There is dire need upgrade the existing road network and building of new roads along the border economic zones and getaways in each potential bordering districts. Furthermore, trade facilities such as custom clearance stations, border terminal, banking, internet accessibility and other logistic support are indispensable.

Unified National Border Trade Policy: Interprovincial trade barriers can be eliminated by adopting a unified national border trade policy and elimination of unnecessary and overlapping checkpoints.

Livelihood Diversification in Bordering Towns: in order to reduce reliance on unsustainable informal border trade initiatives should be taken to diversify the livelihood of local communities in the bordering settings. For instance, skills training programs can be incited to integrate the labor force in formal sectors, different bordering cities can be developed as hubs for specific services, such as Taftan as a tourist city and Chaman as a healthcare hub. Similar steps can be taken in other region based on their potential and feasibility

Preferential Trade Agreement (PTA) with Iran and Afghanistan: As a confidence building measure we suggest to sign preferential trade agreement with the government of Iran and Afghanistan to improve the market access and bilateral trade. As a part of the agreement, the governments should agree on the utilization of potential products and tariff rationalization.

As in our field visit, the Chman and Makran members chamber of commerce has emphasized on the identification of the local economy potential and recommended the development of Special Economic Zones under CPEC, in the bordering town. In Balochistan, currently there are two ongoing SEZs, established in district Peshin and Hub, similar

SEZs will be established at Chaman and Khuzdar. Therefore, one the recommendation is to:

Research for Region Specific Potential and Development of SEZs under CPEC: Finally, we suggest conducting extensive research on the subject to identify region specific potential. Additionally, the development of Special Economic Zones (SEZs) in bordering town under China Pakistan Economic Corridor (CPEC)

These policy proposals and proposed confidence building measures will have the following implications; decline the informality in border trade, will encourage transit trade with Afghanistan and Pakistan's access to Central Asia. Additionally, this will enhance the volume of bilateral trade with neighboring countries (Iran and Afghanistan). Imposing tax will generate revenue and subsequently will enhance foreign reserves. The unified national border policy will facilitate movement of goods within Pakistan and will assist in developing well-coordinated trade policies at provincial and federal level. In addition to this, these policy proposals will generate alternative and sustainable livelihood opportunities for the local residents in bordering towns in general and for the youth of Balochistan in general.

Mr. Ajmal Kakar is a Research Associate at the Pakistan Institute of Development Economics, with his work focusing on governance, transit trade and border issues.