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PAK-AFGHAN BILATERAL AGRICULTURE TRADE: CHALLENGES AND OPPORTUNITIES

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ABSTRACT

The hub of the Muslim world and Central Asian countries, Afghanistan, and Pakistan, have many trade agreements. Both countries share a long history as agricultural trading partners since 1969. The study was designed to investigate the challenges and opportunities for increasing bilateral trade. For research purposes, Peshawar in Pakistan and Jalalabad in Afghanistan were selected. The research data were collected through purposeful sampling techniques, and the appropriate sample size followed a systematic procedure. Data were analyzed using statistical methods to yield further results. The study employed the Gravity Model, Descriptive Statistics, Ordinary Least Square Method, and Correlation to describe its findings. Specifically, a modified Gravity Model of bilateral agriculture trade was applied to analyze trade flows between Pakistan and Afghanistan. The study's results demonstrated that major determinants of Pak-Afghan total trade flow include distance, GDP per capita, transportation, taxes, and the population of both countries. The findings revealed that a higher GDP per capita leads to increased trade, distance acts as a trade deterrent, and historical ties, such as being former members of the same country, have future implications for more trade compared to otherwise similar countries.

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INTRODUCTION

Bilateral trade is the exchange of commodities between two countries, which promotes trade, and investment and enables consumers to enjoy more commodities. Bilateral trade provides opportunities to enter new markets, employment opportunities, and the supply of products at lower prices. Two countries have reduced or eliminated tariffs, import quotas, export restrictions, and other trade barriers to boost their trade and investments (Kagan, 2018). Global growth increased from 2.9 % in 2019 to 3.3 % in 2020 and 3.4 % in 2021, down 0.1 % for 2019-2020 and 0.2 % for 2021 (October World

Economic Outlook). The downward revision is mostly due to unfavourable economic surprises in a few developing market economies, as well as an increased social disturbance (IMF, 2020).

Afghanistan is a landlocked South Asian country that shares its borders with China, Iran, Tajikistan, Pakistan, Turkmenistan, and Uzbekistan. Afghanistan is an agricultural and mountainous country. Afghanistan has a controlled economic system in which the central government directs the economy in production and distribution. The economy of Afghanistan has improved significantly in the last decades. Afghanistan's GDP

stands at about 76.846 billion USD and the GDP per capita is 2095 USD (IMF, 2020). GDP growth in Afghanistan remained at 3.9 % in 2019 but in 2020, it became -2.4 % and we at Fitch Solutions have revised our real GDP growth forecast for Afghanistan in FY2021 from 0.4% to -9.7% and from 0.9% in FY2022 to -5.2% (IMF, 2020). Afghanistan imports over $6 billion in goods and exports about $1 billion in fruits and nuts. The top exports of Afghanistan are Grapes, Pomegranates, Apples, tropical fruits, insect resins, coal briquettes, and other nuts. The main imports of Afghanistan are wheat flour, mangoes, kinnow, cement, armored vehicles, refined petroleum, raw sugar, and delivery trucks . Afghanistan's trading partners are China, India, Pakistan, Iran, Kazakhstan, Uzbekistan, and Malaysia. The South Asian Association for Regional Cooperation (SAARC) recognizes Afghanistan as a SAARC member. SAARC countries (Including Afghanistan) received 5.3 % of exports, while 3.7 % of imports came from SAARC[1] countries (Zingel, 2014).

Pakistan is a South Asian country that shares land borders with Afghanistan, China, India, Iran, and a sea border with Oman. In terms of purchasing power parity, Pakistan has the 24th largest economy in the world, and its GDP (PPP) was recorded at 4927.90 US dollars. The GDP growth rate of Pakistan dropped to 3.3% in 2019 compared to 5.5% in 2018. According to the Economic Complexity Index, Pakistan is the 68th largest export economy and the 98th most complicated economy (ECI). House linens, non-knit men's suits, rice, non-retail pure cotton yarn, and non-knit women's suits are Pakistan's top exports. Refined petroleum, crude petroleum, palm oil, petroleum gas, and automobiles are among its main imports. (tradingeconomics.com). The top export destinations of Pakistan are the United States, Germany, China, the United Kingdom, and Afghanistan. China, the United Arab Emirates, Saudi Arabia, Indonesia, and Japan are the countries that import the most.

Pakistan and Afghanistan have strong friendship ties with religious divisions. Pakistan provides access to Afghanistan through its ports, while it often assisted Pakistan directly to Central Asia. On October 10th, 2010, both countries appreciated the Afghan-Pakistan Transit Trade Agreement (APTTA) to increase commercial cooperation. On July 12th, ATTA was extended to Tajikistan to establish the North-South Trade Corridor, which will facilitate the use of Gawadar and Karachi ports for trade while Pakistan enjoys trade with Tajikistan. Pakistan and Afghan traders also benefit from the Ashgabat agreement[2] that involves the Lapis Lazuli Corridor[3] (Tellis and Mukharji, 2010). In these two agreements, Pakistan's transit trade will be promoted with Afghanistan, Oman, Iran, Azerbaijan, Turkey, and Georgia, reducing commercial obstacles. In 2017, Pakistan exported $ 1,390 million against the import of $ 369.89 million. In a recent development, new government rapid track measures have been announced in Pakistan (KCCI, 2017).

