

## USAID Trade Project

# Analysis of Quadrilateral Traffic in Transit Agreement (QTTA)

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## List of Acronyms and Initialisms

Acronym	Definition
APTTA	Afghanistan-Pakistan Transit Trade Agreement
ANF	Anti-Narcotics Force
BCP	Border Crossing Point
CAR	Central Asian Republic
CBTA	Cross Border Transport of Persons, Vehicles, and Goods Agreement
CD	Customs Declaration
CRM	Compliance Risk Management
FBR	Federal Board of Revenue
GoP	Government of Pakistan
IRCN	International Road Consignment Note
KKH	Karakoram Highway
NHA	National Highway Authority
NH&MP	National Highway and Motorway Police
NTN	National Tax Number
PACCS	Pakistan Automated Customs Clearance System
QTTA	Quadrilateral Traffic in Transit Agreement
RKC	Revised Kyoto Convention
RMS	Risk Management System
TIR	Transports Internationaux Routiers (International Road Transport) Convention
WCO	World Customs Organization

## Executive Summary

The volume of trade between Pakistan and the Central Asian Republics (CARs) - Kyrgyzstan, Tajikistan, Uzbekistan, Kazakhstan and Turkmenistan – is extremely low. Pakistan's exports to the CARs account for approximately 0.05 to 0.06 percent of its total exports. The Quadrilateral Traffic in Transit Agreement (QTTA) can help Pakistan increase trade volumes with Central Asia.

The QTTA, signed in Islamabad on March 9, 1995, is an agreement between China, Kyrgyzstan, Kazakhstan, and Pakistan for facilitating traffic in transit. The QTTA provides Pakistan a gateway to Central Asia without passing through the territory of Afghanistan, instead designating the Karakoram Highway (KKH) through China as a transit corridor.

The CARs are landlocked countries and require access to seaports. Currently, the CARs use seaport facilities in China, Turkey, Russia, the Baltic States, and Iran, among others; however, the Pakistani ports of Karachi, Bin Qasim and Gwadar provide the shortest land route distance to maritime trade for the CARs. The QTTA provides the landlocked territories of Central Asia access to the seaports of Pakistan and facilitates cross border and transit trade among the Contracting Parties.

The QTTA facilitates movement of transit goods – without any duties – between the territories of all Contracting Parties. The Agreement identifies the transit corridors linking the entry and exit ports in the territories of each Contracting Party. Traffic in transit will use these corridors through uniform customs procedures. The Agreement defines transportation of goods and baggage, and the passage of vehicles, as traffic in transit.

The Agreement stands valid for a period of five years after which it is automatically renewed for a further period of five years unless there is a request for termination by any of the Contracting Parties.

The Agreement does not include any financial security mechanism to reimburse customs administrations of the respective Contracting Parties in case of revenue leakages or if goods are diverted for local consumption en-route. This leads to time-consuming inspections by customs authorities. The framework of the Customs Convention on the International Transport of Goods Under Cover of TIR Carnets (TIR Convention, 1975) could be used for international carriage of goods. This would require consensus among stakeholders on using TIR Carnets as the principal security for movement of transit cargo. Kazakhstan and Kyrgyzstan have acceded to the TIR Convention; Pakistan and China have not. A possible alternative to the TIR Convention is the development of a regional insurance guarantee system. At present, Pakistan and Afghanistan have established a bilateral insurance guarantee system to facilitate transit trade; however, there have been various complaints relating to the high associated costs and delays in discharging insurance guarantees after the goods have physically crossed through the transit corridors.

The Contracting Parties should also consider enhancing the coverage of this Agreement by inviting Tajikistan to become a Contracting Party, and adding a transit corridor connecting Pakistan and Tajikistan through Kashgaran in China. This would provide Pakistan with considerably shorter land route access to Central Asia for its exports.

The blockage of KKH due to the landslide at Attabad, Pakistan in January 2010 has affected transit through this route. The Government of Pakistan (GoP) in collaboration with the Government of China is working to address this issue and upgrade the highway to remain in service during all weather conditions. In April 2014, the Prime Ministers of China and Pakistan expressed support for the revival of a "New Silk Road" with China – the Pakistan Economic Corridor from Kashgar to Gwadar would provide the Southern extension. Development of the trade corridor will involve infrastructure and road developments along the KKH. In addition to providing the western provinces of China with the shortest access to seaports and improving Pakistan's bilateral trade with China, the proposed corridor

would make the route via KKH a feasible alternative for accessing the CARs. These developments would increase the importance of QTTA as it applies to viable trade corridors connecting Pakistan and Central Asia through China, and therefore, issues with respect to its implementation would have to be resolved to account for the increased traffic in transit via this route.

