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# Afghanistan's Cross-border Trade with Pakistan and Iran and the Responsibility for Conflict-sensitive Employment

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## EXECUTIVE SUMMARY

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Border areas are sites of intensive interaction between states and inter-regional business. Political tensions and armed conflicts have a particularly strong impact on trade flows. In fragile and conflict-affected settings (FCAS), where states have limited power and where the enforcement of laws, rules and regulations is weak, irregular economies tend to thrive along borders, where state officials often deal with border formalities in arbitrary ways. This *Working Paper* focuses on transporters, i. e. hauliers, as important actors in the border areas between Afghanistan and its neighbours Pakistan and Iran. The transport sector is sensitive to market fluctuations and a volatile business environment, reacting strongly with increasing or declining employment. This study addresses the question of how haulage companies and workers operate in an insecure environment as found in the border areas of FCAS and identifies strategies for conflict-sensitive employment. Based on the analysis of academic studies, bilateral treaties and their implementation, media reports and interviews with owners and managers of haulage companies and small hauliers, drivers and labourers, this *Working Paper* presents the particularities of formal and informal trade in the border areas of Afghanistan. A major finding is that states, large companies, small transporters and workers greatly differ in their perceptions of violent conflict, which range from views of alarming insecurity to regarding it as negligible. Moreover, businessmen tend to perceive corrupt practices by state officials and the police as a source of more uncertainty than acts by non-state armed groups. A third insight is that Pakistan and Iran consider cross-border trade with Afghanistan a minor issue as both states are pursuing particular interests in the larger region. Pakistan's tense relationship with India and Iran's struggle with Western sanctions inform the trade strategies of these countries, while Afghanistan is a marginal player in these power struggles. Some conflict-sensitive employment strategies, such as employing drivers and assistants according to cultural criteria to facilitate safe passage through areas under the control of various power holders and affected by violent conflict are adopted by cross-border haulage companies out of self-interest. The paper presents additional strategies that major companies can use.

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## Main findings

### **Pakistan's trade with Afghanistan has shifted largely to informal cross-border business; Iran has become Afghanistan's main importer in official trade.**

Obstacles to and restrictions on the official trade between Afghanistan and Pakistan, mainly caused by political and diplomatic tensions, have led to border skirmishes, frequent closings of the border, and the construction of fences and gates. Lengthy delays facing trucks at the border have caused great losses for exporting and transport companies. The decline in official trade has caused two major changes:

- \ a significant increase in informal trade between the two countries, involving many SMEs and workers in small-scale transport activities, and
- \ the rise of Iran—which has also increased its exports to Afghanistan—to the status of Afghanistan's biggest importer in 2016.

### **Afghanistan's neighbours see 'illegal economies' in the border areas as drivers of conflict.**

Non-state armed groups (NSAGs) benefit from contraband, the trafficking in arms, drugs and human beings and raise protection money from haulage companies moving through territories along the borders. From the perspective of the governments in the region, this undermines the legitimacy of their rule and state effectiveness, in particular with regard to tax collection and customs duties but also to the provision of safety and security to the population and private enterprises.

### **Actions by government officials, officers, and international troops have contributed to a thriving irregular border economy.**

Whereas officially, governments condemn the irregularities along the border, individuals make use of lucrative business opportunities arising from the persistence of a war economy. Aid agencies and international troops have contributed to the current problems. During the boom period between 2002 and 2012, they strengthened the irregular border economy and, ultimately, insecurity by paying NSAGs for convoy protection and by gaining customs exemptions for supplies of arms, vehicles, fuel and other items imported for their needs. What we find here is a mutually reinforcing relationship between the thriving of irregular economies and the lack of justice and of the rule of law.

### **Large transport companies use various conflict-sensitive business and employment strategies while informal hauliers do not apply conflict-sensitive employment.**

Large international haulage companies adapt to the conditions of the fragile and conflict-affected settings (FCAS) at the borders by putting funds aside for bribes and hiring drivers and assistants able to negotiate passage in difficult areas. Informal transporters have to cope with a multitude of existential problems, of which violent conflict is a minor one. They struggle to fend for themselves as there are no formal corporate structures, and policies are poorly implemented.

# Introduction<sup>1</sup>

The 'Afghanistan National Peace and Development Framework (ANPDF) 2017 to 2021' lays out the government of the Islamic Republic of Afghanistan's (GIROA) five-year plan for achieving self-reliance in line with the government's proclaimed overarching goal (Office of the Deputy Minister for Policy, Ministry of Finance, GIROA, 2016). The framework highlights the steps the GIROA intends to take towards a "productive and broad-based economy that creates jobs (...) (and to) establish the rule of law and put an end to corruption, criminality, and violence" (GIROA, 2017, p. 1). Economic growth is the key to reaching these aims. The government emphasizes that inter-regional trade is one of the "long-run drivers of growth ... (provided) the old ways (are) (...) modernized" (GIROA, 2017, p. 4). 'The old ways' include numerous "red tape-driven obstacles" (GIROA, 2017, p. 19) with regard to border and customs clearance procedures, licensing and registration, as well as weaknesses in the transport and logistics sector (GIROA, 2017, p. 22). Currently, Afghanistan's imports (excluding military imports) are ten times higher than its exports (GIROA, 2017, p. 19), pointing to quite intensive but more or less one-directional cross-border transports from neighbouring states into Afghanistan.

The ANPDF portrays Afghanistan as a potential "transit hub between East, South, Central and West Asia (...) provided conflict risks are reduced to manageable levels" (GIROA, 2017, p. 24) and provided that finance can be secured. Regional railways and roads are planned to link Afghanistan with Central Asia and Iran for commercial freight and mineral shipments on diversified export routes. Towards this end, the ANPDF aims to improve economic cooperation with the neighbouring states by advancing bilateral and multilateral trade agreements, cementing agreements between the customs authorities on each side of the border and by strengthening the commercial attachés in the Afghan embassies (GIROA, 2017, p. 22). More concretely, the government intends to improve access to tailored trade support services, implement

the Customs Convention on International Transport of Goods under Cover of TIR Carnets, and open "one-stop shops offering streamlined electronic business administration services (registration, licensing, customs payments) in Kabul and seven hubs" (GIROA, 2017, p. 22). These measures have the potential to facilitate cross-border transportation, which is one of the mainstays of trade flows. They address the routine operations of haulage companies and related firms, such as those involved in customs clearing (forwarder companies), that also affect employees and workers, such as drivers or loaders.

What is called 'transportation sector' in this paper comprises haulage companies as well as importers running their own truck fleet, forwarder companies, drivers, loaders, painters, mechanics, site supervisors, and many other occupations, which relate to transportation and logistics. Hence, the transportation sector is part of the 'broad-based economy that creates jobs' the GIROA intends to establish. Implementation of the aims stated in the ANPDF, however, requires detailed knowledge of daily routine particulars of Afghan cross-border operations, how employees and workers manage them, and of their experiences with and perceptions of what the GIROA calls 'conflict risks'. Moreover, tailoring implementation so that it will have an impact on employment needs detailed information about employment and recruitment, labour conditions, training opportunities and career prospects in the transportation sector. Last but not least, the effectiveness of the ANPDF will depend on the government authorities' ability to enforce it.

This *Working Paper* provides the context within which the measures of the ANPDF are supposed to materialise, focussing on employment in cross-border transport and possibilities to make employment more meaningful and sustainable. The authors conducted interviews with individuals from different sections of the transportation sector in Afghanistan, Pakistan and Iran to shed light on how haulage companies and workers operate in an insecure environment. The study tries to assess whether employment strategies in the transportation sector contribute to violent conflict or reduce it, and under which

<sup>1</sup> We are very grateful to Carina Schlüsing, Conrad Schetter and Dirk Hansohm for valuable comments on earlier versions of this paper. This said, the sole responsibility for the contents and any errors that might have occurred lies with the authors.

conditions the sector has the potential to absorb larger numbers of unemployed youth and provide them with a perspective. Based on the findings from empirical research and relevant literature, the aim of this paper is to develop the components needed to create conflict-sensitive employment in companies that conduct cross-border trade.

The first chapter outlines the concept of conflict-sensitive employment and the methodology used. Subsequently, an overview of the context in which cross-border transport has been operating since 2001 is provided, considering the impact of trade fluctuations, bilateral trade agreements and the factors driving irregular trade in the context of armed conflicts between 2001 and 2017. After that, insights from field research (2015–2016) on how transport companies conduct cross-border trade, on their employment strategies and perceptions of insecurity are laid out. Then, the experiences of workers, employees and sub-contractors, their perceptions and attempts at dealing with risks occurring in their field of work are presented. A chapter containing an analysis of the findings regarding the effects of employment strategies on violent conflict is followed by some general conclusions.

## Conflict-sensitive employment as an analytical concept

Conflict-sensitive employment requires the creation of meaningful jobs that provide prospects for individuals and counter divisive effects in communities in fragile and conflict-affected settings (FCAS). FCAS are defined as settings, in which the political environment is extremely polarized and divided due to a lack of trust among political actors. FCAS thus are characterized by “low social cohesion and a lack of consensus on what organising principles should determine the contest for state power and how that power should be implemented” (NIMD, 2016). FCAS mostly have regional and international dimensions and affect cross-border trade by irregular economies extending into neighbouring countries. Distrust and social divisions, as well as remnants of war economies, thus affect the societies on both sides of international borders.

Conflict-sensitivity ultimately requires that employment practices do not cause or exacerbate conflict. Employees, employers and governments or any other organization controlling an area in a country with the structures of an FCAS need agreements towards this aim and clear procedures that every party can rely on. In FCAS where patronage relations shape society, there may be various groups of employees, employers and either government or other controlling group representatives that make their agreements in parallel networks. These can include procedures for labour recruitment that are sensitive to local conflict dynamics and contexts, or provisions for training opportunities, adequate wage levels and labour conditions, among others. In addition, conflict-sensitive business and employment practices must be a matter of bilateral negotiations between neighbouring states, regional investors and employers with international branches. The widespread practice to preferably employ foreigners rather than locals, often exerted by international agencies and companies, will require changes if conflict-sensitivity is the aim (Grawert et al., 2017).

### Methodology

The research was conducted in Afghanistan, Pakistan and Iran to understand the employment trends,

practices and strategies adopted by Pakistani and Iranian companies engaged in cross-border trade and transportation. In addition to Pakistani and Iranian companies, Afghan companies with offices and sites in the neighbouring countries were included in the research. Within Pakistan, qualitative research was carried out in Lahore, Karachi and Peshawar. In Afghanistan, the team worked in Herat and Kabul; and in Iran, in Mashhad and Tehran. The qualitative research was based on key informant interviews and focus group discussions carried out between August and October 2016 as well as between January and May 2016 in Pakistan, between April 2015 and November 2016 in Afghanistan and in October 2015 as well as in March 2016 in Iran.

In Pakistan, the research team conducted eight key informant interviews with representatives of transport companies operating between Pakistan and Afghanistan. The interview partners were mostly working as mid-level managers. Their companies had between five and over 200 permanent staff members. As the informants were hesitant to disclose the annual turnover of the companies, the size of their businesses cannot be stated exactly. Three of them had offices in Peshawar and four in Karachi. Four companies had offices in Afghanistan (mostly Kabul) while the others worked through associates and affiliates. Three companies were primarily hauliers of commercial products, one mostly provided logistics for the United States Agency for International Development (USAID), the US Army and NATO forces, while the remaining companies transported both commercial and non-commercial products for NATO and the US Army. The research team also held expert discussions with a representative of the Afghan-Pakistani Joint Chamber of Commerce and Industries in Kabul.

To understand the experiences of workers and small-scale entrepreneurs active in the transport sector, the team interviewed 40 employees and self-employed persons involved in cross-border transport in Peshawar, focussing on their risk perception and strategies in dealing with risks related to violence and uncertainties in the border area between Pakistan and Afghanistan. The research team considers including the perceptions and attitudes of these



varied groups as crucial for developing an appropriate concept of conflict and conflict-sensitivity, as it materializes from the different local perspectives.

In Iran, the team held a focus group discussion with seven Afghan chief executive officers (CEOs) of international transport companies in Mashhad. Some had only little business in Afghanistan, but four of them had branches in Herat, Kandahar and Kabul. The discussion provided a general picture of how companies are dealing with insecurity and corruption and of which solutions they would prefer. Two Iranian forwarder company managers interviewed in Tehran, and the transport section of the Afghan Consulate in Mashhad explained the border procedures when crossing from Iran into Afghanistan. One Iranian international transport company manager described how his company did business with Afghan power holders. Moreover, two haulage company owners in Herat, Afghanistan, were asked about their experiences and views on cross-border trade between Iran and Afghanistan.

The research team complemented data from these varied sources with reviews of academic literature, publicly accessible documents and reports as well as information from the media. They analyzed data through thematic coding, supported by software for qualitative data analysis (WEFD QDA) to capture the definitions of interview partners and particular aspects and understandings of the conflict environment that could be helpful to develop the concept of conflict-sensitive employment with a focus on the transport sector.

## Context of the transport sector in Afghanistan

More than one decade of international intervention in Afghanistan had induced a national growth rate of nine per cent on average between 2003 and 2012 (World Bank, 2015). Among others, the transport sector was thriving in a context where up to 10 per cent of the working population benefited from aid-funded job opportunities (Lister & Karaev, 2004). Between 2003 and 2009, the level of imports and exports between Pakistan and Afghanistan increased by almost 250 per cent, with an annual average growth rate of approximately 30 per cent (ADB, 2010). However, many skilled employees came from abroad. The head offices of companies operating in Afghanistan often were located in the neighbouring countries (e.g. Pakistan, Iran, India, Dubai, Turkmenistan), with finance flows crossing the borders between these countries, making a lasting effect on Afghan companies and Afghan employees questionable from the outset.

