

Afghanistan's Transit System



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Afghanistan's present dry cargo trade is concentrated along two main axes toward Pakistan and Iran (Table 1.1). The Pakistan route handles bilateral trade and most relief and donor cargo, while the Iranian route handles most of the commercial freight from third countries. Petroleum products are imported through Iran (50 percent) as well as from Turkmenistan and Uzbekistan; recently petroleum imports from Pakistan have increased.

Transit routing was very different in the late 1970s, when some 70 percent of such traffic was routed through the USSR, connecting at the railheads of Termez (linked to the river ports of Hairatan[1] and Shirkhan), or Torghundi. Approximately 20 percent of trade was routed to/from or through Pakistan and 10 percent through Iran, including some direct road transport with Europe. The railways still transport some fuel and relief cargo (e.g., grain from Kazakhstan), but the volumes are a small fraction of their previous levels, and there appear to be either major restrictions or a prohibition on the movement of commercial cargo. Afghanistan has recently announced its intention to join the Transport Corridor Europe Caucasus (TRACECA), which will provide an alternative rail route through the Black Sea ports.

Table 1.1 Afghanistan's Main Trade Transport Routes

Transit Country	Transit Port	Transit Route					Destination
Pakistan:	Karachi	®	Peshawar	®	Torkham	®	Kabul
		®	Quetta	®	Spin Boldak	®	Kandahar
Iran:	Bandar Abbas	®	Islam Qala	®	Herat	®	Kabul
						®	Kandahar

1- Developing Afghanistan's Transit Potential

2-1 Present Transit Potential

Under prevailing conditions, the potential for transit traffic through Afghanistan appears negligible. The following major issues have to be resolved, before Afghanistan can really begin to utilize its geographic position.

2-2 Security

Irrespective of its infrastructure, Afghanistan has little transit potential until the security issue is resolved. There may be few security problems on the route through Peshawar, but on the Quetta route that offers major transit potential, security remains a major problem. Until these routes are perceived to be secure, through demonstrated actions by TISA with support of the international community, it is difficult to envisage the use of Afghan routes when other routes are available at relatively little additional cost.

2-3 Transit System

There is no operational system for transit through Afghanistan, notwithstanding the many accords, agreements and bilateral and multilateral declarations on the issue. There is no functioning formal banking or insurance sector to provide bonds or guarantees to cover the customs duties on goods in transit that have not cleared customs. Without a bond/guarantee system, customs control of corridor scheme would be limited to a costly and inefficient convoy system. The system needs to maximize the attractiveness of routes through Afghanistan. At a very basic level, shippers need to be able to insure their cargo and use containers, neither of which are possible at the present time in Afghanistan.

An efficient system within Afghanistan is not sufficient for through-transit; such a system has to extend from landlocked country to the seaport. The present transit agreements focus specifically on the arrangements for Afghan cargo and must be both extended and streamlined for third-country traffic.

2-4 Central Government Control

Central government authority is still limited and many decisions are being made at the provincial level. An effective transit system has to be predictable and uniform throughout the country. Arbitrary decisions, ad-hoc regulations and uncertainty would have a very negative impact on transit potential.

2-5 Cargo Transshipment

Most Afghan cargo is transshipped at the Afghan border. Local shippers have to accept transshipment, but it would be highly detrimental for the development of through-transit. Truck-to-truck transshipment, other than switching trailers, is almost perverse. The opportunities for both direct transit and container shipment are crucial for the development of the routes.

2-6 Future Transit Potential

A recent study by the ADB suggests that the development of North-South road corridors could result in a major shift in trade – transit routing from Central Asia and have a very positive impact upon both employment and production in the region. Additionally, the Government of Iran envisages potential transit traffic of some 40 million tons from Central Asia. Although the private sector more conservatively estimates 8 million tons, even that volume would be a major increase on the present level of about 1.5 million tons. Both Iran and Pakistan have designated ports that they would like to see develop as major transit routes for the region, Chabahar and Gwadar, and both countries are investing heavily in their transport systems to meet transit potential.

Choices between routes and modes are not based simply on price but on a combination of factors including cost, time, reliability and other service quality attributes. A survey of US shippers estimated that price accounted for only about a third of the choice decision. Price may be more important in poorer countries, but choices will undoubtedly be influenced by time, cost, and predictability in service delivery.

2-7 Transit Costs

Transit through Afghanistan will compete with other road routes and rail which carries 80 percent of the CAR non-oil external traffic. Afghanistan will be one link in a transit chain and its competitiveness will depend on costs throughout the chain, including any sea-links. The land costs will be substantially influenced by truck and payload regulations:

- Little regulation in Pakistan and road freight rates are extremely low: US\$0.29/TEU-km and less than one US cent/ton-km;
- European standards in Iran, a 22-ton payload limit, and much higher trucking rates: US\$0.48/TEU-km and two US cents/ton-km.

Transit costs for bagged cargo from Karachi to Tashkent or Dushanbe might be in the range of US\$35 – 40/ton-km, costs that would be very competitive with existing routes via the Baltic or Black Sea ports (US\$65 – 70/ton-km). The route would even be competitive for Almaty and Bishkek. The road transport costs from Bandar Abbas through Afghanistan would be substantially more costly than all other routes, unless cargo was moved by rail through Iran or payloads were adjusted at the border.

The Karachi route has less advantage for containers, as payloads are restricted. Rail from Bandar Abbas would be the lowest cost land routing for most of Central Asia, although the Karachi route would still be competitive for Tajikistan and to a less extent Uzbekistan (Figure 2.1).