## Introduction

This report highlights the salient features of the QTTA – the defined entry / exit ports, movement of vehicles, customs cooperation, and dispute settlement – and includes a detailed section on policy and implementation gaps. The report also includes analysis of the key provisions of the Agreement, including current implementation status and recommendations to address shortcomings.

One of the objectives of the GoP is to improve economic relations between Pakistan and Central Asia. The GoP wants to leverage its strategic location to become a hub for trade with Central Asia. Additionally, the GoP views Central Asia as a potential market for Pakistan's exports and as a potential source for importing much-needed energy into Pakistan. In this regard, the QTTA serves as an important policy instrument to facilitate traffic in transit between China, Kyrgyzstan, Kazakhstan, and Pakistan.

The QTTA allows the use of multimodal transport for traffic in transit and requires the Contracting Parties' customs authorities to facilitate the movement of goods by adopting uniform customs procedures such as a single administrative document, risk-based customs clearance, and prompt sharing of customs information among the Contracting Parties. The Protocol on Customs Procedures for Goods in Transit and Passport Visa Regime was signed on July 6, 1996. The Protocol on Establishing the System of International Road Transit Permits and the Regulations for the Implementation of the Agreement were signed on November 24, 1998. These Protocols and Regulations form an integral part of the QTTA.

The International Road Transit Permit is the basic document required to carry out transit under the QTTA. The permits are printed and distributed by each Contracting Party. The Contracting Parties must decide on the number of permits required for a given calendar year through mutual consultation and consensus. One permit is issued to one vehicle and is valid for one round trip only, allowing vehicles to carry a return load. At present, the Contracting Parties have developed a consensus to issue 200 permits each for transit trade.

The salient requirements of the QTTA include the following:

- i. **Infrastructure Facilities:** The Agreement requires Contracting Parties to improve the infrastructure facilities in their territories and to ensure that adequate sheds and open space are available at ports of entry and exit on their respective borders. The QTTA requires the Contracting Parties to recognize each other's vehicle registration documents and driver's licenses for vehicles and persons engaged in transit.
- ii. **Commercial Presence:** The Agreement allows the Contracting Parties to establish a commercial presence and open representative offices in the territories of other Contracting Parties, provided they meet the internal legislation requirements of the respective countries.
- iii. **National Treatment:** The QTTA requires the Contracting Parties to ensure that no discriminatory charges are levied, including those for railway freight, road freight, port and other charges, and that no distinction is made based on vehicle ownership.
- iv. **Visas:** The Agreement requires Contracting Parties to issue multiple entry visas to persons engaged in transit between the Contracting Parties; however, there is no comprehensive procedure provided in the QTTA for issuing visas to drivers, and there have been reports of extended delays in the issuance of visas. There is, therefore, a need to streamline the visa procedure.

- v. **Adding Member States:** The Agreement allows for inclusion of new states to the Agreement with concurrence from all other Contracting Parties. In this context, an invitation could be extended to Tajikistan to join the Agreement. This would facilitate bilateral trade between Pakistan and Tajikistan through the KKH and expedite Pakistan’s regional integration.
- vi. **Adding Border Posts:** The Agreement also permits inclusion of additional border posts and land routes through concurrence among the relevant ministries of Contracting Parties.

## Entry / Exit Ports

The QTTA uses the historic KKH to link Pakistan with the CARs. The border posts and land routes agreed are as follows:

**Table 1: Border Posts and Land Routes Under QTTA**

Country	Border Posts	Land Routes
Pakistan	<ul style="list-style-type: none"> <li>i. Sust</li> <li>ii. Karachi Seaports</li> </ul>	<ul style="list-style-type: none"> <li>i. Karachi Seaports to Peshawar (N-55)</li> <li>ii. Karachi Seaports to Islamabad/Rawalpindi – Hassanabdal – Gilgit – Sust</li> </ul>
China	<ul style="list-style-type: none"> <li>i. Khunjerab</li> <li>ii. Torugart</li> <li>iii. Khorgos</li> </ul>	<ul style="list-style-type: none"> <li>i. Khunjerab – Kashgar – Torugart</li> </ul>
Kyrgyzstan	<ul style="list-style-type: none"> <li>i. Torugart</li> <li>ii. Ak-Jol</li> </ul>	<ul style="list-style-type: none"> <li>i. Bishkek – Ak-Jol – Kordai – Almaty</li> </ul>
Kazakhstan	<ul style="list-style-type: none"> <li>i. Kordai</li> <li>ii. Khorgos</li> </ul>	<ul style="list-style-type: none"> <li>i. Khorgos (Kazakhstan) – Khorgos (China)</li> </ul>

The Agreement allows for variations and additions to the border posts and land routes. The Contracting Parties may consider enhancing the coverage of the Agreement by inviting Tajikistan to join the Agreement. In the event Tajikistan is included in the QTTA, a route to Tajikistan through Tashkurgan could help advance Pakistan’s regional integration, as it would open a much shorter land route to Central Asia.