Pakistan is the largest buyer of Afghani goods, with $369 million in imports, and Afghanistan is Pakistan's fourth-largest export destination. The trade volume between Pakistan and Afghanistan has decreased from $2.3 billion to $1.4 billion in the last five years. Agricultural products make up most exports to Afghanistan. Because of the lower cost, Afghanistan prefers to import agricultural products from neighbouring countries, such as Pakistan, Iran, and Tajikistan. Wheat, cement, sugar, and rice were the most popular exports from Pakistan to Afghanistan in 2016. Pakistan has a market share of more than 90% for certain products. The supply, demand, and market share criteria were used to identify potential export commodities. Commodities are suggested to be included as possible products if Pakistan has enough supply, Afghanistan has significant demand, and Pakistan's present market share for the specific items is modest. Surgical devices, soap, rubber tires, milk, cream, and footwear are among the screened items. Pakistan already has a large market share for a lot of items, but Afghanistan is a growing country with a high dependency on Pakistan (Pakistan Business Council, 2014).

Globalization, or global trade and investment, is now a

1Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka are among the countries that make up the Commonwealth of Independent States.

2The Ashgabat Agreement is a multimodal transportation agreement between the governments of Kazakhstan, Uzbekistan, Turkmenistan, Iran, Pakistan, India, and Oman to establish an international transport and transit corridor to facilitate commodities traffic between Central Asia and the Persian Gulf.

3Lapis Lazuli is an international transit route that connects Afghanistan and Turkey via Turkmenistan, Azerbaijan, and Georgia. It was launched in 2018.

common market condition for many countries worldwide, but it is not without its obstacles. Export-oriented businesses face a distinct set of hurdles. Companies will almost certainly incur more costs due to having to devote significant effort to researching international markets and modifying products to match local demand and rules and regulations. Companies that export are usually at a higher risk of financial failure. Payment collection procedures such as open account, letter of credit, prepayment, and shipment are

fundamentally more complex and time-consuming than payments from domestic customers (Baier and Bergstrand, 2007). Afghanistan's infrastructure is now being rebuilt. Pakistan has numerous prospects to boost building material and machinery exports to Afghanistan. The standard of life and income of the people are improving because of foreign aid and investment, which provides opportunities for Pakistani exporters to export value-added goods and generate greater profit in Afghanistan (Mazhar and Goraya, 2010).
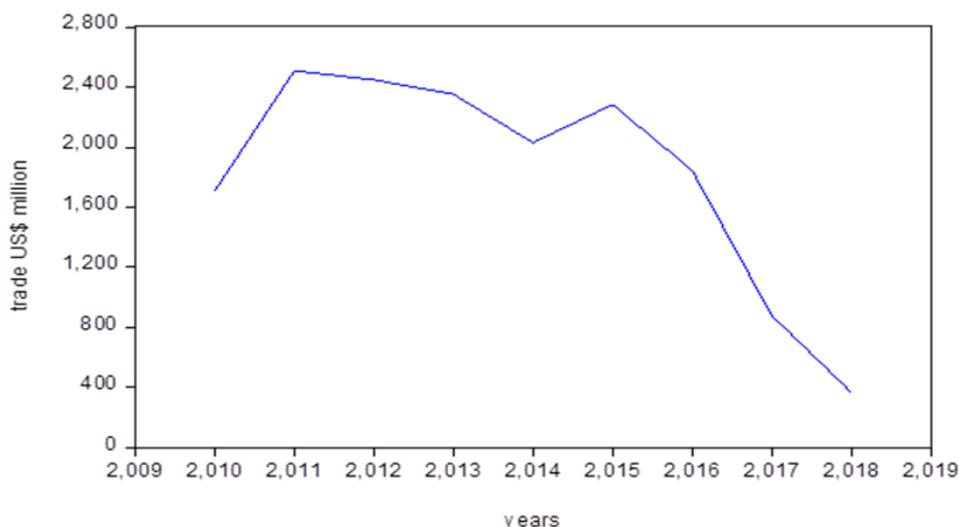

Figure1. Pak-Afghan Trade from 2000-2019, (PBSTDA 2019).