The economic boom period has not prevented a constant rise in insecurity since 2006, mainly caused by the reinvigorated Taliban movement (Abbas, 2014). The increase in violent conflict has displaced Afghans from their settlements. In 2016, an estimated 1.2 million internally displaced persons (IDPs) were trying to make a living in different parts of the country (UNHCR, 2016), about two million Afghans were staying in Pakistan and roughly another two million in Iran. Some studies indicate that displaced people lacking protection and jobs are susceptible to joining local security forces and/or non-state armed groups (Solomon & Stark, 2010, p. 261). Whereas economic incentives rarely have been the sole reason for this (Bhatia & Sedra, 2008), the high number of people displaced within Afghanistan and in the neighbouring countries nevertheless poses a particular challenge for job creation (Mielke & Grawert, 2016). Whereas own-account workers, day labourers and unpaid family workers—people in ‘vulnerable employment’ according to the categories of the International Labour Organization (ILO)—constitute 81 per cent of the workforce in Afghanistan (CSO, GIROA, 2011, p. xviii), the percentage of Afghans in such precarious conditions in Iran and Pakistan is unknown.

‘Vulnerable employment’ also pertains to employment in transportation, which includes mainly short-term jobs for unskilled labour, whereas migrants, mostly from Pakistan, used to occupy skilled jobs during the boom period of the Afghan economy (Parto et al., 2007). The decades of war and the tense security situation in Afghanistan have had severe impacts on the development of the country, with great challenges for companies active in the region. For businesses, finding technically qualified local workers in Afghanistan has been difficult as there has not been sufficient infrastructure in place for training and education. Many skilled persons have left Afghanistan as labour migrants. Others have engaged in the war.

The reduction in donor funding after 2012, triggered by the announcement of the military draw-down by the US administration, had a direct negative impact on the transportation sector causing the collapse of Afghan logistics companies and layoffs, or at least reductions in the wages of workers and employees. Not only did the majority of the NATO forces depart, but so did their entourage of international contractors and suppliers. As a consequence, many local and regional suppliers and contracting companies have gone out of business or had to reduce their magnitude of operations to a sustainable level. Moreover, hundreds of mostly small businesses are facing possible extinction due to insecurity and weak Afghan state institutions (Malmstrom & Cusack, 2010). Efforts of the Ministry of Transport and Civil Aviation (MoTCA) could not counterbalance these adverse effects. The MoTCA is in charge of regulating the private sector transport industry, coordinating agreements between the private sector and international hauliers and establishing offices in neighbouring countries to facilitate international trade (ADB, 2010). These activities, however, do not include efforts to implement conflict-sensitive transport business and employment strategies.

Table 1 shows that Afghanistan’s dependence on imported commodities has increased tremendously within the decade of the significant presence of international troops and agencies and has slightly declined due to stagnating imports since 2014. Imports exceed

**Table 1**  
**Development of cross-border trade 2005 to 2015**

Year	Value (in millions of US dollars)			
	2005	2010	2014	2015
Merchandise exports	384	388	571	571
Merchandise imports	2,471	5,154	7,729	7,723
Merchandise trade balance	-2,087	-4,766	-7,159	-7,151

Source: UNCTADstat, 2015.

exports by a multiple of more than thirteen. Between 2010 and 2015, the export of Afghan transport services declined from US \$208.250 million to US \$35.529 million (calculated from data of UNCTADstat, 2015) indicating that Afghan haulage companies significantly reduced shipments abroad. The high import excess suggests that foreign haulage companies have continued to do business in Afghanistan. According to the World Bank's 'Ease of Doing Business' indicator, cross-border trade is the only one out of six indicators that had improved in Afghanistan between 2010 and 2016 (World Bank, 2016a). Nevertheless, the high gap between imports and exports reflects a low level of demand, low productivity and multiple supply constraints the Afghan economy faces.

According to a report published by the ILO in 2012, economic growth in Afghanistan had largely been driven by the service sector (namely transportation and communication), accounting for 24.6 per cent of the (formal) employment in the country (ILO, 2012). The ILO report had predicted that the services sector would continue to account for about half of Afghanistan's economic growth in 2011/2012, mainly "fuelled by the growth in the telecommunications sector. In addition, donor funding and development projects will continue to drive the demand for transportation and distribution services" (ILO, 2012, p. 18).

It also predicted that the services sector would suffer most from the progressive reduction of international aid, as international finance flows had significantly and artificially led to its growth in the first place. More specifically, the transport sector, which had benefitted tremendously from the presence of the international military troops, was expected to

shrink, as the demand for fuel, equipment and food transportation by road would decrease drastically:

The transport sector will be badly hit by the ongoing transition. As for the other services subsectors, the future is still uncertain, even if their heavy reliance on imports is likely to negatively impact their activity and lead to mass layoff and worsening employment situation, with more underemployment and lower wages (ILO, 2012, p. 18).

This prediction has come true. Whereas the services sector had been growing at a rate of 15.1 per cent between 2008 and 2012, the growth rate slumped to 2.8 per cent in 2015 (World Bank, 2016). As the withdrawal of international troops from Afghanistan has been ongoing since 2014, the transport companies have lost business and had to scale down, laying off staff members. Reinvigorating the transport sector and related employment requires new investments. Currently, plans for investment are prepared that aim to cover the whole region by building long distance, cross-country traverses (e.g. pipelines, roads, railways, dams) entering from the regional neighbours into Afghanistan. If these plans materialize, they may revive the cross-border trade between Afghanistan and the neighbouring countries. This will be the precondition for a rise in employment in the sector.

Cross-border road transport is the means by which trade is conducted. The development of trade volumes between Afghanistan and its main regional partners, Pakistan and Iran, is the concrete economic context in which the transport sector operates. Trade agreements and bilateral investment treaties shape the formal transactions and clearings arrangements

faced by cross-border transport companies in their daily business. Besides official trade that follows formal procedures, irregular trade is a large field of economic activity by small-scale hauliers. Details of these context factors of transportation are provided below.

## Afghanistan's trade and trade agreements with Pakistan and Iran

Afghanistan's economy shows a serious deficit in its balance of trade. Total reported exports were equivalent to only seven per cent of Afghanistan's total imports, with exports amounting to US \$571 million in the financial year 2015/16 (World Bank, 2017). Despite growing political tensions between the two countries, Pakistan had remained Afghanistan's largest trading partner until 2015 (Husain & Elahi, 2015), with formal trade between Pakistan and Afghanistan amounting to US \$1,573 million, a substantial increase from US \$830 million in the financial year of 2006/07. Yet, Afghanistan and Pakistan always have been unequal trade partners. In 2012, for example, 32 per cent of Afghanistan's total exports went to Pakistan, while only eight per cent of Pakistan's total exports were shipped to Afghanistan. Of Afghanistan's imports, 23.5 per cent came from Pakistan, while less than one per cent of Pakistan's imports originated from Afghanistan (*Economist*, 24 April 2014).

In 2016, Iran overtook Pakistan with a trade value of US \$1.808 billion. The official trade volume with Pakistan had dropped by US \$1.2 billion to US \$1.346 billion (Jahanmal, 2017; World Bank, 2017). Iran thus supplied the largest share of total Afghan imports (23.4 per cent) (WTO, 2015a)<sup>2</sup> and Pakistan the second-largest share (17.43 per cent), whereas Pakistan remained the main destiny for Afghan exports amounting to US \$227 million, with exports to Iran

only reaching US \$29 million in 2016 (World Bank, 2017). However, if both official and unofficial trade are considered, Pakistan is likely to have remained Afghanistan's largest trade partner, whereas, Afghanistan stayed the third-largest trading partner with Pakistan, with a trading volume of an estimated US \$5 billion (Customs Today, 2016). These figures indicate that the trade link between the two countries is complex, partly due to the high level of informality.

### Pakistan

Afghanistan's landlocked status implies that it relies on its neighbours to facilitate the transit of its trade to the broader global economy. This reliance is particularly strong in Pakistan's case because of tribal and ethnic connections and a long trading history. The first attempt to regulate and codify the scattered provisions was in 1965 when Pakistan and Afghanistan signed a bilateral transit treaty. Under the auspices of this treaty, transit trade between Pakistan and Afghanistan was regulated officially. The treaty recognized the right of Afghanistan to access the seaports of Pakistan, but did not address Pakistan's access to Central Asia through the territory of Afghanistan. Despite the bilateral Afghanistan Transit Trade Agreement (ATTA, 1965), Pakistani stakeholders believed that the extension of the transit facility to Afghanistan was used for unauthorized trade, causing damage to the domestic industry and loss of revenue to the government of Pakistan (GoP) (USAID Trade Project, 2014). Also, Pakistan was interested in enhanced market access to the Central Asian Republics (CARs) through Afghanistan after the CARs had achieved independence in 1991. These two factors were instrumental in compelling the GoP to negotiate a new transit treaty with Afghanistan.

Afghanistan was keen to upgrade the existing treaty due to the growing need for trade and transit through the seaports of Pakistan, which provide Afghanistan with the shortest and most cost-effective route to global trade. Additionally, Afghanistan desired greater access to the growing Indian market. The 1965 treaty provided Afghanistan only with access to the ports of Pakistan and did not contain provisions stipulating rights to trade with India

2 \ In 2008, Iran ranked number five of Afghanistan's merchandise export destinations and number three for imports, receiving three per cent of Afghanistan's merchandise exports and providing six per cent of its imports. In 2013, and still in 2015, Iran was on position three in exports, receiving eight per cent of Afghanistan's exports in 2013 and 5.1 per cent in 2015. In the same year, Iran was still at position two among the importers to Afghanistan, providing eight per cent of Afghanistan's imports, following Pakistan, which supplied 17.4 per cent of Afghanistan's imports (WTO, 2015).

through Pakistan's land routes. Subsequently, through a special dispensation in the Import and Export Control Act, the GoP allowed exports of fresh fruits, vegetables and herbs from Afghanistan to India through the Wagah land border station. Despite repeated requests from India and Afghanistan, Pakistan continued to disallow the transit of Indian exports to Afghanistan via its land routes. The Afghanistan-Pakistan Transit Trade Agreement (APTTA, 2010) was the first step taken to facilitate the movement of goods through Pakistan and Afghanistan (USAID Trade Project, 2014).

Negotiations between Pakistan and Afghanistan on the new transit treaty commenced in 2008 after a visiting delegation from Afghanistan tabled a draft text for Pakistan's consideration. It took both sides more than two years to conclude the negotiations, and the new transit treaty became operational on 12 June 2011. The agreement also led to the formation of a joint chamber of commerce in 2012. However, the joint chamber has weak capacities. It mostly caters to day-to-day matters faced by businesses and has not managed to address policy related issues (discussion with a representative of the joint chamber of commerce, Kabul, 2015).

In July 2012, Afghanistan and Pakistan agreed to extend the APTTA to Tajikistan, a first step towards the establishment of a north-south trade corridor. The proposed agreement was to allow Tajikistan to use Pakistan's Gwadar and Karachi ports for its imports and exports, while Pakistan was to enjoy trade with Tajikistan under terms similar to the transit arrangement with Afghanistan. Despite these agreements, the full potential of Afghanistan's and Pakistan's bilateral trade has not been reached, with trade between the two countries dropping in recent months (Husain & Elahi, 2015).

There are several reasons for volatilities in the formal trade between the two countries. One key factor has been deteriorating diplomatic relations between them.<sup>3</sup> The two governments accuse each other of

keeping hotbeds of violent groups in the border area, which commit suicide bomb attacks and atrocities with high civilian death tolls. A journalist has summarized the Afghan-Pakistani impasse as follows:

From the Afghan perspective, Pakistan has not done enough to deal with militant groups that find sanctuary within its borders—and at the extreme has actively supported groups staging attacks in Afghanistan. From the Pakistani perspective, Islamabad is doing as much as it can—perhaps fearing that an all-out ousting of such groups would merely preface their shift in focus to Pakistan. It's a conundrum that will continue to cause rifts between the two countries and ultimately prevent meaningful progress in the peace process (Putz, 2016).

Bureaucratic obstacles the business community are facing from both governments are a second and related factor for the decline in trade. Border control measures have become stricter. Customs duties and tax levies on imports put on by the government of Afghanistan caused profit margins of Pakistani export-import traders and hauliers to shrink significantly. According to a manager of a haulage company in Pakistan, it used to

load four to five trucks a day and send them to Afghanistan. Now we can only do one or two a day. Recently, the customs duty in Afghanistan has been raised significantly (300,000 per truck Pakistan rupees (PKR), about US \$2,860), which is an obstacle since it increases the cost of goods transported (...). The border control has become much stricter, with more rigorous controls on documentations on both sides. While these regulations have been in place before, they are now implemented better (interview with the operations manager of a logistics company in Peshawar, 2015).

On the Pakistani side, adhering to tax regulations is considered key to ensuring that the business will stay afloat. As an operations manager of a cargo company put it, "as long as you pay tax, the government doesn't bother you" (interview in Peshawar, 2015).

A third factor is the impact the reduction of international troops had in Afghanistan, which

3 \ It is beyond the scope of this paper to elaborate on the history of Afghan-Pakistani relations, which explains the current problems. For a systematic placement of these relations within regional frameworks, see Harpviken & Tadjbaksh, 2016.

caused a decline in the regional transport business. NATO forces and international NGOs had catered to a non-commercial market which provided profitable business opportunities for companies and boosted the economy with capital. But as troops were leaving, many companies had to downsize their business, which resulted in job losses.

“Generally the Afghan economy has suffered, which has meant less purchasing power for consumers and ... [problems for] Afghan businessmen importing goods from or through Pakistan” (owner of a haulage company, Peshawar, September 2015).

Subsequently, the attention of businessmen returned to commercial goods for the local market, but as the purchasing power of locals is poor, many companies closed down or supplied other regional markets outside Afghanistan.

The political tensions between Pakistan and Afghanistan, the decline in international demand and the border procedures introduced by the new treaty contributed to diverting transit trade to Iran and India; both countries had developed the infrastructure in and around the Iranian ports of Chabahar and Bandar-e Abbas in a joint effort. The number of containers entering Pakistan from Afghanistan was 75,288 in 2009/10 and fell significantly after the implementation of the new transit treaty in 2011. In 2013/14, probably in response to the slump in demand by international agencies and troops in Afghanistan, the number of commercial containers crossing the border dropped to 36,274, less than half of the previous figure. In 2014/15, the flow of commercial containers rose by 36 per cent to 49,507 (Khan, 2016)—still far from previous levels.