**Figure 1: Route from Islamabad to Almaty under QTTA<sup>1</sup>**



<sup>1</sup> Image from [www.brenbolthousephotography.com](http://www.brenbolthousephotography.com), modified by Trade Project

Under the QTTA, the Contracting Parties are required to maintain trade routes in proper working condition. The KKH closes in winters due to heavy snow and harsh conditions. Development of an all-weather land route via the KKH would significantly improve trade through this corridor. Improvement of the road network, especially the Targat - Naryan (200 km) section within the territory of Kyrgyzstan, would also reduce transit time.

## Movement of Vehicles

Under the QTTA, transit has to be undertaken by vehicles registered in any one of the Contracting Parties. The International Road Transit Permit is the basic document required to carry transit under the QTTA. The Agreement requires that permits for a given year be printed and distributed by each Contracting Party prior to the commencement of that year, no later than November, and that the permits be in English, Chinese and Russian languages. The executive bodies authorized to issue these permits are provided in the table below:

**Table 2: Executive Bodies Authorized to Issue Permits Under QTTA**

Country	Executive body authorized to issue the permit
Pakistan	National Highway Authority, Ministry of Communications
China	Department of Communications of Xinjian Uygur Autonomous Region
Kyrgyzstan	Transport Inspection, Ministry of Transport and Communications
Kazakhstan	Union of International Transport, Ministry of Transport and Communications

The Agreement allows for imposition of all toll taxes, including road maintenance fees along the transit route on vehicles performing the traffic in transit; however the charges are required to be non-discriminatory. Railway and road freight rates, port usage, and other charges by Contracting Parties should be comparable to those charged domestically.

The QTTA obligates all Contracting Parties to ensure smooth passage of goods transiting through their territories and to take necessary measures for the safety of goods in transit. The Agreement nevertheless permits the Contracting Parties to apply prohibitions and restrictions for traffic in transit based on domestic laws and legislative provisions.

Vehicles engaged in traffic in transit are required to carry valid registration documents and license plates in accordance with domestic regulations of the home country. QTTA defines the prescribed number of days that are allowed for carriers to transit goods within the respective territories of the four countries.

**Table 3: Number of Days Allowed for Transit in the Respective Contracting Parties**

Country	Number of Days Allowed for Movement of Goods in Transit from Port of Entry to Port of Exit
Pakistan	30 days
China	180 days
Kazakhstan	7 days
Kyrgyzstan	30 days

Vehicles engaged in transit are required to be distinctly marked as follows:

**Table 4: Distinguishing Marks for Vehicles for Each Contracting Party**

Country	Sign
Pakistan	PK
China	CMT
Kazakhstan	KZ
Kyrgyzstan	KGZ

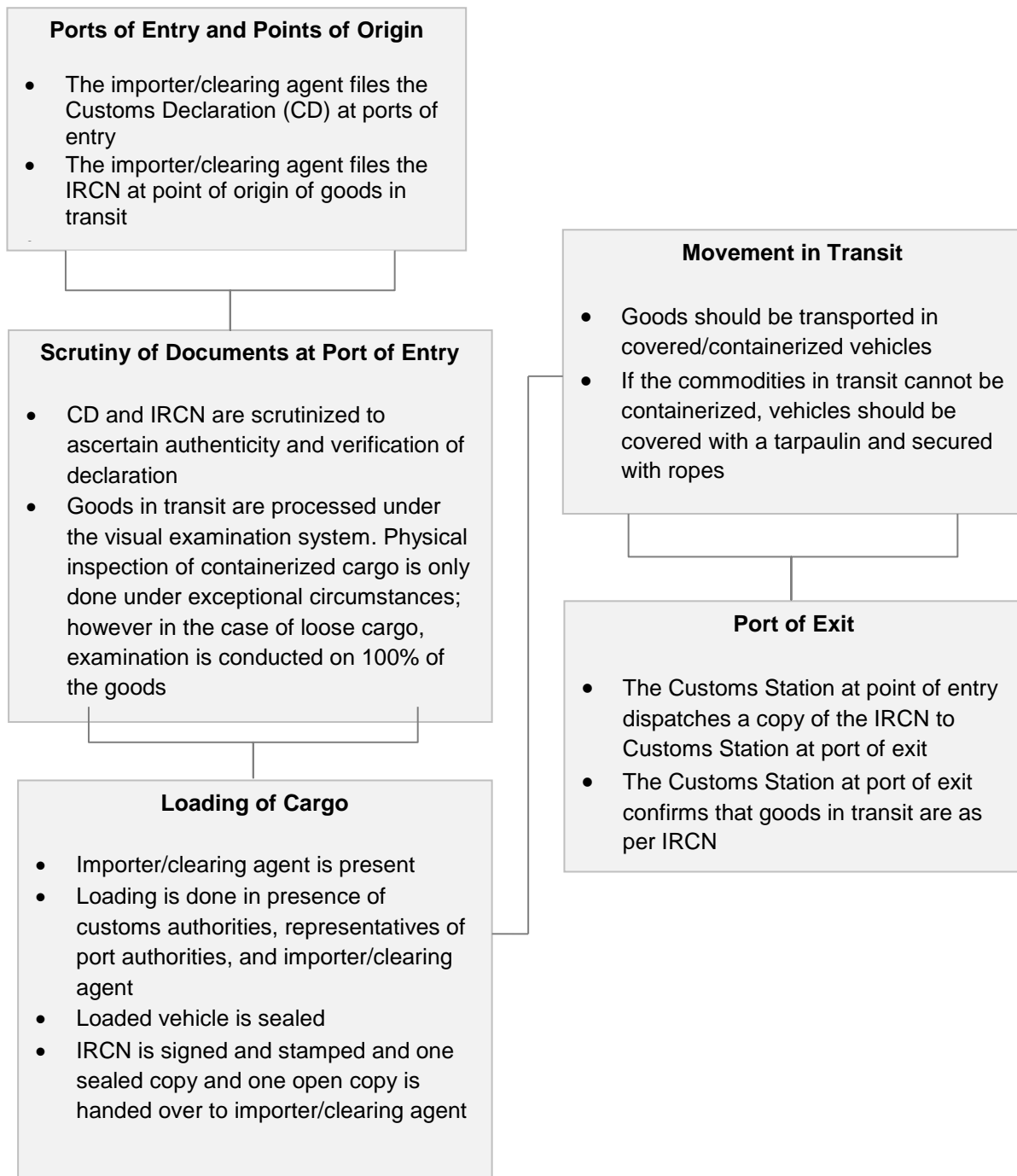
The Agreement establishes a maximum limit for the gross load and axle weight of vehicles engaged in transit: 30 tons and 10 tons, respectively. The dimension and the load of the vehicle should conform to the domestic limits set by the individual Contracting Parties. In case the QTTA provision on the vehicle dimensions or load does not comply with local laws, or the vehicle is carrying hazardous goods, carriers are required to obtain special permission from the Contracting Parties.

### Customs Cooperation

To facilitate the expeditious movement of goods in transit the QTTA requires the Contracting Parties to adopt uniform custom procedures and a uniform set of consignment notes. Under the Agreement the International Road Consignment Note (IRCN) is the necessary document for passage of transit cargo through the territories of the Contracting Parties. An IRCN must be filed at the point of origin for goods in transit. When goods cross over from the territory of one Contracting Party to that of another, customs officials of the receiving country are responsible for scrutinizing the documents and examining the goods. The Protocol on Customs Procedure for Goods in Transit signed in Islamabad July 6, 1996 establishes the procedures to be followed by the Contracting Parties' respective customs authorities.



**Figure 2: Custom Procedures for Goods in Transit**



**Dispute Settlement and Amendment**

The QTTA requires Contracting Parties to resolve all disagreements and disputes through mutual consultations. In order to resolve any disagreement arising from the operation of the Agreement, each Contracting Party is required to appoint a liaison officer to communicate and coordinate with the authorities within their own country. In case a dispute cannot be settled through mutual consultations, the Agreement requires that the disagreement be referred to an arbitrator acceptable to the concerned Contracting Parties. The arbitrator’s decision shall be considered final and binding to the concerned parties. Concerns that are not addressed by the Agreement should likewise be settled through mutual consultations among the Contracting Parties.

The QTTA provides for amendments and alterations to be made to the present Agreement. If there is a proposed amendment, it is required to be sent to the depositary state, Pakistan. The Ministry of Communications, GoP then communicates with and informs the other Contracting Parties. The amendments are adopted through signing of separate protocols with the concurrence of all Contracting Parties.

### **Policy and Implementation Gaps**

This section of the report highlights the major policy and implementation gaps identified in the QTTA, and provides policy inputs for the GoP regarding the operational issues being faced in the implementation of the Agreement. These inputs are based on an examination of the Agreement's provisions and analysis of the key impediments faced in its application.

### **Issuance of Permits**

The International Road Transit Permit is the basic document required to transit the goods and transport units under the QTTA. The procedure to obtain the Road Transport Permit from the GoP Ministry of Communications is both complicated and time-consuming. It is important to simplify the process and make it more transparent by notifying the procedure through a public notice. The QTTA requires that permits for a given year be printed and distributed by November of the previous year. There have been instances in the past when permits for a given year were not issued until September of that year, and there have been separate cases in which the Contracting Parties have not printed the permits in time. According to the Ministry of Communications, GoP, the delay in printing permits is due to China's proposal to modify the layout of the document. The Contracting Parties are scheduled to meet in June 2014 to consider the Chinese proposal. The permits will then be printed and circulated after consensus on the new permit is reached.