Keeping in view the importance of Pak-Afghan bilateral agriculture trade, the current study aimed to dig out the challenges and opportunities of bilateral trade as the area has not been explored in detail before. The superior traders of Pakistan and Afghanistan need a lot of information and care to acquire the desired knowledge. If proper attention is not given to bilateral trade, the people will not know the current situation of Pak-Afghan trade. Although several studies have been conducted on various aspects of bilateral agriculture trade, challenges, and opportunities still none of the researchers have explored the issue of bilateral trade. Therefore, this study is designed to explore the unintended components of Pak-Afghan bilateral trade under the following objectives. (1) To analyze the trends and patterns of agricultural trade between Pakistan and Afghanistan. (2) To identify the challenges in Pak-Afghan bilateral trade for trade enhancement. (3) To explore bilateral trade opportunities between Pakistan and Afghanistan. (4)

To propose policies to overcome constraints in Pak-Afghan trade.

Literature Review

Tinbergen first proposed the Gravity Model in the 1960s, and it drew attention in the 1980s (Benedictis and Taglioni, 2011). The gravity model was developed for international lending Because of increased transportation costs, increasing distances between countries are likely to reduce bilateral trade (Frankel and Romer, 2017). The impact of trade on growth was studied, and it was discovered that international commerce leads to stronger economic growth. Melitz (2003) proposed an international commerce model based on differentiated items with varying productivities. More productive organizations export more products. Taneja (2006) examined India and Pakistan's bilateral trade potential and non-tariff barriers. Using the capability trade method, Taneja discovered that India's export capacity to Pakistan is

around US$ 9.5 billion, whereas Pakistan's export capacity to India is around US$ 2.2 billion.

Several factors influence trade trends. The Ricardian trade theory describes trade patterns as the result of technological advancement, whereas the Heckscher-Ohlin trade theory focuses on the impact of labour, capital, and land on a country's trading patterns and structure. Developing economies have been analyzed as a whole, with most of the work done by local trade economists. Local trade economists primarily did individual economic analysis while developing economies were handled as a whole. The majority of the studies on Afghanistan and Pakistan commerce are based on aggregated data (Sultana, 2011; Mazhar, 2107; Shabir and Ahmad, 2016; Taneja, 2007; Chand and, Saxena 2014; Khan and Husain, 2015; Khan et al., 2017; Humayun, 2018), all of these examined bilateral trade of Pak-Afghan and other countries. Pakistan and Afghanistan are agriculturally resource-rich economies with favorable environmental conditions for cultivating a wide range of crops over four seasons and producing fruits and vegetables. This study examines Pak-Afghan agricultural trade at a disaggregated level, as well as the influence of numerous drivers in shaping the patterns of Pak-Afghan agricultural trade at a disaggregated level.

METHODOLOGY

Review of the current literature on Pak-Afghan bilateral agriculture trade, primary and secondary sources have been selected. Interviews, agreements, and officially published documents were used to gather primary data. In-person interviews with traders, government officials, and stakeholders were conducted. The secondary data were obtained from the Ministry of Commerce Pakistan, Trade Map, World Bank, Pakistan's Federal Bureau of Statistics, Pakistan Economic Survey, International Financial Statistics, International Monetary Fund, Central Statistics Organization, Karachi Chamber of Commerce and Industry (KCCI), Ministry of Commerce Afghanistan, Afghanistan Trade Statistics, World Integrated Trade Solution (WITS), International Trade Centre (ITC), Open Data Institute (ODI) and Afghanistan Diagnostics Trade Integration Study (DTIS). Agricultural product prices were collected from Pakistan's Statistical Year Books, International Trade Centre, and Agricultural Price Institution in Islamabad. The current study was conducted in the main cities of

Pakistan (Peshawar) and Afghanistan (Jalalabad). Peshawar is the financial center point of Khyber Pakhtunkhwa province of Pakistan. Jalalabad is situated in eastern Afghanistan. It is linked by an approximately 128.7 km (79.94 miles) highway from Peshawar to Jalalabad. The population of all traders in Peshawar city is 472, 5 markets and 1287 shops, while the population of all traders in Jalalabad city is 369, 7 markets and 1148 shops. The traders belonging to the agriculture trade are 227 from Peshawar and 177 from Jalalabad. The information was collected through purposive sampling techniques from each city; 100 respondents were selected from each city to make a sample size of 200. Investigators visited the respondents at their workplaces to get the correct information. However, the questionnaire was first developed in English but later translated into their local languages (Urdu/Pashto) for easier understanding of traders.