To sum up, Pakistan and Afghanistan have remained important trading partners since the 1960s, and the continuous interaction comprises informal and formal trade (see also Schetter, 2002). Since 2006, both countries have managed to keep the combined exports and imports value above US \$1.5 billion. However, because of the deterioration of the diplomatic relations between Afghanistan and its biggest trading partner, Pakistan and red tapism on both sides of the border, trade with Pakistan has declined, and the trade between Afghanistan and Iran and India has risen. Although a number of trade agreements have

been signed over the years to facilitate trade and transit links, the full potential of these agreements remains unrealized.

### Iran

The most important commodity Afghanistan imports from Iran has been refined petroleum (OEC, 2014). Besides fuel, liquid gas, and oil, wood, cement, construction materials and plastic, Afghanistan imports mainly consumer goods such as detergents, food, construction material, and medicines from Iran. Afghanistan's main export products to Iran are fresh and dried fruits, herb, and saffron (*IRNA*, 5 March 2016). Cars and car parts are brought from China, India, and Europe through Iran to Afghanistan, mostly through Bandar-e Abbas port (interviews with officers at the transport department of the Afghan Consulate in Mashhad and the owner of a forwarder company in Tehran in 2015).

The main official border crossings between Iran and Afghanistan are Dugharun near Islam Qala in the north and Milak-Zaranj/ Nimruz in the south-east of the Iranian Sistan Baluchestan province. The latter is used for transports from the port of Chabahar through Zabol to the Herat-Kandahar highway in Afghanistan. Goods destined for Afghanistan enjoy preferential tariffs when shipped through the Iranian port of Chabahar.

At Dugharun, mainly trucks carrying goods from Bandar-e Abbas port at the Persian Gulf in Iran cross the border to Afghanistan and continue to Herat. Dugharun has a special economic zone for customs-free trade, where forwarder companies organize trans-shipment according to the international trade and customs regulations (incoterms)<sup>4</sup>. Some freight forwarder companies hold a share in the special economic zone, where employees work for the clearance of goods transported from Iran to Afghanistan (interview with the owner of a forwarder company in Tehran, 2015). The primary destination for shipments

4 \ International commercial terms (incoterms) are, for example, 'free on board' (fob), which means that the fee is paid by the importer at the port of discharge and by the exporter at the origin. Incoterm standards distinguish between 'cost and freight' (cfr) and 'cost, insurance, and freight' (cif). Documentation fees are added to the costs.

from Iran to Afghanistan is Herat, the main transport hub in the west of the country, where 22 per cent of the value of the total national imports of fuel, food, machinery, construction materials and vehicles arrive and are re-loaded on domestic trucks. Herat reflects the national trends in export and import fluctuations. Whereas imports from Iran rose from US \$108 million in 2003/04 to US \$582 million in 2011/12 and US \$1,808 million in 2015, exports remained low, amounting to US \$20 million in 2011/12 and US \$29 million in 2015 (CSO Herat, 2014; World Bank, 2015a).

Until around 2010, about 400—at peak times even up to 640—trucks crossed the Iranian-Afghan border at Dugharun per day. Since that time, the number has decreased every year. In 2015, on average 80 trucks moved to Afghanistan through Dugharun per day, with some exceptions when up to 200 or 300 trucks crossed the border. The main reasons were a general decline in the transport business, financial problems of the Afghan merchants, and since the establishment of the new government of Afghanistan in 2014, low employment, low payment, and low business. Officers at the transport department of the Afghan Consulate in Mashhad admitted that the real number of trucks crossing the border was higher than the official figure, because some drivers moved unofficially without passing the transport department of the Afghan Consulate, which issues the route pass documents ('truck visa') (interview, 2015). This indicates that on the Afghan-Iranian border, irregular trade is common and requires further examination, which is provided below.

Until 2012, business in Afghanistan for Iranian companies had been thriving. NATO and international organizations sent food, beverages and other commodities to Afghanistan through Iran, creating business opportunities for Iranian hauliers that obtained trade licenses from the Ministry of Commerce and Industry. Since 2013/14, a combination of several factors has caused the decline of the Iranian-Afghan cross-border trade. The withdrawal of international troops and agencies from Afghanistan has led to a shrinking demand by international clients, contributing to a reduction of Iranian exports and

trade. Furthermore, the decline in the oil price since 2014 has had the effect that Iranian haulage companies reduced or stopped supplies to Afghanistan. For example, an Iranian company that used to have 60 trucks moving, of which 20 were tankers carrying 23 metric tons each, stopped the fuel supply in 2015 due to the low price of petrol. Commodities from other countries were moved through the ports of the Caspian Sea. Sugar and wheat were carried from Dubai through Bandar-e Abbas and then on transit through Iran to Afghanistan (interview with a manager of an international haulage company in Mashhad, 2016). Political problems and violence in Iraq were further events affecting fuel trade, because a major trade route for fuel was closed so that Iranian transporters had to shift to routes through Turkmenistan to supply Afghanistan. Hence, the decline in numbers of trucks crossing the Iranian-Afghan border has various economic reasons as well as reasons stemming from repercussions of armed conflicts in the region. Transport companies have responded to these problems by reducing supplies and by changing routes.

Iran and Afghanistan had concluded a bilateral investment treaty in 2006, which came into force in 2008 (UNCTAD, 2017). However, both countries still place obstacles in the way of cross-border trade, as the 'trade across border' rankings of the World Bank indicate. Whereas Afghanistan ranks 175 (World Bank, 2017), Iran is ranked at 170 (World Bank, 2017a). In 2015, Iran and Afghanistan signed a trade deal worth US \$50 million within the framework of the bilateral treaty, by which Afghanistan could import one million metric tons of diesel per annum from Iran and increase liquefied petroleum gas (LPG) imports up to a volume of 200,000 tons. Iranian sources claim that this was five times as much as in 2014 (IRNA, 5 March 2016). The gradual lifting of economic sanctions on Iran<sup>5</sup> in 2016 sparked intensified negotiations between the governments of Iran and

5 \ Economic sanctions had *been* imposed on Iran by Western governments to force the Iranian government to curb its nuclear programme. When Iran agreed to reduce its uranium enrichment activities under the supervision of the International Atomic Energy Authority (BBC News, 16 January 2016, some sanctions were lifted, but not those related to banking and finance, which has hindered the resumption of foreign investment and trade (Zaroli, 2016).

Afghanistan. In March 2016, the Afghan Minister of Trade and Industries announced customs exemptions for Iranian businessmen, who would invest in Afghanistan and move their production lines to his country (*Mehr News Agency*, 9 August 2016). A further agreement consolidated Iran's cooperation with Afghanistan in mineral exploration, extraction and exports and stated that Iran would provide the country with the required mining equipment and machinery for the mining of iron ore in north-western Afghanistan near the Iranian border. According to the Iranian Minister of Industries, Mining and Trade, Iran was "prepared to share its experiences in setting up industrial parks and creating jobs, while removing difficulties in transportation, customs procedures and bank operations" (*Financial Tribune*, 5 March 2016). Soon after, in May 2016, India, Iran and Afghanistan signed a tripartite agreement aiming to make the Iranian port of Chabahar a transit hub bypassing Pakistan. The intended joint investments strive to connect India to Afghanistan and Central Asia, whereas Afghanistan will get access to the Indian Ocean and reduce its dependency on Pakistan (*Al-Jazeera*, 24 May 2016). In August 2016, an agreement between the Iranian and Afghan customs offices followed, intended to alleviate transit between the free trade zone at Chabahar port and Afghanistan's border crossing at Mahirud (*Mehr News Agency*, 9 August 2016).

In sum, trade relations between Iran and Afghanistan have intensified since 2008. There is the real option that Iran will engage in investment in Afghanistan and thus set off the transport sector. Whether this will benefit Afghan transport companies and employment remains an open question.

## Dimensions of irregular trade

Not only are Pakistan and Iran the dominant official trade partners with Afghanistan, but a very significant share of trade across both borders is irregular. Irregular trade includes the shipping of legal commodities informally and without documents across the border, but also the smuggling of drugs and weapons as well as human trafficking. Both governments

consider the irregular trade as a source of insecurity; but at the same time, state and government officials as well as parts of the military participate in it and contribute to its persistence.

In official statements, Afghanistan's neighbours consider "illegal economies" (Hooper & Leguen, 2014, p. 6) as drivers of conflict as they provide funds to armed groups and undermine the legitimacy of the government and its effectiveness, in particular with regard to collecting and redistributing revenues from taxes and customs. In a roundtable discussion with representatives from the region around Afghanistan, convened by the Barcelona Center for International Affairs (CIDOB) in Doha, Qatar, a participant stated that "(l)ack of justice and rule of law, of which informal economies are a part, are a greater threat to Afghanistan than insurgency" (Hooper & Leguen, 2014, p. 6). From this perspective, corrupt state authorities also cause insecurity. This hints at some involvement of government and state officials in irregular trade.

The roundtable talk also highlighted that international agencies had paid non-state armed groups for convoy protection. In this sense, international agencies contributed to "war-lords' protection rackets ... (R)ent sought by the Taliban from extortion on licit and illicit agencies inadvertently create[d] a direct financial pipeline from Washington DC to the Taliban" (Hooper & Leguen, 2014, p. 6).

Aid agencies and, most likely, the international troops of ISAF thus had added to insecurity in the Afghan border areas when facilitating their cross-border logistics during the economic boom period of 2002 to 2012 (see Grawert & Shirzad, forthcoming 2017).

The various dimensions of irregular trade of Pakistan and Iran are described below.

### Pakistan

Pakistan is an active player in the shadow economy at the border, with a large number of state and non-state actors benefitting from irregular trade with all kinds of commodities (Schetter, 2002). Legal goods are shipped undocumented across the border to avoid customs duties and taxation at the two official border



posts at Torkhum and Ghulam Khan as well as at unofficial crossings across the porous border. State and non-state actors have an interest in keeping the irregular trade strong because of higher profits, red-tape in formal trade (which especially deters businessmen, many of whom are illiterate), and as a long-established means to control the tribes on both sides of the border (Siddiqi et al., 2014).

Yet, the government of Pakistan has made attempts to prohibit irregular trade. Already in September 2005, it announced plans to build a 1,500-mile (2,400 km) fence along its border with Afghanistan to prevent insurgents and drug smugglers from slipping between the two countries. The plans to fence and mine the border were again considered in 2007 and then in 2009, but they were not fully implemented. Work on the construction of the gate and related facilities began in 2014, but Afghan reservations over border regulation kept causing delays (Akbar, 2016). The imposition of customs duties in Afghanistan on trucks from Pakistan and stricter border controls that are enforced in a way not done previously have increasingly restrained Pakistani transport companies from cross-border trade since 2015.

At that time, the Pakistani business community attributed the decline in bilateral trade mainly to procedural hurdles created by the state bureaucracies, linked to the political rift between Afghanistan and Pakistan. The entrepreneurs considered the 18 per cent duty imposed on imports from Pakistan by the Afghan customs offices as discriminatory in comparison to the duty imposed on imports from Iran and India. Non-tariff barriers, lack of physical infrastructure, security threats, extortions demanded by local militants in turbulent areas and corrupt practices at the borders by the levies and frontier constabulary were further obstacles to trade (Siddiqi et al., 2014). Numerous regulatory constraints regarding foreign currency rules, bank synchronization and on issued letters of credit, etc. further restrict the room for manoeuvre for Pakistani companies active in Afghanistan. To alleviate the procedures, the Pakistani government intends to open an Ex-Im Bank (a government export-import

bank to underwrite trade) to facilitate credits should no other bank be willing to engage (Kundi, 2016).<sup>6</sup>

The relationship between Pakistan and Afghanistan deteriorated over the course of 2016. The construction of a gate at Torkham border in June 2016 resulted in skirmishes between the two countries, and the border was forced to close. The political administration in Khyber Agency imposed a curfew in Torkham and Landikotal and closed the Pakistani-Afghan highway. Hundreds of vehicles were stranded at different points on the Khyber Pass, especially at Takhta Beg, Parangsum and Begyari check posts (Khan et al., 2016). After an attack on a Sufi shrine in Pakistan's Sindh province, allegedly by so-called Islamic State, in February 2017 (*BBC News*, 17 February 2017), Pakistan again closed the Torkham and Speen Bodak crossings, claiming that the attack had been planned inside Afghanistan. This resulted in the fact that at least 1,200 trucks carrying food-stuffs of Afghan traders were stuck on both sides of the border (*Al-Jazeera*, 2017). The crossing only opened again in March 2017.

On the other side of the border, Afghan businessmen complained of procedural hurdles established by the Pakistani state bureaucracy. Officials of the Transporting Vehicles' Owners Association reported that the Pakistani embassy would not grant road passes for vehicles whose road pass validation date had expired and neither renew vehicle permits nor provide new ones (ACCI, 2015). Afghan merchants also accused Pakistani customs officials of regularly extracting bribes from them to give them clearance. Afghan proposals to allow the transit of imports from India through Pakistan faced resistance, in part owing to Pakistani concerns that the products might be dumped in Pakistan and affect the local industry. These changes have increased the cost of transportation for Afghan companies significantly (Siddiqi et al., 2014).

6 \ Operating as a government corporation, an Ex-Im Bank finances and insures goods for customers unable or unwilling to accept credit risk. The Ex-Im Bank does not compete with private sector lenders, but rather provides financing for transactions that would otherwise not occur because commercial lenders are either unable or unwilling to accept the political or commercial risks inherent in the deal.