The routing of container traffic will also depend on shipping rates and the trading partner. It would seem very difficult to compete with direct rail for European traffic, unless very fast delivery was required, in which case direct road transport would be used.

If CAR countries accept Pakistani truck and payload standards, the transit routes to Karachi could be competitive. Such acceptance is unlikely in Kazakhstan, but relaxed regulation may increase the corridor attraction for those CAR countries whose domestic trucking fleets do not meet international standards. A regional agreement, based on regional standards, would allow CAR trucks to participate. In comparison, road routes through to Iranian ports would be high cost.

2-8 Transit Times

The current transit time from Karachi and to Kabul is about 10 days: (i) trucks travel via Peshawar; (ii) speeds are low; (iii) crossing the border and delivery to Kabul can take 3 – 5 days. On this basis, transit to Tashkent might take over two weeks. Transit times need to be reduced substantially to compete with other road routes such as Bandar Abbas (7 – 9 days) and even Europe (15 days). The rehabilitation of Afghanistan's main road network will increase vehicle speeds but the key to reduced transit times will be streamlining border formalities so as to impose minimal delays. If truck utilization is increased to 450 km/day and border crossing restricted to a maximum of one day, transit times to Tashkent and Dushanbe would be 8-9 days.

Figure 2.1 Trade – Transport Costs: Central Asian Republics

2-9 Transit Facilitation

CAR countries are looking for alternatives to their present transit routes, which have capacity but have become cumbersome:

- Long delays and high costs in obtaining visas
- Time-consuming border formalities
- Lack of respect for TIR, transit convoys

- Discrimination against foreign trucks
- Checking-posts, arbitrary delays and extensive informal payments

Regional politics have added a further dimension to transit decisions, and routes through Afghanistan will allow some CAR to bypass their present transit partners. However, this attraction may be short-term, as tensions ease and politics change. Route sustainability will depend more on competitive costs, transit times and service standards.

Afghanistan's infrastructure is being improved, but there is a limit to the ability of investment to reduce operating costs. Major cost reductions can also be obtained, without large investment, through a transit system which is easy to operate, needs the minimum of documentation, allows rapid transit without bureaucratic delay and eliminates the cost and uncertainties of numerous checking-posts, fees and informal payments. If such a system can be developed by Afghanistan and its partners, then Afghanistan could become a significant transit route for Central Asia. Unfortunately, Afghanistan's internal transport system already exhibits several of the problems encountered on the other CAR routes.

2- Realizing Afghanistan's Potential for Regional Benefit

Afghanistan has to resolve its security issue and put in place systems with much higher service standards than those on competing routes. Transit trade then becomes a two-way street, benefiting the neighboring countries through shorter trade routes as well as possibly opening up new markets across the region. Nevertheless, the direct benefits of transit traffic will be limited. There will be income from services to transit vehicles as well as transit fees and possibly commissions on transit bonds, but this revenue will be offset by the road damage of very heavy trucks. Much more important may be the indirect benefits derived from being the center of an efficient regional transit network. Afghanistan can reasonably expect improved access to the sea as part of a broader regional or corridor transit framework from which all can benefit.

Iran is interested in attracting CAR transit traffic and expanding the use of Chabahar, but its regulations effectively exclude trucks from Afghanistan and the CAR and substantially increase trucking costs. There may be potential solutions:

- A rail-road system from Bandar Abbas with interchange at/near the Afghan border;
- A rail connection to Chabahar with interchange at/near the Afghan border. Plans are being developed for such a link;
- A road connection based on load consolidation at the Afghan border;
- A specified road corridor, linking Afghanistan to Chabahar, with Afghan and Uzbek trucks permitted to operate outside the regulatory norms.

The road corridor solution would help to offset, for bulk traffic, the disadvantages of Chabahar as a transit port and be perhaps the most attractive option for the landlocked countries. However, Iran would also be interested in the use of the direct rail route to Central Asia through Mashhad and Sarakhs.

Pakistan would like to strengthen its economic links with Central Asia, a potential market for Pakistani goods and a source of low-cost energy and raw materials. CAR transit traffic would also increase port revenues,

encourage more frequent container services with larger vessels and provide additional demand for the trucking sector. However, the present transit arrangement with Afghanistan is not a feasible basis for regional transit which needs both direct transit and reciprocal access to be competitive. Similarly, the concept of open access for the CAR but a negative list for Afghanistan is implausible. Pakistan will need to modify its transit position, if it wishes to develop its economic links and attract transit traffic. Pakistan's concerns about smuggling via transit trade are expected to be alleviated by improved customs administration, about to be implemented in phases by the TISA as part of a comprehensive customs reform agenda.

Tajikistan, like its neighbor Kyrgyz Republic, has major difficulty in deriving the potential benefits from increased regional trade. Both are limited by the restrictions imposed by their neighbors, especially Uzbekistan and Kazakhstan. Supporting a region-wide initiative to liberalize trade logistics within the AAN Group would have obvious benefits for southern directed trade and might encourage reforms in other directions as well.

Reintegration of Afghanistan with its neighbors through a revitalized, well-maintained road network will indirectly support implementation of construction of an east-west gas pipeline linking Turkmenistan and Pakistan.

Uzbekistan is interested in diversifying its transit routes and transit partners. While routes to Karachi would be shorter, the primary interest is reaching Iran through the completion of Afghanistan's ring road. Road transit to Iran will be a high-cost alternative that is presumably justified on the grounds of route diversification and enhanced security. In return for providing efficient transit facilities for Uzbek transit through Afghanistan, it would be reasonable to expect the simplification of border formalities at Termez and the provision of direct rail access for Afghan traffic at Hairatan.

Source: documents.worldbank.org