Gravity Model of Trade

The Gravity Model for trade analysis is based on Newton's law of gravitational force, which describes the volume and direction of commerce between two countries. The theory of gravity was first introduced in physics, based on Newton's law of gravity (Kristjansdottir, 2005). This model is designed to determine the attraction of two countries in terms of mutual trade, as well as the hurdles to mutual trade expansion in both countries. Imports and exports are considered gravity forces in the gravity model of international trade, and economic masses are determinants of international trade. The basic model for trade between Pakistan and Afghanistan takes the form of:

Fpa= G (Mpβ1 Maβ2/Dpaβ3)

Where F is the trade flow, M is each country's economic mass, D is the distance, and G is a constant. The model has been used to assess the impact of treaties and alliances on trade in international relations. The countries engaged in these models were claimed to have imperfect competition and segmented markets in homogenous goods. This leads to intra-industry trade as businesses in an imperfect competition that want to expand their markets to other nations and trade items that are not differentiated but for which they do not have a comparative advantage because there is no specialization. This trade model is consistent with the gravity model because it predicts that trade depends

on country size:

Ln (Y) = a+ßlnGDPp + ßlnGDPa + ßlnT + ßlnTC + ßlnDi +e

Where Y is the trade flow, GDP (Gross Domestic Product of Pakistan), GDP (Gross Domestic Product of Afghanistan), T is Taxes, TC is Transport cost, and Di is the distance between the two countries. The Gravity Model of Trade additionally considers aspects such as the colonial history between the two countries, and several variables used for income accounting, such as Gross Domestic Product per capita, tariffs, price levels, paradoxes, and linguistic linkages. The Gravity Model of Trade has been a success from an empirical point of view. The Gravity Model was used to determine bilateral agricultural trade between Pakistan and Afghanistan using panel data. The variables of study included GDP, Population, Taxes, Transportation costs, and the Distance of both countries. Due to a multicollinearity problem, the population variable was dropped from the model. In the model, data from Pakistan and Afghanistan were used. For the Gravity Model of trade, the total amount of bilateral trade between Pakistan and Afghanistan was considered a dependent variable in the panel data set (Anderson, 2011).

RESULTS AND DISCUSSION
Socio-Economics Characteristics of the Respondents
Age of respondents
The respondents were asked about their age and classified into four categories. As shown in Figure 2, (1) half of the respondents (86%) were middle-aged followed by old (11.5%) and young (2.5%). It suggests that more than half of the responders are in middle age. These findings are like those of Tashakkori (2010), who found that 81 % of respondents were in their medium

age (30-50 years), 14.5 % were in their old age (above 50 years), and the remaining 4.5 % were in their young age (below 50 years) (up to 35).
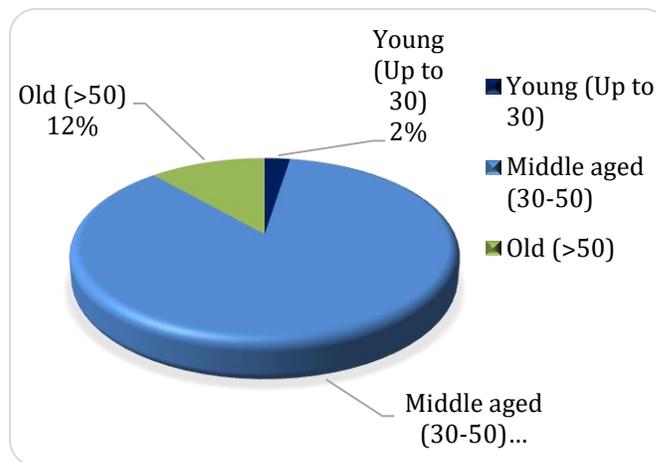

Figure 2. Age of respondents.

Literacy Level of the Respondents
Education is the aggregate of all the processes for bringing about change in human behavior. Education is the key and most essential tool for bringing about a good change in an individual's behavior. Figure 3 shows that more than half (53.0%) of the respondents were uneducated, while 47.0% were educated. These results are comparable to those of Rayit (2010), who found that the majority of respondents (50.8%) were uneducated. 29.2% belonged to an educated level of master's degree. It means that the ratio of uneducated traders is more than educated, but still, these people manage their businesses very well. This is a very clear message to the people that they are uneducated and can also do their business without any fear.
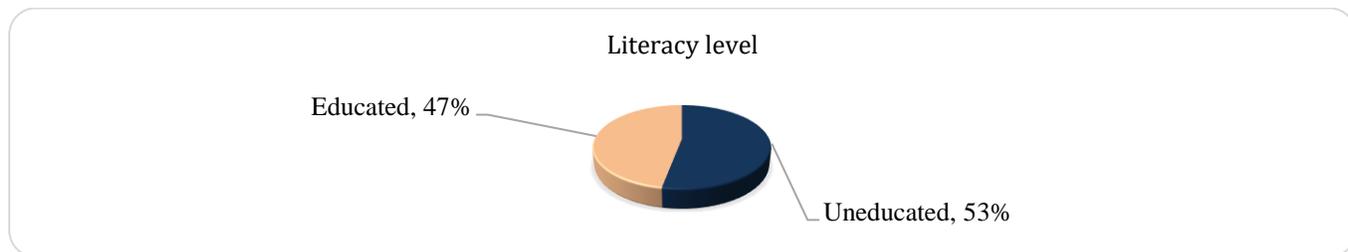

Figure 3. Distribution of the respondents according to their literacy level.