The waiting time for trucks crossing the Pakistani-Afghan border became very long due to border closures and “this caused great disruption and losses as food went rotten” (interview with officers at the transport department of the Afghan Consulate in Mashhad, 2015). This ordeal contributed to an increase in the use of irregular channels of trade and improved the position of Iran in trade competition. “Iran has a better relationship with Afghanistan, and through Iran, goods from other countries can be transported to Afghanistan” (Officer at the transport department of the Afghan Consulate in Mashhad, 2015). These ‘other countries’ mainly refer to the Gulf states but also include India and China.

Apparently, the government of Pakistan has made rather half-hearted attempts over more than a decade to tighten controls on irregular trade along its border. The half-heartedness can be explained by differences of interest between various state components in maintaining the porous border. The functioning of the irregular trade in this environment is presented below with a focus on employment and self-employment in the local transport sector.

### Iran

At the Iranian-Afghan border, no particular tensions, closures, or fencing hinder cross-border trade. Nevertheless, the government of Iran also considers the border area as troublesome. An academic study describes the dimensions of border insecurity as follows: “The dimensions of threat and insecurity along the Iranian eastern borders are: drugs, terrorism, the Afghan immigrants, asylum-seekers and refugees, ... [expansion] of insecurity into Iran and religious actions” (Savarrakhsh & Ezzati, 2016, p. 119).

In fact, while the official volume of Afghan exports to Iran is very low, there is a high but undocumented amount of narcotics that cross the border and are shipped through Iran to Europe or Russia along the Balkan route or to the Persian Gulf. Revenues from opium have financed armed groups, mainly Taliban, in Afghanistan. From the perspective of the Iranian state, security threats from “non-state actors and terror networks and the Taliban ... have gained strength because they have created a criminal market economy

supported by a viable illicit network fuelled by a burgeoning narcotic trade” (Neill, 2009, p. 2).

According to an Iranian newspaper report, the Iranian narcotics control headquarters seized about 1,748 metric tons of opium and arrested 922,000 persons in connection with drug smuggling along the Afghan border from 2013 to 2015. Some of these were “drug lords” (*Tehran Times*, 24 August 2016). The manager of an Iranian forwarder company confirmed that some drivers were smuggling opium across the border. If they are caught, they will be fined and forced to pay an amount depending on the type of opium. The Iranian customs officers will confiscate the truck. If the smugglers are caught with heroin or cocaine, the drivers will be executed in Iran, no matter whether they are Afghans or Iranians. This has happened several times in the special economic zone in Dugharun (interview in Tehran, 2015). Many Iranian security agents have been killed in clashes with drug traffickers. Eradicating this trade provides a strong non-economic incentive for Iran to intensify cooperation with Afghanistan (Lohschelder & Zeidan, 2016).

Further reasons for the Iranian state to put efforts in securing its border are its desire to prohibit the smuggling of weapons and human trafficking as well as cross-border infiltration by militants, because this “not only affects inter-governmental relations but also the safe and legal transit of energy, goods and people” (Neill, 2009, p. 2). Not only the Taliban, but since 2015, also so-called Islamic State have threatened Iran at its border with Afghanistan. According to a commander of the Islamic Revolutionary Guard Corps, Afghanistan “has no rule” over the border (Karami, 2016).

Yet, like Pakistan, the Iranian government, too, contributes to irregular trade, but for different reasons. In Iran, the economic sanctions imposed by the United States and other Western states have led to an even greater willingness of companies to avoid formal trade. Avoidance of border formalities is not only driven by the prospect of lucrative profits but the necessity of sanctions busting. The government is involved because Iranian haulage companies often are part of the “quasi-governmental” or “pseudo-private” sector (Harris, 2016, p. 100), with private and

public shareholders each owning 50 per cent. The shareholders on the part of the state often are the Islamic Revolutionary Guard Corps (IRGC) or 'Sepah-e Pasdaran', a special military organization that is linked to the Iranian government but separated from the army. The economic endeavours of the IRGC increased significantly under the rule of President Mahmoud Ahmadinejad (2005-2013). They increased, in particular, following the renewed economic sanctions that resulted from the US-Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 and had the effect that important sources of foreign capital dried up in Iran (Harris, 2016, pp. 97-102). Large quasi-governmental holdings comprise businesses extending from oil, chemicals, hotels, shops, and office rental buildings to the transportation of goods, including cross-border shipments for NATO and international agencies. According to an Afghan officer, sometimes the USA stopped these supplies. Afghanistan got oil supplies from Russia and made contracts with other states to ship oil and petrol through the Bulgaria—Azerbaijan—Turkmenistan route to Afghanistan. This was a loss for Iran and caused political problems between Iran and Afghanistan (interview with officers at the transport department of the Afghan Consulate in Mashhad, 2015).

In fact, the US sanctions against the Iranian energy and petroleum industry have never been lifted since 2006, but they were circumvented as long as profits were lucrative. Not only the US Army and international agencies as customers, but also the Iranian government, whose military branch operated as a supplier, applied double standards with regard to the sanctions. There are cases where the Iranian government arrested Iranian haulage company managers who supplied the Americans in Afghanistan, accused them of anti-Islamic behaviour and took them to court (interview with a manager of an international haulage company in Mashhad, 2016). From the perspective of Afghan haulage companies operating across the Iranian border, the sanctions have led to severe problems of money transfer (focus group discussion with Afghan CEOs of haulage companies and importers in Mashhad, 2015).

Trade with Iran often takes peculiar forms. Much of the business with Iranian companies is in the hands of Afghan government officials and is conducted by certain families and power holders, such as governors or other influential leaders, who directly negotiate with Iranian company managers. These power holders issue special contracts for particular Iranian companies, specifying the goods to be transported. The contracts function as a license to cross the border. Within Afghanistan, Afghan merchants, who are often relatives of government officials and power holders, distribute the fuel to supply engines, petrol stations and well pumps, and deliver cooking gas or fuel to households (interview with a manager of an international haulage company in Mashhad, 2016). The owner of an Iranian forwarder company put the relevance of personal relationships in the cross-border business in slightly different terms, stating that for trade with Afghans, a "relationship of trust" was crucial, because "the shadow of the government is on every company" (Tehran, 2015). This statement indicates that the transport business appears to thrive on particular networks and connections to power holders within and outside the government that control the fuel market in Afghanistan.

There is a deep mistrust of Afghan company owners in Afghanistan towards Iranian hauliers as well as Afghan hauliers that operate cross-border from Iran. One owner of such a company in Herat warned, "Afghan businesses in Iran are loyal to the government of Iran". He expressed his fears stating,

The Iranians have a transit company. Its staff is paid to work for the Iranian government. A company representative goes to the government of Iran and gets visas for 100 people. These people do what the Iranian government wants. (...) The Iranians are smart, and in particular, the Iran-based transit haulage companies are smart. The Iranian government controls their drivers for its own purposes (...). NATO transports are checked, for the Iranian government wants to know what is inside—it is espionage. The Iranian government pays Afghans to do this, especially those working for

haulage companies (interview with an owner of a haulage company in Herat, 2015).

These concerns stem from the 'quasi-governmental' structure of major Iranian haulage companies that pursue various interests of the Iranian government in Afghanistan, including intelligence interests targeting NATO forces stationed in Afghanistan. A further indication of mistrust is related to narcotics transports.

"People in the Iranian government want narcotics to be brought to Iran. Others are linked to the government to report these people so that they are fined" (interview with an owner of a haulage company in Herat, 2015).

This accusation highlights the danger of deception and misinformation aimed at extracting penalties from hauliers when transporting goods across the border.

On the Afghan side of the border, the business environment affecting the transport sector is shaped by remnants of the war economy. Pointing to the "dark side of cross-border trade" (Leslie, 2015, p. 16), Leslie holds that illicit exports of narcotics from Afghanistan to Iran yielded the funds for purchases of many imported goods. In 2005, these funds were estimated to account for 30 per cent of transfers at the informal cash market in Herat. Gains from other businesses also flow into this market, as, for example, those of the above-mentioned fuel mafia, consisting of company managers, officials from Afghan authorities and local politicians, who made sure that low standard fuel imports bypassed official tests in 2013 (Leslie, 2015, p. 16; Tanha & Kohistani, 2013). Parallel power structures in Afghanistan thus absorb large parts of the (black) market and create volatile conditions for cross-border haulage companies.

The insights into the irregular business activities in Herat reveal the close connection of economic relations with political interests prevailing in the Afghan-Iranian border region. Even the international sanctions on Iran and the prospect of lifting them have had an impact on the economy in Herat. In 2011, Iran stopped annual shipments of one million metric tons of Iranian fuel, partly due to the suspicion that these supplies went to the US military. Fuel prices in

Herat increased by 60 per cent immediately (Leslie, 2015, p. 14). Iranian investment policy in Afghanistan is also driven by political interests, such as that of reducing the number of Afghan refugees and migrants living in Iran, improving the control of the narcotics trade, and striving for the closure of US Army bases in the Iranian neighbourhood in the west of Afghanistan. The means by which Iran pursues the 'stabilization' of Afghanistan to these ends affect the economy as well as politics in Afghanistan. According to local inhabitants in western Afghanistan, the 'invisible arm of Iran' reaches into Afghanistan. One example of this is the deliberate creation of insecurity at the construction site of an Indian-funded dam (Salma dam), because the dam would affect the downstream flow of water into Iran. Other examples are incidences when Iran funded favoured council and parliamentary candidates (Leslie, 2015, p. 15). A mixture of economic and security interests has led Iran to invest about US \$370 million in infrastructure in Afghanistan, in particular roads and rail as well as power transmission lines (Leslie, 2015, p. 14). Yet, as these structures were largely implemented by Iranian companies with Iranian workers, these investments contributed to one of the major bottlenecks for sustainable growth of the domestic Afghan economy and, in particular, of employment opportunities (Mashal, 2014, p. 48).

To sum up, the dimensions of irregular trade comprise smuggling as well as the circumvention of sanctions through an Iranian-Afghan fuel network with the involvement of parts of the government. Insecurity affecting cross-border trade ranges from threats of terrorist attacks by non-state armed groups over the smuggling of narcotics and human trafficking to having to pay protection money to NSAGs and bribes to state organizations. Frequent closures of borders and harassment by border officers create uncertainties that drive companies into irregular trade. The findings from field research below show how these conditions affect employment and how workers deal with this environment.

# Employment from the perspective of large cross-border transport companies

Against this backdrop, the purpose of this research was to understand better the employment strategies adopted by haulage and logistic companies based in Pakistan and Iran. The key informant interviews and focus group discussion highlight the challenges businessmen face with regard to cross-border procedures, their perceptions of the impact of insecurity on business, and their employment strategies.

## Pakistan

Very small family owned businesses to international logistics and transport corporations are engaged in cross-border trade between Afghanistan and Pakistan. Two particular business models can be distinguished. One model is that of registered Afghan and Pakistani haulage companies, and the other and prevailing one is business by unregistered and mostly small companies and individuals.

The larger, registered companies have direct contacts with importers and exporters; sometimes they are also involved in the procurement and distribution of the goods. These companies mostly have offices in either country or work with partners across the border and usually are involved in single commodity transports or shipments of limited types of high-volume goods like cement, steel, coal or flour. They usually neither supply Afghan local food markets nor provide consumer goods. The companies often own a few trucks, while further trucks are leased or hired according to the required volume. Paid clearance agents handle the paperwork at the border and then the drivers receive the documents required for the shipments. Most drivers hired by these bigger companies are Pakistanis.

For shipments to Afghanistan over land, only bonded (custom licensed) carriers are allowed to transport cargo. These licensed sub-contractors get vehicles and manage them on their own so that the company's engagement with this aspect of the business is minimized. In Pakistan, being a bonded or licensed company requires registration of all trucks a company uses on the routes with the National Logistics Corporation (NLC). Upon entering Afghanistan, the company has to have the trucks registered with

the customs authority and get a trading license from the Afghan Investment Support Agency, a department at the Ministry of Commerce and Industries.

Since 2014, the government of Afghanistan has placed a restriction on certain professions such as in information technologies (IT), accounting, administration and security services to encourage international companies to hire locals. However, as interview partners expressed, the locals that seem qualified do not always fulfil the skills or level of expertise required by most professional companies. As a result, companies are often forced to hire foreign workers, mainly from Pakistan and Dubai, which makes recruitment more expensive and challenging. A manager of a haulage company stated, "skilled capacity is generally very low in the local Afghan labour market. (...) Attracting expats like Pakistanis or others to come to these areas is very difficult, so companies have to pay higher wages to bring them to a war zone and also offer lots of perks and facilities" (interview at Lahore, 2015).

For Pakistani haulage companies or any hauliers based in Pakistan, there are two categories of recruitment, 1) office staff and 2) drivers and labourers for loading and unloading. Usually, only a small number of office staff positions is needed (depending on the size of the company), which comprise positions such as accountants, IT and secretaries. Most companies, base their recruitment for these positions on merit, experience, previous performance and good references. However, given that a number of medium-sized companies are family-owned, personal relationships and recommendations from friends and family members also play a role in these recruitments. Moreover, companies with offices both in Pakistan and Afghanistan often employ Pakistanis in Pakistan and Afghans across the border.

With regard to drivers and trucks, most large companies work via contractors in the Pakistani-Afghan region. These contractors differ and have varying capacities. Some contractors give one-window service and other vendors fulfil specific jobs such as shipping, transportation and clearance, depending on the size of the company and the kind of services required. The transport industry also makes use of

informal networks for the supply of both trucks and drivers. The sector functions like a big community, with the *adda* forming the hub of a professional network for the transport companies.

There are two types of *addas*, one, a simple shop that connects truck owners who come to them with a route preference and ask to be put in touch with companies who want drivers.

The second is the warehouse, so we don't just have an office but with the warehouse, we can offer storage facilities (owner of a haulage company, Peshawar, 2015).

The labourers engaged in loading and unloading of goods usually work for a daily wage and are primarily employed by sub-contractors (*tehkedar*). Whereas some *tehkedar*s are permanently sub-contracted, others remain in a fluid position. For instance, an individual from the group of day labourers gathering at the *adda* might take on the role of *tehkedar* and negotiate jobs on behalf of the group. Hence the labourers are not necessarily tied to one *tehkedar* but are essentially freelancers, as are the *tehkedar*s, and can act as a representative in negotiations and dealings with employers. The *tehkedar* provide informal mechanisms of recruitment for the companies.