### **Issuance of Visas to Drivers**

Under the QTTA multiple entry transit visas are to be issued to transit drivers; however, there is no standard procedure for issuance of visas under the QTTA. Each country has its own procedures and requirements for granting visas. The documentation required for issuing visas, including a visa support letter from the concerned government department, is time-consuming. In Kyrgyzstan an invitation is required from within Kyrgyzstan for transit visas for drivers. This process is both costly and slow. There is a need to streamline and expedite the procedure for issuing visas between all Contracting Parties. The International Road Transit Permit should be the primary document required by embassies to issue visas to transit drivers and unnecessary documentation should be limited.

### **Security Provisions**

The QTTA does not provide customs administration with financial security for duties and taxes in case transit goods are diverted for local consumption. This leads to time-consuming inspections at the entry and exit ports by customs administrations. Other transit agreements, including the Afghanistan-Pakistan Transit Trade Agreement (APTTA) and Cross Border Transport of Persons, Vehicles, and Goods Agreement (CBTA), include provisions to ensure that there are no leakages during transit. APTTA, for instance, uses three layers of security for transit traffic. The release of goods under APTTA requires production of insurance guarantees equal to the amount of levied duties and taxes. The transport is carried through bonded carriers only. The containers and transport units are to be installed with tracking devices. CBTA requires Contracting Parties to implement the TIR Convention for the transit of goods.

Under the QTTA, the framework of the TIR Convention could be included for international transportation of goods. This would require developing a consensus among stakeholders on using TIR Carnets as the principal security for movement of transit cargo. Kazakhstan and Kyrgyzstan have acceded to the TIR Convention; Pakistan and China have not. An alternative to using TIR Carnets could be the development of a regional insurance guarantee system. At present, Pakistan and

Afghanistan have established a bilateral insurance guarantee system to facilitate transit trade; however, there have been various complaints relating to the associated high costs and delays in discharging insurance securities after the goods have crossed transit corridors.

### **Risk Management**

The QTTA does not contain any provision for risk management. The Agreement mandates the customs administration to conduct examination of 100% of loose cargo consignments. This causes delays at the customs stations and increases the transaction cost of transit. APTTA authorises 5% of transit containers to be physically examined by the Contracting Parties. CBTA exempts transit consignments from routine customs inspections and escorts under TIR Carnet. Stakeholder consensus to introduce a comparable, robust risk management system under the QTTA should be developed.

### **Customs Clearance of Consignments**

Customs clearance of Pakistan's export consignments to Central Asia through the KKH are currently conducted at the Sust land border station at the Pakistan – China border. The dry port lacks necessary clearance facilities including sniffing dogs, scanners, or an appropriate risk management system, which leads to delays in transit. It is recommended that consignments be cleared at Sialkot, Islamabad, Lahore and Karachi Dry Ports and sealed by the Customs and the Anti-Narcotics Force (ANF) Authorities. At the Sust Border Post, only seals of the consignments would then be checked.

### **Export Clearance Procedures at Sust**

A significant amount of imports to Pakistan from China cross through the Sust border post. Because of this, Sust is considered an import-oriented station. After opening a trade route to Central Asia and removing impediments to implementation of the QTTA, export consignments via the Sust border post may increase. To cater to the increased export consignments, trade facilitation measures such as risk-based clearance systems, scanning and weighing facilities, and EDI linkages should be introduced in order to facilitate Pakistan's exports through this corridor.

### **Unloading of Heavy Cargo at Sust**

Pakistan Customs authorities at the Sust border post often require de-stuffing one-hundred percent of cargo from the containers. This is particularly burdensome in the case of heavy cargo such as marble consignments for exports and metal scrap for imports. Lack of sufficient forklifts makes the process more difficult. Prior inspection and clearance of heavy cargo within sealed containers would improve transit time for consignments passing through the Sust border post. Implementation of a robust risk management system would also facilitate expeditious clearance of transit cargo at Sust by directing detailed examination only to high-risk consignments.

### **Quarantine Inspection at Entry Port in China**

For goods destined for the CARs and transiting through China, the Chinese authorities require Quarantine Inspection at China's entry port, and charge a heavy fee. Because the goods only transit through China, it would be more appropriate for the containers to be sealed at the entry port in China and the seal then verified at the port of exit from China.