Traders belonging area
The numbers of traders holding refer to the trade by traders (Nawaz, 1989). Pakistan and Afghanistan are neighboring countries, and most traders belong to the

cities which are near the border. As shown in Table 1, 21% of traders belong to Peshawar, and 20% belong to Jalalabad. So, it means that a total of 41% of traders belong to cities that are near the border. In addition,

Table 1 shows 10% of traders from Rawalpindi, 6% from Lahore, 7.5% from Faisalabad, 9% from Paktia, 11.5% from Paktika 8% from Kunduz, and 7% belongs to Kabul.

Table 1. Distribution of traders in selected cities.

City	Frequency	Percentage
Peshawar	42	21.0
Rawalpindi	20	10.0
Lahore	12	6.0
Faisalabad	15	7.5
Jalalabad	40	20.0
Paktia	18	9.0
Paktika	23	11.5
Kunduz	16	8
Kabul	14	7.0
Total	200	100.0

Comparison of Pak-Afghan trade from the previous ten years

Trade Comparison is a similar process through which the two parties to a brokerage transaction, the purchase, and the sell sides, agree on the key components of the securities transaction. Table 2 shows that most of the trader's opined that the Pak-Afghan trade has not improved in the last 10 years. The 13.0% of traders are responsible for the improvement, but 57.0% of traders perceived that trade worsened. This implies that trade quantity between Pak-Afghan has decreased in the last ten years. 13.0% of traders agree that there is no change in the trade, but if we look at most of the traders, it shows trade worsened between both countries.

Table 2. Ten years' trade comparison of bilateral trade.

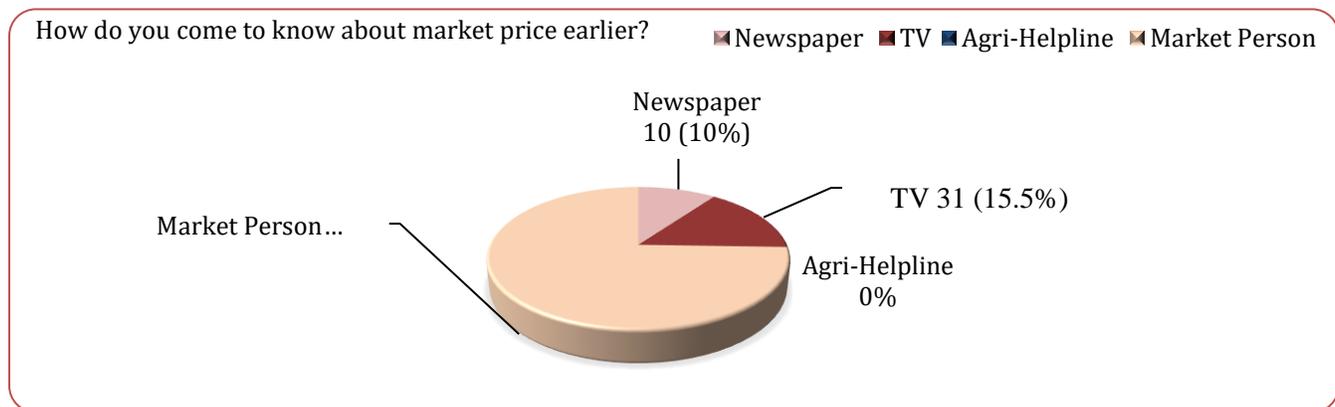| Comparison	Frequency	Percentage
Improved	26	13.0
Show no change	26	13.0
Worse-off	114	57.0
Neutral	34	17.0
Total	200	100.0

Figure 4. Information about the market price.

Awareness of market price

Figure 4 represents that when you are trading with other countries, it is necessary to have a lot of information about the current market and market price. 74.5% of traders know the market price through a market person. The market person is the person who is already working to collect market information and knows better about the marketing trend and situation.

15.5% of the respondents get information through newspapers, and 10% of traders collect the information from the television.

Export and Import of Bilateral Trade
Kinnow is the most exported fruit and mango is the second most exported fruit from Pakistan 32.5 % of the total export of kinnow is to the Middle East (Khadim, 2016). Pakistan exported 28.5% kinnow and 21.5% mango to Afghanistan (Table 3). These are the major fruits that are imported by Afghanistan from Pakistan, and Afghanistan has exported 35.5% Grapes and 14.5% Pomegranate to Pakistan. These four fresh fruits are the major imported and exported fruits for both countries.

Table 3. Most exported and imported agriculture products of both countries.