"In terms of sub-contractors like transporters or heavy equipment firms, word spreads quickly through informal channels about which company has a lot of cargo, and these sub-contractors come seeking work" (owner of a transport company, Peshawar, 2015).

The role of the state in the transportation sector is ambiguous. Some company owners stated that they did not get any support from the government of Pakistan; others went further: "the state doesn't give, it takes" (interview with a manager of a logistics company in Karachi, 2015). Several company owners reported about corrupt traffic police in Pakistan and, after crossing the border, about the requirement to bribe the Afghan border police, customs officers, traffic police and city police in order to get permission to pass. If the driver does not pay, the officers will demand the vehicle be unloaded in order to check it, but payment of a bribe leads to passage without delay

and thus save much time. A frequent complaint by transport companies was that their trucks often had to stay put for two or three days without any reason, waiting for passage (interviews with transport companies in Kabul, 2015). Corruption and nepotism obviously are prevalent in the industry. According to the operations manager of a cargo company, "You have to bribe people everywhere in Pakistan and Afghanistan. It's then a matter to be handled between the customs, the police and the driver" (interview in Peshawar, 2015).

Another concern voiced by large transport company owners importing goods from neighbouring countries was the restriction on free trade by governments. An example given was the gas trade with Pakistan. Afghanistan imposed trade barriers, arguing that the gas price in Afghanistan would rise if these barriers were removed. From the perspective of large importers, this argument was not convincing (interview with large transport company owner in Herat, 2016).

Within Afghanistan, transport companies are required to re-load the freight from Pakistani trucks onto Afghan trucks. Some company owners reported that municipalities located near the border, such as Samar Khil between the Pakistani border and Jalalabad, demanded an extra payment for this trans-shipment to Afghan lorries, amounting to AFNs 10,000 (about US \$148) per load. As a consequence, companies were forced to increase the prices of the imported goods in order to recover the losses incurred during transportation (interviews with transport company owners importing goods from Pakistan, Jalalabad, 2015). Moreover, in Afghanistan, different customs offices in different places have to be visited for various procedures. A transport company owner suggested, "the government should bring the stamping office (*had ser*) to the custom house. Currently the *had ser* is located in Talashai Chowk and the customs house is here at the Ring Road, which is very far" (interview in Jalalabad, 2015).

From the perspective of transport company owners, the border problems have to be solved at the level of national governments, in particular, between Afghanistan and Pakistan.

Insecurity on the road is a further problem. Because some routes are more dangerous for people of a certain ethnicity, tribe or religious denomination, drivers negotiate with each other and other sub-contractor teams so that a driver can take on a route he feels to be most secure. In that sense, “certain routes would automatically require some ethnic preference for security” (manager of a transport company, Lahore, 2015). Hence, some Pakistani transport company managers consider certain types of jobs or routes to be more suitable for people from a certain region and/or ethnicity. One transport company from the sample interviewed used only Afghan drivers within Afghanistan, Pashtun drivers as far as Peshawar, and mainly Punjabi drivers from Peshawar into Pakistan. A representative from that company also revealed that the majority of the drivers in the transport industry were from the Khyber area. Another major group is from Mianwali and from the Chakwal area. These are the areas from which middlemen and tehkadar often recruit drivers. However, most representatives of companies claimed that there was no ethnic preference for recruitment.

Language is also a reason for choosing one ethnicity over another to work in certain areas. While most languages and cultures work well in Kabul, the situation is more complicated in far-flung areas where language and ethnicity, and sometimes nationality, can become barriers. For example, in Pashtun areas, Pashto speaking Pakistanis are preferred, while in northern Afghanistan Indians are preferred because local people generally do not like Pakistanis.

There is a further perception that Afghans are very strong and hard-working and therefore considered good people for heavier work such as loading and unloading of trucks. On the other hand, some Pakistani companies said they find people from Afghanistan difficult to work with as they are not good at learning new skills and tasks. They are therefore not always considered for technically difficult operations, while some prefer Punjabi drivers, characterizing them as: “relatively educated and, temperament wise, more narum (soft-natured), while Pathans [Pashtuns] are khar dimagh (short-tempered), hard in

temperament and mostly illiterate. So the Punjabis are easier to deal with” (owner of a transport company, Peshawar, 2015).

In general, a lot of job-hopping is characteristic for the transport sector, in particular among (temporary) labour. During Ramadan and Eid, the main religious holidays, availability of labourers is low as most people go back to their villages. At the same time, “demand for goods in Afghanistan is usually higher in Ramadan and there is more work as businesses stock up to prepare for Eid shopping” (Operations manager of a cargo company, Peshawar, 2015). This often induces companies to hire independent truck drivers in order to meet the demand. Companies also have to pay higher wages.

Apart from the cultural and religious holidays, the climate in Afghanistan, with its pattern of very cold and snowy winters and hot summers, also puts constraints on labour recruitment. In summer, it is more difficult to find workers to do the hard work due to the heat, and many labourers try to find other kinds of work during this period. In the harvesting seasons and during Eid, workers and sub-contractors with some of the larger companies might get better paid or allowed to take time off. During winter, work slows down and most petty contractors go back to their villages. This creates issues for transport companies in terms of acquiring and retaining their workforce during these periods.

Permanent staff include those employees that have been retained by a company for some time (not strictly in terms of employment contracts), such as office staff and truck drivers. They are considered permanent staff because of their longstanding association with the companies, and this is rewarded by good salaries or increased compensation. A few companies invest a bit more in their employees by providing training for office staff. Given the predominantly ‘informal’ nature of this industry, good personal relations are pivotal for successful business. As one owner of a transport company explained:

Managing labour and drivers and retaining them is difficult because they fight over small issues. So to retain them we make peace between them—through lots of conflict resolu-

tion. There can be very small things over which fights happen, such as on the division of daily wages amongst them. We try to talk to them and calm them down by talking to them nicely. If that doesn't work, we can also deal with them harshly (interview in Peshawar, 2015).

The engagement of transport companies in maintaining good personal relationships extends to family support in emergencies, as in the following example:

Since most recruitment is done through *tehkedar*s, we don't take any responsibility here, and it is the responsibility of the *tehkedar* to deal with it. However, sometimes we do help them out. Last year one of our labourers died in a fire at his house and we helped his family out though we didn't have to. That's how it works (owner of a transport company, Peshawar, 2015).

To a large degree the transport sector is run through informal rules and practices. It is based on personal networks and relationships and unwritten rules.

Here is no paper work—we have age old rules of transport that we all know. Though these rules are not written down, they are generally understood by everyone working in the industry since these are the informal rules of business that we abide by. Although there are no formal or legal contracts, this system works well without any interference by the government (owner of a transport company, Peshawar, 2015).

Informal relationships can also pose risks, as the case of one transport company reveals. The company had gained the support of the government forces for the security and protection of their trucks as the owner's brother was the governor of a major region and owned all the trucks in that area. This meant a big cost saving for the company. Until the governor was assassinated, the company enjoyed the perks of having close relations with powerful actors with vested interests in the industry and could avoid compliance with formal procedures (interview with a transport company owner in Lahore, 2015).

To sum up, large transport companies use a range of employment practices, from formal internal procedures to recruitment through informal brokers (*adda*, *tehkedar*), who supply not only drivers and workers, but also vehicles and labourers for loading and unloading. This gives companies the flexibility to respond to volatile demand as is typical for the transport business. Hiring different drivers on the basis of language skills and ethnic, tribal or religious backgrounds for route suitability also enables a flexible response to changing conditions. The informal relationships can still provide some security for those workers whom company owners want to retain for their loyalty and good performance. Companies may also offer them informal support in emergencies. This indicates that labour relations in Pakistani transport companies have acquired the characteristics of patronage networks. Such networks can create powerful mechanisms for circumventing formal procedures and undermine efforts to formalize cross-border trade. As long as transport companies do not experience any clear benefits from adopting these procedures and payment requirements, the current mixture of formalized and irregular trade is likely to remain in place.

## Iran

Cross-border trade between Iran and Afghanistan is conducted by Iranian companies or Iranian-Afghan joint ventures. In 2015, 171 Afghan-Iranian joint ventures with 51 per cent Iranian and 49 per cent Afghan shareholders were registered in Iran as transport companies carrying goods to Afghanistan. Some companies had their main office in Afghanistan, mainly in Herat, and had one or more offices in Iran, mostly in Mashhad, and sometimes also in Dubai and other regional centres. Although the government of Iran did not use to permit companies run by Afghans to register without an Iranian partner, informal Afghan businesses have always existed. In 2016, rules changed and it has become possible to have a company run by an Afghan in Iran but only if the company employs 100 per cent Iranians. Due to the persistent sanctions on banks, the company has to bring in foreign



currency at the official exchange rate, which means a high loss for the company (interview with the owner of a transport company in Mashhad, 2016).

Iranian companies usually send an employee to collect the route pass from the transport department of the Afghan consulate in Mashhad in eastern Iran, for which they have to pay about US \$13 import tax, which goes to the Afghan government. The transport department deals with all administrative issues related to cross-border transport (interview with officers at, 2015). The manager of an Iranian transport company made the critical remark that standards were low in Afghanistan. For example, goods were not, he said, properly weighed and the Iranian authorities had once gone there to correct the scales (interview with a manager of an Iranian transport company in Mashhad, 2016). This illustrates a widespread attitude among Iranians, who consider Afghans as low-skilled and technically unprofessional.

Either the freight forwarder companies or the truck drivers themselves do the paperwork at the border. Forwarder companies are shipping agents operating as common carriers and cooperating with the chambers of commerce and industries. They organize shipments for individuals or for corporations needing to get goods moved from a manufacturer or producer to a market, customer or final point of distribution. To this end, the forwarder companies deal with the customs, the documentation requirements and all other activities required for international shipments. Some Iranian forwarder companies organize and conduct the whole of international movement of goods by using professional logistics consultants who plan the transports, furnish the means of transport (trucks, trains, aeroplanes, ships), and manage all the border procedures. A few of them also take care of difficult orders that require circumventing regions with violent conflict (Ukraine, Iraq, Afghanistan) or Western sanctions on Iran. Some forwarder companies were founded by former customs officers, who have maintained good relationships with the customs authority to the benefit of these businesses. A typical business is involved in trading petroleum products, steel or wheat, which are

brought in from Russia, Kazakhstan or Turkmenistan to Iraq or the ports of Mumbai and the Persian Gulf through the 'Russia-Mumbai corridor'. When shipping to Afghanistan, many forwarder companies operate at the Islam Qala / Dugharun border crossing. The trans-shipment centres are either in the Dugharun special economic zone or in Herat, where freight from Iranian trucks is loaded onto trucks of Afghan companies with Afghan employees. These companies then supply all areas in Afghanistan. Only fuel, liquid gas and oil are shipped mostly by Iranian companies throughout Afghanistan, because they have proper tankers. They need a special license for such shipments (interviews with two owners of Iranian forwarder companies in Tehran, 2015).

Herat, the second largest city of Afghanistan, is the western transport hub, where high numbers of trucks arrive from Iran and Turkmenistan. A lot of Afghan transport companies and also Iranian-Afghan joint ventures have offices in Herat. Trucks entering Herat from Iran usually stay there for two or three days in order to complete unloading and customs procedures. After unloading, most trucks of Afghan-Iranian transport companies return empty to Iran and cross through Dugharun / Islam Qala back to Bandar-e Abbas port (interviews with officers at the transport department of the Afghan Consulate in Mashhad and the owner of a forwarder company in Tehran, 2015).

The Iranian government does not allow Afghans to transport goods from Afghanistan through Iran, although a few exceptions are made for agricultural products such as grass, melon seeds, oil seeds and potatoes and, more rarely, for precious stones. Domestic haulage is only permitted for Iranians. There are no bilateral contracts giving rights for Afghans to ship merchandise through Iran. Afghan drivers need a visa and a license to travel through Iran and, as soon as they cross the border, come under the authority of the Iranian government. They are permitted to stay in the country for only four days (interviews with officers at the transport department of the Afghan Consulate in Mashhad and the owner of a forwarder company in Tehran, 2015). These rules conform to Iranian law, which prohibits employment of foreigners if Iranian

workers are available. According to Article 120 of the Iranian labour law of 1990:

Foreign nationals are not allowed to work in Iran unless they are provided with an entry visa with the right to engage in specific work, and secondly, they receive work permit according to relevant laws and by-laws. ... The general policy of the country is aimed at meeting its labour requirements and implementing its industrial and development projects through Iranian manpower as much as possible. However, employment of foreign manpower when there is an immediate need for their expertise is not ruled out (ICCIMA, 2015).

This explains why Afghan-Iranian joint ventures tend to have contracts with Iranian transport companies and employ Iranian drivers to drive the trucks to the Iranian port of Bandar-e Abbas, load them and return to Herat. The Afghan consulate's transport department is responsible for upholding Afghan drivers' rights against Iranian companies (interview with officers in Mashhad, 2015). It is common for large companies to combine international and domestic operations, making contracts with Afghan companies to carry the goods to destinations within Afghanistan. Only a few Iranian transport companies involved in cross-border trade exclusively employ Iranian drivers, mostly those with the license to ship goods (mainly fuel) to various destinations in Afghanistan. Iranian transport companies without such a license unload their freight in the special economic zone of Dugharun or in Herat, and Afghan drivers continue the journey (Focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015).

The number of employees of the cross-border transport companies interviewed varied between 20 and 400, with up to half being Afghans working at the company sites in Afghanistan. Some companies combine employed office staff with sub-contractors. In addition to its office staff and drivers, a transport company usually needs six or seven casual labourers to re-load the freight, typically food and construction material that Afghan-Iranian companies bring to Afghanistan. These labourers are usually Afghans.