### **Transit Procedures in China**

China exported more than USD 12 billion in 2013 to Kazakhstan. It also has significant trade with Kyrgyzstan; 2013 exports totalled USD 5 billion. Transit clearance procedures at the Tashkurgan land border station connecting China with Kyrgyzstan create a major bottleneck. Chinese authorities send a fax message to Kashgar to request authorization for Pakistani trucks to transit. The reply usually takes three to four days to be received. Implementation of EDI between Kashgar and Tashkurgan could prevent this delay and further improve trade competitiveness for Pakistan's exports. There is a

need for Pakistan and China to enhance coordination and cooperation to introduce trade facilitation measures at the borders to address bottlenecks and streamline transit procedures.

### **Pakistan's Trucking Sector**

The QTTA allows road vehicles from Contracting Parties to enter into the territories of other Contracting Parties to carry out transit services. The Pakistani trucking sector includes a large number of single vehicle owners operating underpowered trucks that are not equipped to travel the route via KKH to the CARs, which contains mountainous terrain. There is a need to modernize Pakistan's trucking industry to ensure that the trucking fleet is capable of handling a significant volume of transit trade via road in a timely and efficient manner.

Despite being in force from 1995, the QTTA Agreement has not been able to enhance traffic in transit between the Contracting Parties. One of the main reasons is the blockage of the KKH on the Pakistani side at Attabad. Moreover, the KKH and the Sust land border station between Pakistan and China are closed during the winter season. Pakistan, with the financial support of China, is upgrading the KKH and also clearing the landslide at Attabad. Development of an all-weather land route via the KKH would significantly improve trade through this corridor, and is expected to be concluded by 2015.

The Contracting Parties should implement the trade facilitation measures of the Agreement and introduce risk-based systems to reduce the transaction cost for transit trade. Introducing scanning and enhancing infrastructure at the Sust land border station, and establishing EDI linkages among Contracting Parties, would also facilitate transit trade through this corridor.

## Analysis of QTTA's Substantive Provisions

#	QTTA Substantive Provisions	Existing Situation	Gaps and Recommended Actions															
1.	<b>GENERAL PROVISIONS</b>																	
	<p><b>Designated Transport Routes</b></p> <p>Contracting Parties undertake to provide facilities for traffic in transit on mutually agreed upon routes.</p> <p>Contracting Parties agree to adopt a multi modal transport regime to carry out traffic in transit. No distinction shall be made based on the ownership of the means of transport.</p>	<p>Following routes and border posts are agreed for traffic in transit under the QTTA</p> <table border="1"> <thead> <tr> <th>Country</th> <th>Border Posts</th> <th>Land Routes</th> </tr> </thead> <tbody> <tr> <td>Pakistan</td> <td>Sust and Karachi Seaports</td> <td>Karachi Seaports to Peshawar (N-55) or Karachi Seaports to Islamabad/Rawalpindi – Hassanabdal – Gilgit – Sust</td> </tr> <tr> <td>China</td> <td>Khunjerab, Torugart and Khorgos</td> <td>Khunjerab – Kashgar – Torugart</td> </tr> <tr> <td>Kyrgyzstan</td> <td>Torugart and Ak-Jol</td> <td>Bishkek – Ak-Jol – Kordai – Almaty</td> </tr> <tr> <td>Kazakhstan</td> <td>Kordai and Khorgos</td> <td>Khorgos (Kazakhstan) – Khorgos (China)</td> </tr> </tbody> </table> <p>The National Highway Authority<sup>2</sup> (NHA) is responsible for keeping all transit routes in a well-maintained condition as per the provisions of the Agreement. Similarly, National Highway and Motorway Police<sup>3</sup> (NH&amp;MP) is tasked to take effective measures for regulating and facilitating transit traffic on the designated transit routes.</p>	Country	Border Posts	Land Routes	Pakistan	Sust and Karachi Seaports	Karachi Seaports to Peshawar (N-55) or Karachi Seaports to Islamabad/Rawalpindi – Hassanabdal – Gilgit – Sust	China	Khunjerab, Torugart and Khorgos	Khunjerab – Kashgar – Torugart	Kyrgyzstan	Torugart and Ak-Jol	Bishkek – Ak-Jol – Kordai – Almaty	Kazakhstan	Kordai and Khorgos	Khorgos (Kazakhstan) – Khorgos (China)	<p>The blockage of the KKH due to a landslide at Attabad has affected transit through this route. The clearance of the landslide at Attabad and development of an all-weather land route via KKH would significantly improve the trade through this corridor.</p> <p>Invitation to join the Agreement may be extended to Tajikistan. This would facilitate bilateral trade between Pakistan and Tajikistan through the KKH and expedite improved regional integration. For this purpose, China would be required to open the Tashkurgan – Tajikistan route for Pakistan.</p>
Country	Border Posts	Land Routes																
Pakistan	Sust and Karachi Seaports	Karachi Seaports to Peshawar (N-55) or Karachi Seaports to Islamabad/Rawalpindi – Hassanabdal – Gilgit – Sust																
China	Khunjerab, Torugart and Khorgos	Khunjerab – Kashgar – Torugart																
Kyrgyzstan	Torugart and Ak-Jol	Bishkek – Ak-Jol – Kordai – Almaty																
Kazakhstan	Kordai and Khorgos	Khorgos (Kazakhstan) – Khorgos (China)																