Agri-Products	Frequency	Percentage	Agri-Products	Frequency	Percentage
Afghanistan			Pakistan		
Export			Export		
Grapes	71	35.5	Kinnow	57	28.5
Pomegranate	29	14.5	Mango	43	21.5

Trade Comparison
To track performance, it is critical to have a benchmark figure other than annual budgets. It is good to compare the previous years to the current year's actual profit after each fiscal year has final figures (Subramanian, 1993). Figure 5 reveals that 67.5% of trade is worsening in 2018. A 15% trader says that the trade has improved but it is a very small number and 17.5% of traders' state that there is no change in their profits and trade is in balance.
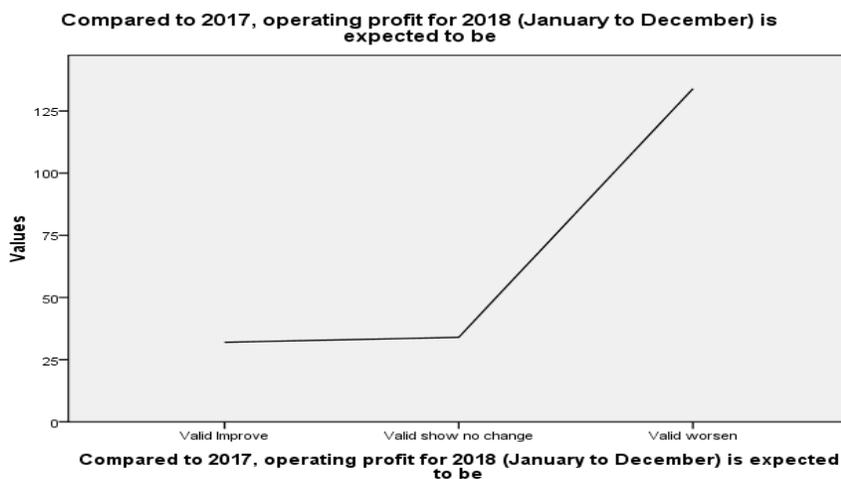

Figure 5. The expected profit comparison of 2017 with 2018.

Traders facing problems in marketing out of country
When we start exporting goods or products, we have a real chance to reach a significant profit and success. And if all goes well, our company will achieve new levels of benefits, so it is well worth the investment but, we need to keep our business just as we must protect our products. Language barriers, payment methods, various legal norms, locating the suitable importer, various customs and cultures, and geographic and transportation systems are the key challenges that exporters face while trading with other countries.

Keeping in mind the impact of trade concerns on many elements of traders, presented in Figure 6. The result shows that 65% of traders highly agree and agree that they are facing problems in trading. This means that traders are facing a huge problem in marketing out of the country due to which the volume of Pak-Afghan trade is decreasing daily. The age of respondents who disagree with these problems is only 27.5, indicating that the traders facing problems in marketing out of the country are more than those who are saying that we do not face any problems.

Border Issues of Bilateral Trade

All issues related to transit are also applicable here, like lack of infrastructure and customer support, undue requirements, the arrogance of port and shipping lines, extensive demurrages, and most importantly, border closures (Ali and Rahim, 2018). The respondents were asked about border issues, collected the data in this connection are presented in Table 4. Pakistan and Afghanistan are facing a crippling trade deficit due to border issues, a $2 billion drop in Pak-Afghan trade in just one year. Table 4 shows that 44 and 45 (89) % of traders agree and strongly agree with border issues, and trade decreased due to this issue. Only 7% of respondents disagree on the border issue.
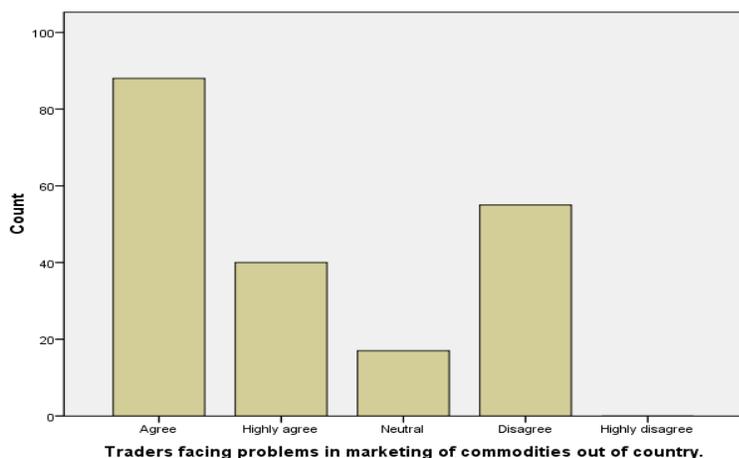

Figure 6. Traders face problems in marketing goods and services out of the country.