Even within Iran, casual labourers working in warehouses and sometimes in loading and unloading are also mainly Afghans, who rarely have a work permit. One of the problems of employing an Afghan from the perspective of CEOs is that people in Afghanistan have no birth certificates, and indeed many do not even have identity cards. Hence, companies cannot be sure whom they are employing (Focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015). Government officials in Afghanistan stressed the boost to employment from a thriving cross-border trade, with the population in Herat benefitting from job opportunities and violence on the decline (interview at the transport department of the Afghan Consulate in Mashhad, 2015).

Typically, a large transport company will own around 200 trucks and hire further trucks according to demand, so that the actual number of trucks in use can more than double. Some company managers reported that they lease some of their own trucks to drivers in Iran, allowing the Iranians to use the truck for their own business outside their working hours for the company and, after some years, be in a position to own the truck. This has the advantage that the drivers will take responsibility for keeping the trucks well maintained. Transport companies often employ a limited number of staff drivers and bring in further drivers who own a truck as sub-contractors for a specific route. The same applies to transport companies that own taxis; they can expand their capacity by adding up to three times as many car-owning taxi drivers on limited contracts (Focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015).

The mix of sub-contractors, temporary and permanent employees is a response to volatilities in demand and serves the interests of employers, who do not have to pay wages when there are no orders. As employees in Afghanistan do not enjoy any social insurance, what is important for them is the chance to be retained at the workplace, even if at declining wage rates in times of low demand. The sub-contractors, by contrast, may not find any client and hence find no income opportunity.

On the other hand, some large companies provide permanent employment in their own maintenance department, in one case for up to 30 mechanics on their premises in Afghanistan. These employees are Afghans who are usually kept in the company after a probation period of two months. One company sent some of its staff mechanics to Iran for special trainings. Most companies do not, however, employ their own mechanics but have the trucks repaired and maintained by an outside company, because they lack the facilities and finance to run a maintenance unit within the company. Several Iranian-Afghan cross-border transporters use workshops for general maintenance that are located in Khorasan province in north-eastern Iran. They have no contractual relationship with the mechanics and do not employ a mechanic, except perhaps one mobile mechanic in Afghanistan whom the company can call out when a vehicle breaks down. A typical statement by the transport company CEOs was, “for maintenance, we go to special mechanics whom we know and who do their job well” (Focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015). This indicates that, like in Pakistan, there is a network of relevant trades around transport companies based on loose professional relationships and trust.

Transport companies operating in cross-border trade between Iran and Afghanistan are not merely profit-oriented, but also driven by a range of non-economic motivations. There are company owners with Afghan origin based in Iran are driven by the will to help the conflict-torn society; sometimes a charitable attitude induces businessmen to keep on transporting goods from Iran to Afghanistan despite the insecurity. Some Iranians with Afghan ancestors engage in cross-border trade because they know both sides of the border and feel empathy for the Afghans staying in Iran under difficult conditions. For similar reasons, some Iranian companies regularly supply Afghan partners.

To sum up, the cross-border transport business is mainly guided by informal rules and practices. Most recruitment is done through informal networks as personal trust is critical. Except for office work,

most jobs are informal, often performed through subcontractors, and seasonal. Employment on the basis of national or ethnic identity plays a role in the cross-border transport business for a variety of reasons, among them restrictive laws prohibiting employment of foreigners, security considerations and perceptions about the traits and qualities of different ethnic groups.

### **Perceptions of insecurity by regionally operating transport company owners**

Business partners of the transport companies surveyed include international NGOs, local Afghan businessmen, international partners, NATO and ISAF. The foreign forces have generated a lot of work and brought in capital, but they are obviously associated with heightened security risks. Companies contracted by these forces are targets for attacks by the Taliban and sometimes other armed groups which reject the presence of foreign troops. Facing a difficult conflict environment and major security risks, international partners are hesitant even to introduce their brand name in Afghanistan. This has provided opportunities for Afghan companies to serve the requirements of the foreign companies, but under the same risky conditions.

In fact, insecurity does not only affect the companies on the Afghan side of the border. Karachi is an epi-centre of political violence stemming from politicized ethnicity in the context of a rapid increase of the city's population and the selective use of different migrant groups and their organizations by the military of Pakistan to pursue particular political and security agendas. One such conflict is between the Muttahida Quauumi Movement, a liberal political party, and the Pakistani army, which has attempted to divide the movement in order to counter its rising political power (Jamal, 2016). Frequent violent clashes and shifting alliances of the Pakistani military with militant groups in Karachi have had an impact on the security of cargo and vehicles. Unrest in the city has repeatedly led to road blockages in which vehicles get stuck. This has created shortages in the market and driven up prices. Delays in delivery have also

resulted in higher costs for vehicle rental, which adversely affect transport companies.

From the perspective of the owner of a transport company in Peshawar: “Most security problems are faced by companies working with NATO, while commercial cargo doesn’t face any security problems unless there is a political strike by the Muttahida Quaumi Movement in Pakistan or [a violent incidence] in other places on the route” (interview, 2015).

This view expresses in one sentence the insecurity perceptions found on both sides of the border. From the perspective of transport routes and destinations, the company faces greater risks in connection with certain clients, such as NATO (identifiable by its base locations) than in the case of private traders and customers. Such insecurity faced by transport companies stems from the Taliban and other NSAGs fighting against Western forces and the government of Afghanistan on the Afghan side of the border, and from political violence on the Pakistani side, which can disrupt shipments. The statement of a manager of another company puts the route-guided perception of insecurity by hauliers in a nutshell: “For the transport sector, the roads are everything. Any road blockage or security problem along the route creates great problems and leads to loss of income and delays” (interview with the operations manager of a logistic company in Peshawar, 2015).

With regard to Pakistan, three factors have a direct impact on the cross-border transport business: the political tensions between Pakistan and Afghanistan, the companies’ connections with international clients, mainly the NATO and international forces, and political unrest in Pakistan. As the political tensions between the two countries have increased, stricter border controls are being put in place, which cause delays and losses. Any connection with international clients makes the vehicles of transport companies a target for attacks, mainly by the Taliban.

As for the Iranian side, Afghan merchants have reduced the number of trucks going into Afghanistan because they are uncertain about making investments under conditions where truck drivers have faced significantly greater insecurity since 2014. Drivers have been at risk of being robbed or even killed on

route. Moreover, the Silk Road Project, which includes building tarmac roads and railways through the whole region<sup>7</sup>, has not yet been finalized. Whereas Iran has constructed the road up to the Afghan border, the section between the Iranian border and Herat has not been completed by Afghan companies as planned. These are the two main reasons why many Iranian cross-border transport companies have stopped working (interview with the owner of an Iranian forwarder company in Tehran, 2015).

Afghan CEOs of transport companies in Mashhad referred to the Afghan branch of the Islamic State of Iraq and al-Sham (ISIS) and the Taliban as forces driving insecurity, saying these two armed groups were hiring people to work for them and supplying them with money and weapons. They believed that this happened because there was not enough investment and hence, a lack of civilian employment opportunities in Afghanistan (Focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015). According to the owner of a transport company in Herat, there are checkpoints at the Islam Ghaleh border run by NSAGs, who demand commission payments and, further on the route, various tribal groups force truck drivers passing their region to pay. The interview partner mentioned seven different power holders in control of various parts of Herat province (interview with the owner of a large transport company in Herat, 2015).

Agreeing that the main cause for insecurity were NSAGs, Afghan transport company owners in Iran accused the government of Afghanistan of playing a very ambiguous role. One of the CEOs aired the view that “the government is not executing security. They [government officials] are trying to re-educate the

7 \ The ‘Silk Road Economic Belt and the 21st Maritime Silk Road’ is an initiative by the Chinese government to boost trade with Asia, Africa and Europe through enhanced infrastructure development. Due to insecurity, most of the planned roads, railways and airports bypass Afghanistan and Pakistan whereas Iran is considered a crucial connecting link between Asia and Europe. On the other hand, China’s interest in mineral resources from Afghanistan has led to the opening of a railway from Hairatan to Mazar-e Sharif in the north. The Asian Infrastructure Investment Bank (AIIB), with US \$100 billion in capital, and the New Silk Road Fund, with US \$40 billion for the project, intend to fund a number of infrastructure projects across the region (*PressTV Iran*, 31 October 2016).

Taliban. They would do better to kill them. Currently, they are living freely in Kunduz and Ghazni” (focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015).

This implies an expectation that the government should regain full control of Afghanistan and clear the country from insurgents by force, not by attempting integration, as the following statement shows: “If the government protects the drivers and the roads, the trucks can get going. There is no other solution. For example, the drivers can form convoys for better protection—but it’s not happening now. There should be more security posts to make the roads safer” (focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015).

The CEOs see the responsibility for security as a matter for the government, which should fulfil its role of providing protection and safety. This implies that secure roads and transport routes are the main means of encouraging companies to expand their business, which in turn will create more employment. The industry’s implicit point of reference is the period of booming business during the 2000s when Iranian-Afghan transport companies were running extensive cross-border operations.

One CEO referred to the link between peace, as the task of government, and the role of business people and investors, stating: “If the companies were united, they could work better and employ more people. ... We need investors from other countries to help. Afghanistan is open to all countries. ... Ashraf Ghani brought peace and unification and hope for investors. But this has not materialized” (focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015).

The disappointment over the new government is obvious in these statements. Peace and unity are considered as the basis for an attractive environment for international investors. The CEO also points to a lack of unity among transport companies, which affects employment negatively. There are hints of the existence of ‘mafia companies’, which undermine the prospects of doing profitable business. One of the companies, for example, had bought gasoline for US \$380-400 per ton in Turkmenistan and for US \$300 in

Iran, but was forced to pay customs duties and taxes amounting to US \$230 per ton of gasoline to the Afghan government. This left no margin for profit, but the main criticism of the CEO was that: “There are mafia people who pay only US \$80 to the government and take the fuel to the military. Then they sell it on the black market” (focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015).

This highlights a perception of outright injustice on the part of government actors linked to certain companies in a mafia-like relationship. The statement reveals a great deal of anger over companies with political links that have made a fortune, spoilt the prices for others and undermined true competition.

A further problem mentioned was the ever-changing customs and taxes in Afghanistan. The CEOs were convinced that the money collected by customs and tax officers did not enter Afghan government coffers but private pockets. According to them, there had been little impact of the Customs and Trade Facilitation Project initiated by the World Bank (World Bank, 2010). They claimed: “The taxes are lower on food and higher on other goods. Last year [in 2014], the customs rate at the border to Afghanistan was 4 per cent, this year it is 10 per cent for basic needs products and 30 per cent for other goods, such as computers and construction materials” (focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015).

High customs duties and unfair competition at the Afghan border have induced some transport companies to rely more on the route through Turkmenistan to Afghanistan, despite gasoline and petrol being cheaper in Iran (US \$200) than in Turkmenistan (US \$300) (interview with the Afghan owner of a transport company in Mashhad, 2015). This mirrors a high degree of uncertainty with regard to a company’s cost calculations for the cross-border transport of goods from Iran to Afghanistan.

From the perspective of Afghan CEOs operating international transport companies in Iran, insecurity in Afghanistan has led to shifts in the markets they supply. One of them stated: “We do not have any

special problem in Iran; we are operating legally and pay taxes like the Iranians. However, because of the insecurity in Afghanistan, our trade with Afghanistan is only 20 per cent and with the Middle East 80 per cent." Along the same lines, another CEO explained,

Previously we sent about ten trucks to Afghanistan per month, now only one, because of the security problem there. Ten to fifteen people are guarding the trucks from the border up to Herat. The company has to pay them well; otherwise they will join the Taliban. Well-known people need guards. From Herat to Kabul, there are no good roads and there is insecurity [through NSAGs], too (focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015).

In response to the rising insecurity in Afghanistan, Afghan company managers in Iran have thus reduced their transport operations and hire security guards to protect their trucks or cars. Bad roads requiring slow driving exacerbate the insecurity of transports through Afghanistan, because slow trucks can be attacked more easily. Moreover, in the last statement the CEO perceives competition between the Taliban and transport companies for armed men who may work as guards or as fighters, according to the payment offered.

Another approach of dealing with insecurity was pointed out by another CEO, who said:

Our trucks do not move with guards. The drivers have no problem. They pay money to the Taliban. They are flexible and know how to contact them. They tell them that they are bringing goods for the people. ... The company has to give the drivers money for the Taliban to pay for passage. However, sometimes they encounter robbers who just claim to be Taliban (focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015).

Contacting the Taliban and convincing them that a shipment serves the interest of the population, and agreements on moderate payments for passing undisturbed, appears to be a successful strategy. It

requires extra money from the company for the drivers, which in turn needs a deep level of trust. Moreover, the drivers need special negotiating skills, because they are the ones dealing directly with the Taliban. However, the point about armed gangs sometimes claiming to be Taliban and forcing payment indicates that negotiations do not always lead to more security.

The CEOs concurred that Pakistani companies were supplying the Taliban areas. Whether this is true or not, this perception indicates a suspicious attitude about the role of Pakistan in contributing to insecurity in Afghanistan. This perception was also shared by some Afghans in Afghanistan but, as mentioned above, the same criticisms are voiced about the role of Iran in the Afghan conflict. Such statements reveal a deep mistrust of the influence of the neighbours in Afghanistan, a distrust which often extends to exit options such as shifting the focus of business to other countries and deciding to remain located abroad.

## Experiences and views of workers and small hauliers in Pakistan's insecure border area

Under the particular business conditions described above, transport companies are trying to minimize their costs and bypass formalities to bring profits back up to the levels enjoyed in the 'NATO years'. Especially in the border area between Pakistan and Afghanistan, the most effective way of doing business for companies is to find informal solutions for each step of the transport process. This presents a great challenge for conflict-sensitive employment strategies. In order to understand how the large informal part of the transport sector works, we conducted interviews and discussions with individuals involved in the Afghan-Pakistan cross-border transport business in the border region of Torkham and the Peshawar district of the Khyber-Pakhtunkhwa province of Pakistan.