<sup>2</sup> <http://nha.gov.pk/responsibilities-of-nha/>

<sup>3</sup> <http://www.nhmp.gov.pk/>

#	QTTA Substantive Provisions	Existing Situation	Gaps and Recommended Actions
		<p>Due to heavy snowfall in the winter season, the Sust Border Crossing Point (BCP) becomes non-operational.</p> <p>In the CARs, the non-existence of an intermodal and multimodal transport system and the lack of a developed communication system hinder trade and transit facilitation.</p>	
	<p><b>Registration of Vehicles</b>            The transit shall be undertaken by vehicles registered in the Contracting Parties.</p>	<p>Pakistan acceded to the Convention on Road Traffic, Vienna, on March 19, 1986.</p> <p>Chapter XIV (rule 328 (1, 3, 4, 8) and rule 327 (3, 6, 7)) and Chapter XXV (sub-chapter XI rule 638) of Pakistan Customs Act 2001 ascertain regulations regarding registration and licensing of bonded carriers for transit trade.</p>	<p>Pakistan needs to enhance the capacity of transport operators regarding compliance with the Vienna Convention on Road Traffic.</p>
	<p><b>International Road Transit Permit</b>            The system of International Road Transit Permit shall be implemented for the vehicles approved for the transit traffic.</p>	<p>The Protocol on Establishing the System of International Road Transit Permits signed November 24, 1998 establishes the rules for issuing permits.</p> <p>While submitting applications for permits under the Agreement, the transport carrier should fulfill the following conditions:</p> <ul style="list-style-type: none"> <li>• The transport company should be registered under the Companies Ordinance 1984</li> <li>• The Company should either be a member of a Chamber of Commerce and Industry or Pakistan International Freight Forwarders Association (PIFFA) with a valid membership certificate</li> <li>• The Company should hold a National Tax Number (NTN)</li> <li>• The company should have a valid registration and vehicle fitness certificate, duly endorsed</li> </ul> <p>The executive bodies authorized to issue the permits are:  <u>Pakistan</u>: National Highway Authority, Ministry of Communications</p>	<p>There is a need to streamline the procedure for issuing permits. Currently there is a quota of 200 permits per year. Increasing the quota of permits to be issued each year would also facilitate increased trade and transit among the Contracting Parties.</p> <p>There are numerous complaints of delays in the printing of the transit permits. According to the Ministry of Communications, GoP, the delay in the printing of the permits is due to a proposal from China to modify the layout of the permit document. The Contracting Parties are scheduled to meet in June 2014 to consider the Chinese proposal and the permits will then be printed and circulated after consensus on the new permit layout is reached.</p>

#	QTTA Substantive Provisions	Existing Situation	Gaps and Recommended Actions
		<p><u>China</u>: Department of Communications of Xinjian Uygur Autonomous Region</p> <p><u>Kyrgyzstan</u>: Transport Inspection, Ministry of Transport and Communications</p> <p><u>Kazakhstan</u>: Union of International Transport, Ministry of Transport and Communications</p> <p>Each vehicle carrying traffic in transit is required to have one permit that is valid for a single, round trip journey.</p> <p>The procedure of obtaining road transport permits from the Ministry of Communications is complicated and time consuming. Delaying these permits seriously limits transit trade via KKH as the road closes during the winter season.</p> <p>The Agreement does not provide for the number of permits to be issued and the exchange methods.</p>	
	<p><b>Customs Harmonization</b></p> <p>In order to facilitate movement of goods in transit, the customs authorities of the Contracting Parties shall devise, as mutually agreed, uniform customs procedures and formalities.</p> <p>The Contracting Parties with a view to facilitate the quick and efficient transit of goods between the Contracting Parties agree to adopt a uniform set of consignment notes.</p>	<p>A Customs Declaration (CD) is filed by the importer / clearing agent, on the prescribed forms of the respective countries, at the ports of entry.</p> <p>At the point of origin of goods in transit, the importer / clearing agent files an IRCN. The IRCN is the main instrument for passage of goods in transit and needs to be stamped by customs authorities of respective countries at ports of entry/exit during the course of the journey.</p> <p>One sealed copy of the IRCN and one open copy is handed to the importer/clearing agent/freight forwarder. The open copy is to facilitate the smooth passage of goods in transit and the sealed copy is for endorsement by the customs authorities at ports of exit and entry.</p> <p>The customs stations at ports of entry dispatch a copy of the IRCN to the customs stations at the ports of exit. The customs</p>	<p>Introduction of a Risk Management System (RMS) in customs operations for Contracting Parties will limit customs interventions on low-risk consignments. The RMS should have the capacity for risk profiling, and subsequent physical examinations should be performed according to the perceived risk.</p> <p>Contracting Parties should standardize the arrangement of customs seals. The seal should be placed at the point of loading after customs inspection and should only be broken at the point of unloading at the time of payment of customs duties. Authorities within the Contracting Parties should only need to check the customs seals to validate passage of goods in transit.</p> <p>The FBR needs to introduce Single Window at all</p>