Government Services in Custom Clearance

Hundreds of vehicles with cement, sugar, fruits, wheat flour, and vegetables, as well as items transported to Afghanistan under the Afghan Transit Trade Agreement, used to be stuck at various points along the Peshawar-Torkham route (Cochran, 2013). Pak-Afghan trade was reduced for many reasons, but the most critical reason is customs clearance and visa issues. Traders are very afraid of customs clearance, facing many kinds of problems. 26% of traders agreed, and 19% of traders strongly agreed with issues of customs clearance that the government can incorporate, but 43.5% of traders agreed and 11.5% strongly disagreed that the government is not cooperating with the customs clearance (Table 5).

Table 4. Border Issues of Bilateral Trade

Hurdles level	Frequency	Percentage
Agree	88	44.0
Highly agree	90	45.0
Neutral	8	4.0
Disagree	14	7.0
Total	200	100.0

Illegal trade between Pakistan and Afghanistan

Illegal trade or smuggling between countries is a type of cross-border trade that involves a covert collaboration between traders/smugglers and government officials responsible for controlling such cross-border movement (Sharif, 2000). Pakistan shared its northern and southern borders with Afghanistan and Iran, respectively. According to rough estimates, smuggling or unauthorized trade across the Pak-Afghan border costs the Pak-Afghan economy approximately $3 billion each year, and the figure is still rising (Boddewyn, 2016). The information about the illegal trade is shown in Figure 7 and 66% of respondents agree that traders also earn profit through illegal ways. 32.5 % of respondents said

that people do not make a profit through illegal trade, and they disagreed. The conclusion is that illegal trade is

very crucial for each country, and the government should control illegal trade activities.

Table 5. Government Services in Custom Clearance.

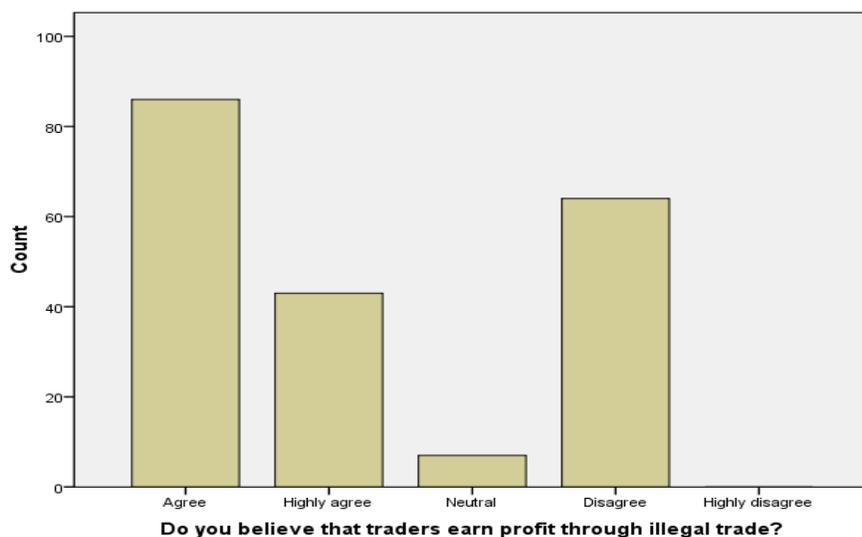| Services Level	Frequency	Percentage
Agree	52	26.0
highly agree	38	19.0
Disagree	87	43.5
highly disagree	23	11.5
Total	200	100.0

Figure 7. Traders profit through illegal trade.

Determinants of Agricultural Trade by Using the Gravity Model

Additional benefits of panel data include tracking relationships across time and observing individual effects between trading partners (Kepaptsoglou et al., 2010). As a result, the current study is based on panel data. Many variables could influence trade, but it was important to measure the effectiveness of those variables on bilateral trade, both directly and indirectly. In this context, an attempt was made to quantify the impact of the biggest determinants on Pakistan's trade with Afghanistan, which is a major trading partner. Secondary panel data on variables such as bilateral trade between Pakistan and Afghanistan, GDP, population, taxes, transportation costs, and distance between both countries were collected for this purpose. The impact of various factors on trade between Pakistan and Afghanistan was determined using the Gravity Model of Trade in First Differences. For the period 1986

to 2018, panel data of variables were collected and analyzed to examine the impact of these variables on trade. GDP of Afghanistan, population, taxes, transportation cost, and distance (between Afghanistan and Pakistan) as presented in Table 6, which shows descriptive data for various variables used in the Pakistan and Afghanistan study.

In this table, the mean values of all variables are greater than the standard deviation, which shows no problem in the data. According to the descriptive summary data, Pakistan's GDP was US$ 601.48 million while Afghanistan's was US$ 193.85 million. It revealed that Pakistan's major trade is mostly focused on Afghanistan. The mean value of the tax is $15.03 million. The mean value of the distance between Islamabad and Kabul is 291.18 miles (468.8 km). The distance between Peshawar to Torkham is 34.20 miles (55 km), and the distance from Peshawar to Jalalabad is 79.94 miles (128.7 km).

Table 6. Panel Data Used in the Gravity Model.