### Components of the informal transport sector

Various types of actors are involved in the transport business, including day labourers, drivers, assistant drivers, truck owners and SMEs.

Afghan refugees and Pakistani day labourers work closely with transporters in the cross-border business. Such people are never hired for more than a few days; their jobs are directly dependent on the availability of work. Each day they make their way to warehouses, vegetable and grain markets in search of work. All loading and unloading is done manually. The idea of health and safety regulations or job security in this trade is non-existent. Most labourers come from extremely poor families and do not have any skills; they work for food and around PKR 750 (US \$7) per day. During periods when the Torkham border is closed, these labourers suffer most because they lack the mobility to find new jobs and have very little financial endurance.

The crew of a vehicle includes a driver and an assistant. They are responsible for both the physical transport of material and maintenance of the vehicle. Almost all drivers are informally trained as an assistant, called '*halender*' (conductor). Depending on the period of employment and level of trust, assistants are eventually promoted to be drivers after a few months or years.

The driver's assistant is responsible for taking care of all jobs related to the vehicle apart from driving. The tasks include keeping the vehicle clean, taking care of transported goods on the road, helping drivers to make difficult road manoeuvres, helping with repairs, and procuring food and groceries along the way. Many drivers teach them each step just as they had been taught, thus the assistant refers to the driver as '*ustad*' (master). Assistants usually start as young boys who might be related to vehicle drivers or owners. Many come from extremely poor families in Afghanistan or are Afghan refugees in Pakistan. Physical and sexual abuse of assistants by the drivers, police and others is considered normal in this trade. Hiring or firing of the assistant is as easy as stopping by a truck stop ('*adda*') and picking up a new boy from a poor family or even a runaway. Most of the time assistants are considered expendables by drivers and owners. Thus, for most assistants, the biggest incentive is to learn the trade, gain the trust of an owner and become a driver.

The driver is the primary custodian of the vehicle and most of the time he decides when and how to travel. However, sometimes more formally operating transport companies are involved in selecting secure routes and deciding timings and types of goods to be transported. There are also many small entrepreneurs who drive family owned trucks while others work for either families or companies.

Family-owned companies and SMEs pursue a similar business model. Most of the SMEs lack any formal structure. Workers are hired and fired according to need, and most of the business is done through personal contacts and verbal promises. According to our interviews with transporters and owners of family firms they do not directly interact with the Taliban or other insurgents but find, on occasions, their vehicles are taxed when passing through certain regions controlled by Taliban forces. Most family-owned businesses and companies claim not to be working with either the government or the Taliban.

People involved in the transport business at this primary level do not see how the ever-evolving procedures and rules of business relate to the unfolding conflict in Afghanistan and its repercussions in

Pakistan. The majority of people involved in this business report the problems and challenges directly experienced in daily life. Rarely do they have any knowledge of the causes of the larger problems and challenges. For example, when asked about the closure of Torkham border in May 2016 due to the diplomatic row between Pakistan and Afghanistan, many drivers had no knowledge of that development but were fully aware of the losses they were incurring and problems they would face if the blockade continued. Moreover, most respondents in the border regions along the Peshawar-Kabul route held clear views about the failure of governance, policies and law enforcement on the part of the governments of Afghanistan and Pakistan.

The high degree of informality of the cross-border business between Pakistan and Afghanistan is a consequence of the perception of hauliers that the border regulations are obstacles to their business rather than opportunities. The informality reaches from the very bottom of the transport business up to the top. Most private Pakistani-Afghan transit is procured and processed through informal channels with formalities completed only where they cannot be avoided. These practices have causes in the FCAS found throughout the border areas between Pakistan and Afghanistan. In contrast to operations across the Afghan-Pakistani border, the business between Pakistan and the Central Asian republics, where border areas are fully under state control, is strongly formalized. All the vehicles used for the transit are processed and legally documented through procedures prescribed by the APTTA.

In a context where state policies are not reliably implemented and formal corporate structures are absent, the informal transport business between Pakistan and Afghanistan is characterized by functionally independent components. Informal haulage businesses and workers only operate interdependently in their working practices when it comes to hiring and sharing knowledge about check points and corrupt officers. These limitations aside, the businesses in the transport sector operate according to the free market philosophy. The culture of informality is evident in each step done within business.

## Business structures in informal cross-border transport

Most business in the Pakistani-Afghan cross-border trade is carried out by small-scale transporters, who might own a single or up to a dozen vehicles. These businesses are generally family-owned with family members working as drivers or assistants. Investors or local merchants approach a commission agent located in Pakistan to arrange the shipment of goods, or they approach the truckers directly and reach an agreement over fares and types of goods. The truckers drive to Pakistan and call the commission agent, who in turn procures the goods for them in advance. The reason why a commission agent is involved is that there is no formal documentation other than simple book-keeping between the parties. Consequently, there must be personal contact between the truckers and the agent, and the party providing the goods must also trust the commission agents. The payments are usually handled through informal agreements called *hundi*, under which commission agents are responsible for the truckers while the truckers are responsible for the purchasing party in Afghanistan.

Although truckers carry any material needed on the other side of the border, they usually specialize in a few specific goods that they prefer due to existing connections of trust and familiarity. The type of goods they load affects the way they have to bribe the *Levi* (a tribal militia in Khyber Agency region) or the police on route. Both the *Levi* and the police have their own extortion rates, usually ranging from PKR 300 to 1,000 (US \$2.80 to 9.40) at each security gate (*phatak*). There are more than a dozen *phataks* from Peshawar city until the Torkham border, but the number keeps changing. The traffic police also have random stops within the cities where Afghan drivers are harassed for bribes. Near the border, the National Logistics Cell (NLC) (a military company) and Pakistan customs weigh the vehicles to determine taxes, duties and fines for overloading the vehicles. The weighing station operated by NLC is 'inoperable' most of the time so that the drivers have to pay more at a private weighing station, or pay bribes to the customs officials for overloading. The allowed load limit for an



18-wheeler semi-truck is 37 metric tons, but most drivers reported that 37 metric tons is not even enough to cover all expenses of the trip, so they bribe the officials and load around 60 tons. The customs officials interviewed claimed that they could not do such things, because it is all computerized and the data is saved on official servers. After the paperwork and other procedures are completed and the due and 'undue' payments made, the vehicles are allowed to cross the border.

Reportedly, on the Afghan side the procedures are less complicated. The truckers pay the taxes and additional 'payments' and are usually let go rather easily. The return journey to Pakistan is again quite complicated on the Pakistani side of the border. Here, many vehicles carry only fruits of the season or coal exported from Afghanistan, but many also smuggle in imported auto parts and scrap metal. The smuggled goods are barely hidden but the officials let them pass after receiving their due payments. The business has given rise to a huge auto spare parts market in the border regions and in Peshawar city. Most of these spare parts businesses are completely dependent on the smuggled goods from Afghanistan.

The trucks are unloaded and parked at a repair shop if they need any attention; if not, they are parked at a petrol station or a parking lot. However, some drivers either cannot find an adequate place to park or want to save money and thus pay small fees to the local police to let them park anywhere along a road in the city. A large number of Afghan drivers have families living in Pakistan so that they take the chance to spend their free time with them. Others stay in makeshift motels near their parked vehicles, as registered Pakistani motels are not allowed to rent out rooms to Afghans without visas for security concerns. Recent mass deportations of Afghan refugees and the targeting of Afghans by law-enforcing agencies have increased the problems facing Afghan drivers. It has become harder for them to travel through Pakistan, and many families are gradually moving to Afghanistan.

## Risk perception and mitigation in the informal transport business

Risk perception varies greatly between drivers and assistant drivers, truck owners and SMEs. Drivers and assistants interviewed claimed that they very rarely had any interaction with anti-government insurgent groups while working: "We don't work against the Taliban and they don't bother us" (interview of an Afghan truck driver, 2016). Most of the drivers and assistants were born into war and civil war or spent most of their lives within the long-running Afghan conflict. This is the norm for most people in the transport business. Many consider violence as a part of life and try to find ways within this reality to earn their living.

The risks facing a vehicle assistant in cross-border trade are multiple: job insecurity, traffic accidents, fear of physical and psychological harm from drivers, law-enforcement officers, and others. Few truck owners or transport companies know anything about their assistants, even who they are or how old they are. They are hired and fired by the drivers independently. The assistants are paid PKR 5,000 to 10,000 (US \$47.70 to 95.40) per month along with commissions per trip across the border. Family-owned businesses tend to appoint a young family member as an assistant. In these cases, the assistants are rarely paid any wages or commissions as they are working for the whole family. For them, risk perception thus focuses on getting a job and getting paid.

As for drivers, the idea of risk centres on working efficiently and looking after the vehicle, as the drivers are considered responsible for any damage to the goods and the vehicle. Drivers are paid a basic salary of PKR 10,000 to 20,000 (US \$95.40 to 190.80) along with a commission on each trip. Most family-owned businesses and companies do not formally 'employ' the drivers but conclude verbal contracts and seek guarantees from mutual references. The reason behind this type of employment is there is little prospect of legally enforcing liability, making any legal contracts futile. These verbal contracts are mostly agreed under Pashtun tribal customs and jirga (community council, mostly of elders) regimes, a far cry

from official judiciary systems. Drivers who have been fired by truck owners cannot easily find another job in the transport business, as they are considered unreliable by the whole community.

According to interviews with truck crews, insurgents very rarely target or even communicate with the crews. However, most crews that belonged to Pashtun tribes of eastern Afghanistan expressed a favourable view of the Taliban, as in the following example: "I would never work for infidels (NATO) even if I was paid double" (interview with an Afghan driver from Khost, 2016). Almost all drivers and assistants interviewed did not consider violence and war to be a hindrance, but as part of their lives. According to some respondents, violence does affect them but is mostly seen as just the bad luck of getting caught in the crossfire. One Afghan driver reported that he got shot in the leg during a trip, when his truck got caught in firefight between the Taliban and the Afghan army. His assistant was killed during the incident.

According to almost all respondents, the biggest problems for them were (uncalculated) bribery and physical violence committed by Pakistani police and *Levi*. Here it is important to differentiate between calculated and uncalculated bribery. Calculated bribery is the agreed-upon amount set aside by the transporters to pay off various agencies and power holders throughout the route. This amount is usually factored into the payments from the client, i. e. the import-export company contracting the transporter, and is considered fair play. Most drivers do not even consider this as bribery. The fixed amount of money paid at several checkpoints, and for border-crossing procedures is viewed as a normal expense for the route. The problem for most drivers concerns uncalculated and unpredicted bribery in the form of additional forced payments to the *Levi* and police along the way. Such incalculable sums can sharply reduce earnings and directly impact on a driver's wages and their relationship with the owner, who has specific profit expectations from the use of their vehicles.

Almost all Afghan drivers interviewed reported abuse and extortion by Pakistani police. According to interviews with a repair shop owner and a security

guard, the extortion and harsh physical abuse of Afghan drivers and assistants by the police can be witnessed every day. Most drivers hold an Afghan driving license, which should be valid for driving in Pakistan, if they also have the route pass issued under the APTTA (2011). However, most drivers are uneducated and have little knowledge of their rights within Pakistan. According to interviews with representatives of transport companies, they do not even have any knowledge of the APTTA or its provisions for Afghan drivers. One haulier reported, "If the procedure changes, we have to change the paperwork accordingly, but we don't know what these papers are in reality" (interview with an Afghan driver, 2016).

The risk of doing business in the transport sector for both the larger transport companies and the family-owned hauliers is primarily financial. They accept no legal or financial liability for the livelihood or safety of the crew. "The owners do not care if you live or die, they first ask about their trucks' safety" (Afghan truck driver, 2016). Most businesses do not consider legal and taxation liabilities as part of their actual business operations, but as a hindrance to business imposed by the government. These obstacles are removed by making bribes or by cultivating personal relationships with government officials.

Interviews with police officers, soldiers and *Levi* operatives revealed that most rules and procedures are flouted at every step of transport business in order to exploit the crew, owners and even investors. At the Torkham border, all commercial vehicles are 'taxed' by a strongman from the Afridi tribe. Although most people were apprehensive when it came to talking about this person, it emerged that each truck had to pay at least PKR 2,000 (US \$19) to the agents of this powerholder, with the rate varying according to the type of goods being transported. A *Levi* operative reported in a private conversation that: "The drivers who do not pay are physically beaten and harassed until they fall in line, although it is unlikely that this person is operating without permission from the military or political powers in the border region" (interview in 2016).

Across the border, the drivers report minimal problems with the Afghan government agencies.

They have to pay a certain predetermined amount of money to police and custom officials there, too, but physical abuse and extortion does not happen as much as in Pakistan. Although some respondents reported that the Afghan law enforcement agencies behaved harshly towards Pakistani drivers.

Open interaction with anti-government insurgents only happens when exporting raw material from certain regions of the eastern provinces, such as Kunar and Nangarhar. The drivers of such shipments have to pay taxes at Taliban checkpoints. According to the interview partners, this happened very rarely to trucks involved in cross-border business.

The informality of the cross-border transport business means that vehicles cannot be effectively insured by an insurance company. Indeed, most truck owners are not aware of the issue. Hence, the business has developed a culture of indigenous insurance for trucks and crews. For example, the Dobandiwal tribe, like many other tribes heavily involved in transport, has a tribal or clan union with a fund into which a predefined amount of PKR 500 or 1,000 (US \$4.80 or 9.60) is deposited each month. This money is collected and spent on helping families who have lost family members or on vehicles following road accidents. These unions usually also run repair shops for trucks belonging to the same tribe. They act as mutually beneficial local networks and form a major part of the transport business and the *adda* culture.

## Ways of making employment in cross-border transport conflict-sensitive

The views and experiences of individuals involved in the informal transport business provide insights into an industry marked by very loose interdependency among its players and a tendency to skirt around government policies. It is hardly possible to implement any top-down policy and expect to achieve structural changes in this sector because it lacks the formal institutions through which policies could be applied on an organizational level. Norms that would enhance social cohesion and inclusion while also improving the security of people and property are only likely to become more entrenched in industry practices if the majority of actors can expect to gain a secure income from formalized employment arrangements and experience the rule of law and legal protection as a reality in the work of legal authorities and law-enforcement agencies. These conditions cannot, however, be expected to occur in FCAS by definition.