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		<p>station at the port of exit confirms that goods in transit are as per the IRCN and have crossed the border within the authorized transit time.</p> <p>The QTTA does not contain any provision for risk management. This leads to routine customs examination of goods including unloading of heavy cargo.</p> <p>As per Pakistan Customs Act 2001, Pakistan Automated Customs Clearance System (PACCS) is responsible for ensuring risk management. This system has been discontinued and replaced by WeBOC, which has yet to incorporate a Compliance Risk Management (CRM) module.</p> <p>The seal on transit containers is checked and replaced in each country - China, Kyrgyzstan, and Kazakhstan. This is both time consuming and expensive.</p> <p>The Trade Project is supporting the Federal Board of Revenue (FBR) to develop an RKC implementation roadmap based on an analysis of Pakistan Customs Act's compliance vis-à-vis the World Customs Organization's (WCO) Revised Kyoto Convention (RKC). The Trade Project's draft report on its RKC gap analysis has already been presented to the FBR for its review and approval.</p> <p>A national Single Window system is being developed with an aim to bring all relevant stakeholders in Pakistan onto the Pakistan Customs' WeBOC system.</p>	<p>the ports and land border stations for facilitating traffic in transit.</p>
	<p><b>Infrastructure</b> The Contracting Parties shall endeavor to improve the way side infrastructure facilities in their territories, and provide at point or points of entry or exit, sheds and open spaces for vehicles in transit awaiting customs clearance before onward transmission, which will be a</p>	<p>The Targat - Naryan (200 km) section within the territory of Kyrgyzstan is in poor condition. The road between Thakot and Tatta Pani in Pakistan is also in poor condition.</p> <p>Delay in the clearance of goods at the port and land border stations increases transaction costs for international trade. The</p>	<p>Infrastructure improvement at the Sust border station will ensure swift flow of transit traffic.</p> <p>An alternate route of Kashghar – Osh – Jallabad – Bishkek could be added in Kyrgyzstan.</p>



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	<p>charged service. For vehicles with hazardous goods and awkward loads separate arrangements will be made.</p> <p>The Contracting Parties undertake to meet the requirements of railway wagons, road vehicles and merchant ships subject to availability.</p>	<p>dry port at the Sust border station is ill-equipped. There are no scanners and it is both time consuming and inefficient to manually check each container.</p>	<p>Although this is a longer route than Targat – Naryan, it would reduce travel time and wear and tear on vehicles caused by the Targat – Naryan route.</p>
	<p><b>Charges</b> Contracting Parties agree that railway freight, road freight rates, port and other charges due shall not be less favorable than those charges by the Contracting Parties on goods owned by their nationals.</p>	<p>Goods transiting through China are subjected to Quarantine Inspection even though they are not intended for the Chinese market. A heavy fee is charged for Quarantine Inspection.</p>	<p>There is a need to compile a comprehensive list of all the fees and charges that are incurred in transit and BCPs and to negotiate reduced and transparent fees.</p>
	<p><b>Commercial Presence</b> Each Contracting Party will provide carriers of other Contracting Party opportunities to open representative offices/agencies in its country in accordance with respective internal legislation.</p>	<p>At present, the Contracting Parties have not issued permits to transport operators for purposes of commercial presence in the territories of the respective Contracting Parties due to non-existence of enabling domestic regulations.</p>	<p>Pakistan would be required to amend domestic regulations to allow transport operators from other QTTA member countries to establish offices in its territory.</p>
	<p><b>Mutual recognition of licenses</b> The vehicles engaged in traffic in transit shall have valid license plates, and registration documents of each Contracting Party according to relevant laws of each country. The drivers of the traffic in transit vehicles shall hold a local and internationally-valid driver's license good for the same type of vehicle they are driving. The Contracting Parties will recognize/honor each other's above mentioned documents.</p>	<p>According to Chapter II of the National Highway Safety Ordinance 2000, NH&amp;MP is the designated authority for the enforcement of traffic regulations on the main road network in Pakistan; the Provincial Traffic Police are the competent authority to issue driving licenses.</p>	<p>Coordination of provincial licensing authorities will be required to provide standardization of licenses consistent with international requirements.</p>