Variables	N	Mini	Maxi	Mean	Std. Deviation
GDPp (current US$ million)	33	332	1281	601.48	300.932
GDPa (current US$ million)	33	58	278	193.85	77.778
Tax (million US$)	33	8	28	15.03	5.436
Transport cost (current US$)	33	1757	8364	5769.23	1658.023
Distance (miles)	33	34.20	79.78	291.18	8.716
Trade (US$ million)	33	1.267	5.10	1.609	8.0319

Collinearity

When the correlations between independent variables are strong, this is known as multicollinearity. Tolerance is a statistic used to determine how linearly connected the independent variables are to one another (Multicollinear The Variance Inflation Factor, or VIF, is the reciprocal of the tolerance. The variance of the regression coefficient increases as the VIF increases, making the estimate unstable. High VIF values indicate multicollinearity. There is a problem of multicollinearity if the value of VIF is greater than 10 (Ghafoor et al., 2012). All of the VIF values in our analysis were less than 10, indicating no multicollinearity in the data set. VIF is used to check the multicollinearity in the independent variables.

Table 7 shows VIF value of all independent variables is less than 10, which means that multicollinearity is avoided since all VIF values of variables in the analysis are less than 10, indicating that there is no multicollinearity in the data set (Ghafoor et al., 2012). Table 8: Regression of Gravity Model results using the OLS method.

Table 7. Collinearity Statistics.

Model	Collinearity Statistics	
	Tolerance=1/VIF	VIF
Ln(gdpA)	.247	4.049
Ln(gdpP)	.168	5.954
Ln(taxes)	.253	3.954
Ln(trnsp)	.571	1.751
Ln(disA)	.468	2.135
Mean *VIF*		3.568

Table 8. Regression of Gravity Model results using the OLS method.

Model	Coefficients		t-statistic	Sig.
	B	Std. Error		
(Constant)	-18.950	9.822	-2.929	.065
Ln(gdpA)	3.033	.814	3.724	.001
Ln(gdpP)	2.576	1.138	2.264	.032
Ln(taxes)	4.503	1.168	3.854	.001
Ln(transp)	-1.736	0.662	-2.620	.042
Ln(dis)	-1.619	0.693	-2.337	.105
a. Dependent Variable: ln (trade)				
R^2=0.893 Durbin-Watson=2.072				

CONCLUSION AND RECOMMENDATIONS

The present study has examined the bilateral agricultural trade dynamics between Pakistan and Afghanistan, shedding light on the challenges and opportunities inherent in this economic relationship. The research methodology involved purposeful sampling techniques, ensuring a representative sample size determined by a systematic procedure. Rigorous

analysis, employing statistical methods such as descriptive statistics, Ordinary Least Square Method, and Correlation, provided insights into the determinants of Pak-Afghan total trade flow, including distance, GDP per capita, transportation, taxes, and the population of both countries.

Based on these results we believe policymakers stand to benefit from the study's findings and to facilitate an effective policy framework, a sequential approach is recommended:

1. Normalization of Trade Relations: The initial focus should be on normalizing trade relations between Pakistan and Afghanistan, grounded in a Most Favoured Nation (MFN) basis.
2. Addressing Specific Issues: Subsequently, policymakers should address key issues such as information exchange, trade facilitation, banking, non-tariff obstacles, visas, and communication.
3. Creating an Investment-Friendly Atmosphere: As a third step, cultivating an investment-friendly atmosphere is crucial to fostering the establishment of joint ventures between Pakistan and Afghanistan.

The following specific recommendations are proposed to promote bilateral trade:

- Renegotiate APTTA: Both countries should engage in renegotiating the Afghanistan-Pakistan Transit Trade Agreement (APTTA), with a focus on resolving reservations.
- Improving Border Infrastructure: Urgent improvements to border infrastructure, especially at the Torkham and Chaman borders, are necessary, including an acceleration in the pace of construction and development.
- Enhanced Trade Facilitation: Measures to enhance trade facilitation include settlement payments, improved insurance mechanisms, utilization of connected telecommunications companies, streamlined visa issuance, trade financing, and efficient tax and document collection.
- Strengthening Diplomatic Relations: Prioritizing and strengthening diplomatic relations with Afghanistan is paramount, with a commitment to avoiding border closures in response to isolated incidents.

- Joint Recognition of Licenses: Implementation of a system for the joint recognition of licenses for international road transport operators is recommended.
- Separate Transit for Pedestrians and Vehicles: The introduction of separate transit routes for pedestrians and vehicles at border crossings is advised.
- Leverage the "Look at Africa" Program: Drawing inspiration from Pakistan's "Look at Africa" program, both countries should explore similar initiatives to boost exports to Afghanistan.
- Organize Exhibitions and Seminars: Given the absence of exhibitions in Afghanistan, organizing events such as exhibitions and seminars is suggested to promote products from both nations.

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