A blunt answer given to the question of whether private companies can contribute to reducing violent conflict was, “Companies are doing business. How can they help?” (focus group discussion with Afghan CEOs of transport companies and importers in Mashhad, 2015). In fact, companies will not ‘help’, but they may act in a conflict-sensitive way in their own interest. For example, in order to avoid violent incidences on the route from the Iranian border to Herat, large transport companies send an Afghan assistant along with each Iranian driver carrying goods for the company. The assistant accompanies the truck up to Herat and takes responsibility for safe passage (interview with the owner of a transport company in Herat, 2015). There are a number of further measures already being applied out of necessity and these can be expanded. They include the following conflict-sensitive employment measures that can prove useful as long as Afghanistan and its border regions retain the characteristics of an FCAS:

- \ Hire local people with the adequate language and cultural skills to guide transports through risky areas.
- \ Give local people opportunities as a driver’s assistant to prove their abilities, be trained on the job, and make a career as a driver, site

supervisor or any other transport-related occupation.

- \ Improve on-the-job training in the company by enhancing learning from those with higher skills.
- \ Provide training opportunities for some staff in the neighbouring countries or, if available, in vocational training centres in Afghanistan.

In addition, companies focusing more on the transport needs of private households and domestic firms and avoiding dependence on international clients and the government are thus pursuing a conflict-sensitive business strategy, which can also include conflict-sensitive employment if it leads to more jobs for local people.

Further conflict-sensitive measures not yet applied by the companies in the sample, yet potentially effective under the conditions prevailing in this FCAS, are the following:

- \ Take apprentices from vocational training centres into the company to develop their practical skills.
- \ Adhere, as far as possible, to the ILO standards for promoting decent work.
- \ Split apparently ‘lucrative’ but risky contracts among a number of companies and put pressure on investors to reduce their risks by applying conflict-sensitive business and employment strategies.
- \ Support and strengthen transport company associations that lobby the government and confront its flaws and corruption. This pressure might even extend to joint organization (for example, when shipping non-perishable goods) of ‘strikes’, such as blockades using trucks and involving local communities in response to arbitrary extortion by corrupt officials. Such actions would strengthen demands for the dismissal of corrupt officials.

The above measures and strategies, whether real or potential, refer to large companies operating in cross-border trade between Afghanistan and neighbouring countries. However, even the largest

companies cannot achieve conflict-sensitive employment alone. They need an environment that is as supportive as possible. The various power holders along the routes regularly used by a company have to be involved, whether they are inside or outside the government. Usually, interaction is initiated from the side of those who want to extract money or other benefits from the companies. So transport companies often have to communicate anyway with these power holders or their agents. Some hauliers endeavour to convincing them that the communities along these routes will benefit from the company's activities. Involving the local elders or community development centres may be a first step to negotiate safe passage in return for staying at a local hotel, requesting local catering services for drivers and assistants, and using local mechanics for on-route repairs or local painters for renewing truck colours, etc. In those areas where local power structures are relatively well-established, these ideas can be a step towards an inclusive and conflict-reducing employment strategy.

Other key actors that could promote conflict-sensitive employment include the chambers of commerce and industry, especially those which have established joint departments across the borders. However, as corrupt structures probably reach from the governments into these chambers, it is important to build alliances with individuals supportive of the interests of transport companies in developing conflict-sensitive business and employment strategies in order to generate sufficient influence to counter against those undermining these efforts.

The main promoters of conflict-sensitive employment strategies should, of course, be the governments of Afghanistan, Pakistan and Iran, in particular, the respective ministries of labour and of industry of. The expectations raised in the ANPDF can be used as a starting point to lobby for implementation of trade partnerships that are conscious of the potential impact of companies' employment strategies on conflict. As governments in FCAS usually consist of highly heterogeneous actors more so than states with a legitimate monopoly of force, it makes sense to build alliances between companies and specific

government officials with a good record and no history of corruption with a view to eliminating bribery at borders and along routes. This can be a first step towards reducing what many CEOs perceive as the worst problem. Family and kinship relationships, ethnic or religious ties may help to establish alliances that will lead to pressure within governments to properly regulate the cross-border trade. As long as the political tensions between Afghanistan and Pakistan remain, Iran can be more strongly involved in efforts to create secure meaningful employment by leveraging its role as largest official importer. Transport companies operating cross-border trade also can involve officers of the Consulate of the Islamic Republic of Afghanistan in Mashhad to support conflict-sensitive business and employment strategies along with the licensing and visa procedures.

## Conclusion

The study has shown that employment as such depends on the demand for transportation and logistics. Violent conflict plays a minor role compared to international intervention, which was of such magnitude that it led to a period of thriving cross-border trade. Transport companies grew and increased shipments to satisfy the demand of NATO, ISAF and a range of international agencies for huge volumes of imported commodities through Pakistan and—less legally due to economic sanctions—via Iran. Perceptions of insecurity by transport company owners and managers, both small and large-scale, centre less on NSAGs and more on the issue of unpredictable payments demanded by various government officials in the border areas as well as the harsher customs regime that has followed the reform of the customs system, in particular at the Afghan-Pakistani border. Whereas the reform may have been intended to formalize, digitalize and enforce customs rules and regulations according to the law, it is largely perceived as a measure related to the deteriorating diplomatic relationship between Pakistan and Afghanistan, and thus a political issue. Although the ANPDF sought to enhance self-reliance and create better opportunities for Afghans to be employed instead of foreigners, these intentions have had little impact on the ground in the transport sector. For security reasons, companies already relied on Afghan drivers and assistants on routes passing through insecure areas. This has been a major source of youth employment. The survey suggests that informal or illegal trade replaces formal trade when transport companies perceive measures put in place by governments, under treaties or laws, as obstacles and barriers. As the fluctuations in diplomatic relations between Pakistan and Afghanistan show, the more hurdles are put up at the border, the stronger informal solutions become.

Another insight from the field research is that power holders controlling areas in Afghanistan or Pakistan contribute to uncertainties for transport companies. This can happen when they demand special 'taxes', attack trucks when a company is suspected of working for international forces or for the government, or make mafia-like arrangements for circumventing rules and regulations, thus distorting

market competition. Entrenched corruption in the government lies behind the many opportunities for importers and hauliers with links to powerful persons in the government to get away with low customs duties, enabling imported goods (mostly fuel) to be sold at dumping prices.

The study also sheds some light on the interests of the governments of Pakistan and Iran that shape their intervention or neglect, investment efforts or withdrawal. Changes in the nature of their engagement are obviously related to larger international relations, such as the economic sanctions imposed by Western countries on Iran and the expectation of sanctions being lifted. Another factor is the difficult relationship between Pakistan and India, which has an impact on trade routes for Indian products avoiding Pakistan and using ports in Iran and Dubai. Central Asian interests are leading to the predominance of formal, professional border formalities and nearly total suppression of informal trade. Against the backdrop of these developments, the once flourishing cross-border trade with Afghanistan's neighbours diminished to a status of a temporary hub serving the demand of the international clients stationed in the country. Afghanistan now appears to be returning to the role of a marginalized playing field for larger regional actors pursuing hegemonic interests or seeking to balance interests in various directions. Afghanistan itself is a minor player here (see also Harpviken & Tadjbakhsh, 2016).

The study reveals that employment strategies in the transport sector vary between large and small or medium-sized companies. Both groups have in common the need to respond sensitively to changing market conditions and risks. Large companies employ a very limited number of core staff on long-term or permanent contracts and flexibly bring in or drop sub-contractors, i.e. short-term contracted drivers and other staff, as needed. SMEs or individual truck owners take market opportunities as they come and rely on the cheapest possible employment solutions. As found in the Peshawar district, Pakistani labour conditions in this segment of the transport industry fail to meet the ILO standards for decent work in every respect. Indeed, they involve a range of

exploitative and human rights-violating practices as the norm. Nor are conditions any better in Afghanistan, as anecdotal evidence suggests. They are particularly hard for casual workers offering their labour in areas where they have no family connections and networks (Grawert & Mielke, forthcoming 2017). In all these cases, those working at the lowest level of the transport sector are far too weak to form a trade union or any other kind of common interest group. The reason is the 'functional independence' of all the various actors across the industry. The strongest job-related link is provided by the *tehkedar* and *adda* systems, which operate as fluid brokering agencies rather than organizations representing workers' interests. These harsh conditions and the adjustments to them explain why workers and small self-employed entrepreneurs in the transport sector are far from perceiving violent conflict affecting their society as the outstanding problem affecting their daily lives. Threats and risks stem from a range of other actors and incidences but, in their experience, rarely from NSAGs.

This leads to an initial, sobering, conclusion that this large group of informal workers in the transport sector cannot be reached by conflict-sensitive employment strategies unless there are large-scale projects in the region requiring the employment of high numbers of unskilled transport workers. Investors and companies involved in such projects, however, would certainly have to take steps to ensure conflict-sensitive employment.

Turning to the large transport companies, we find that some have experienced rapid growth and employed relatively high numbers of people to supply international forces and agencies in Afghanistan. That had led to a booming transport sector, a situation which could occur again should any of the planned large regional investment programmes materialize in the coming years. The above analysis of the mistakes made by companies and their development of alternative strategies to keep the transport business running in times of rising insecurity provides useful insights into the ways of making business and employment more conflict-sensitive. The analysis shows that cross-border transport

companies already apply conflict-sensitive employment strategies largely of self-interest. For instance, they might employ drivers and assistants according to cultural criteria in order to facilitate safe passage through dangerous areas under the control of certain power holders. They might also seek to negotiate safe passage in advance with power holders in areas not under state control. The wide-spread reliance among hauliers on family members and relatives, rather than recruitment based on merit, has been driven by the need for trust in a hostile environment, although the study could not determine a conflict-enhancing or conflict-reducing effect of this practice.

As governments in FCAS like Afghanistan cannot be expected to take strong initiatives and manage to enforce them, the research findings suggest the way forward is to form positive alliances through networks already in use, building on family and other personal relationships to reach into the chambers of commerce, consulates, ministries and higher echelons of government. If such alliances gain strength, they may be able to gradually eliminate the worst obstacles posed by corrupted border procedures and extortion on transport routes.

To increase employment and make it meaningful and conflict-sensitive, cross-border hauliers can, in pursuit of their own interests, develop their existing cross-cutting connections within society in a strategic direction. This means better communication with community elders and power holders in the areas they regularly pass through with their shipments. These stakeholders have to be convinced of the need to support companies by involving workers along different parts of the route in activities required to keep the business going. These range from catering on the road to mechanics, and from hiring local labour temporarily to providing some of them with job opportunities and career perspectives as assistant drivers with large companies, if they prove to be reliable. The practice of cross-border hauliers based in the neighbouring countries to hire Afghans who can safely guide their drivers through insecure areas is a small first step in the direction of conflict-sensitive employment which needs to be expanded creatively. The self-interest of transport companies in reducing

risks and uncertainties is the best driver for spreading conflict-sensitive practices.

The findings indicate that there are still some research gaps with regard to understanding the obstacles preventing private sector firms from acting collectively and from applying conflict-sensitive employment strategies. However, the study does show that one such obstacle is a lack of information among some companies about conflict-sensitive employment strategies being pursued by others within the industry.



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**ANNEX:  
MAP OF BORDER CROSSINGS BETWEEN AFGHANISTAN, IRAN, AND PAKISTAN**



Produced by Zulfiqar Ali Shah based on Map data © 2017 Google.

## ACRONYMS AND ABBREVIATIONS

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ACCI	<i>Afghanistan Chamber of Commerce and Industries</i>	ACCI
AISA	<i>Afghan Investment Support Agency</i>	AISA
ANPDF	<i>Afghanistan National Peace and Development Framework</i>	ANPDF
APTTA	<i>Afghanistan-Pakistan Transit Trade Agreement</i>	APTTA
AREU	<i>Afghanistan Research and Evaluation Unit</i>	AREU
ATTA	<i>Afghanistan Transit Trade Agreement</i>	ATTA
CARS	<i>Central Asian Republics</i>	CARS
CEO	<i>Chief Executive Officer</i>	CEO
CFR	<i>Cost and freight</i>	CFR
CIF	<i>Cost, insurance and freight</i>	CIF
FCAS	<i>Fragile and conflict-affected settings</i>	FCAS
FOB	<i>Free on board</i>	FOB
GIROA	<i>Government of the Islamic Republic of Afghanistan</i>	GIROA
GOP	<i>Government of Pakistan</i>	GOP
IDMC	<i>Internal Displacement Monitoring Centre</i>	IDMC
IDP	<i>Internally displaced people</i>	IDP
ILO	<i>International Labour Organisation</i>	ILO
INCOTERM	<i>International commercial term</i>	INCOTERM
IRGC	<i>Islamic Revolutionary Guard Corps</i>	IRGC
ISAF	<i>International Security Assistance Forces</i>	ISAF
ISIS	<i>Islamic State of Iraq and al-Sham</i>	ISIS
IT	<i>Information technology</i>	IT
LPG	<i>Liquefied petroleum gas</i>	LPG
MOTCA	<i>Ministry of Transport and Civil Aviation</i>	MOTCA
NATO	<i>North Atlantic Treaty Organization</i>	NATO
NGO	<i>Non-governmental organization</i>	NGO
NLC	<i>National Logistics Corporation</i>	NLC
PKR	<i>Pakistani Rupee</i>	PKR

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<i>SME</i>	<i>Small and medium enterprise</i>	<i>SME</i>
<i>TIR</i>	<i>Transports Internationaux Routiers (International Road Transports)</i>	<i>TIR</i>
<i>US</i>	<i>United States</i>	<i>US</i>
<i>USAID</i>	<i>United States Agency for International Development</i>	<i>USAID</i>

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