



Minutes of the Board Meeting

Karachi

July 17, 2021

The meeting was chaired by President PAJCCI. Attendance sheet is attached herewith.

- The meeting started with recitation from Holy Quran.
- Secretary General PAJCCI presented Activity report including membership, financial and operational aspects.

Subsequently, the agenda items were deliberated fully and the following resolutions were identified:

1. Chaman border closure, due to internal disturbance in Afghanistan, has halted all trade and travel across the border

Current Scenario

The significant road amongst (Spin) Boldak and Chaman and Kandahar customs have come under Mujahideen control and Afghan interior ministry insisted the attack had been repelled and government forces had control. The border was closed by Pakistani authorities after Taliban captured the Afghan border district of Spin Boldak and Wesh following fierce fighting with the Afghan National Army in the second week of the current month.

The capture of the border town caused suspension of all trade and traffic between the two countries. Hundreds of trucks carrying Afghan transit trade goods were stuck in Chaman, arrived from Karachi and Gwadar Sea ports. The policy matter between Afghan Government and Taliban operative areas is not clear.

Federal Board of Revenue (FBR) has directed to slow down the trade process via Chaman border and have asked to re-route the consignments. Vehicles stuck on Chaman border are also allowed to change their route through Custom Karachi, as per the issued notification. However, participants raised issues regarding repercussions faced by businesses due to longevity of Chaman border closure, re-routing costs and increasing cost of doing business, resulting demurrage and detention and that change in documents (especially GD) is a big issue.

The participants from Chaman iterated that gates at Spin Boldak side are open and business is progressing then Government of Pakistan should not halt the containers at our side as it would lead to demurrage and detention charges and also perishable items will be destroyed. Additionally re-routing increases costs to Afghani importer and cannot be done without his consent, especially in case of back-log that is already jammed at chaman border.



<p>Recommendations</p>	<p>It was specified that strenuous efforts are required to resuscitate border trade keeping security and control concerns in view.</p> <p>It was emphasized that the situation is force majeure hence proactive strategies and guidelines needs to be issued by Government of Pakistan for safeguarding businesses, especially for perishable items, to secure losses on Chaman Border.</p> <p>Especially directives needs to be issued to Shipping companies to understand force majeure situations and develop some policies for accommodating demurrage charges in such conditions. As in previous conditions also, lack of sensitivity from Shipping companies has led to significant financial losses and immense demurrage charges were to be borne by the businessmen. There is no consistent policy and they only give leverage to customers on the basis of their portfolio, which is unfair in conditions like these. Even the parliamentary committee under Chairman Senate held several meetings with them in the past but all in vain.</p> <p>As a temporary measure, it was recommended that as cross-stuffing and unloading is not allowed in APTTA, but in current scenario to save on demurrages either unloading be allowed at Chaman border or the containers should be allowed to cross border and dump the consignments at the warehouses / godowns at Spin Boldak. It can easily be done under Custom's vigilance.</p> <p>It was unanimously established that Pakistan Government should coordinate with Afghanistan Government for identifying how trade / transit containers will move in / out of Afghanistan, who will be the custodian, how tax / tariff regime would work especially in context of Pakistan's exports to Afghanistan and Central Asia through this route.</p>
-------------------------------	---

2. Border management and Fiscal Reforms needs to strengthen for curbing smuggling and return of transit goods

<p>Current Scenario</p>	<p>Participants aggressively established that transit through Pakistan has reduced significantly, despite multiple security measures applied of Afghan consignments, custom is not sure as to how transit consignments are reverting back to Pakistan or how to stop cross-border smuggling, hence this is weak border management control that should not impact ongoing businesses, Ministry of commerce is imposing Regulatory duties on transit consignments which is reciprocally retaliated by Afghan customs on goods exported by Pakistan.</p>
--------------------------------	---



	<p>If transit items are not hurting local manufacturers, especially where local consumption exceeds the supply (like case of tyre was discussed), then other avenues should be allowed to explored.</p> <p>In case of scrap coming from Afghanistan, undue lengthy clearance process coupled with intelligence raids has not been able to reduce issue rather has increased the smuggling significantly that has affected legitimate trade and causes losses to national exchequer as well.</p>
Recommendations	<p>An immediate meeting sought to be convened with Ministry of Commerce and Border officials to discuss these issues for effective border management and expedited clearance.</p>

3. Need to establish strong banking channel system with Afghanistan

Current Scenario	<p>Participants raised several issues occurring due to weak banking system in Afghanistan that impacts the transactions significantly and leads to credibility and processing issues.</p> <p>Several pharma and ghee/oil companies raised issues occurring due to new policy by the State Bank of Pakistan declaration of dollars carried by the Afghan businessmen at the border, as they have to make several payments in banks at Torkham / Quetta. The fear of theft / security and even kidnapping has increased due to this and Afghani importers are reluctant to do so which is further leading to smuggling and usage of alternative payment mechanisms.</p> <p>Considering Afghanistan's socio-economic issues, their transactions often are not perceived correctly by the banking and other allied authorities. FATF limitations is not helping the cause and hence there should be an agreeable way forward involving all stakeholders.</p>
Recommendations	<p>State Bank of Pakistan in coordination with the Ministry of Commerce should expedite the process of establishing strong banking mechanism in context of Afghanistan Trade.</p> <p>Afghanistan Government should establish credible banking system to facilitate documented trade as it must be prevalent with other trading partners.</p> <p>In case of dollar transactions to be conducted in Pakistan by Afghan businessmen, secured mechanism may be devised to avoid security issues.</p>

4. Other issues related to transit and Bilateral Trade

<p>Current Scenario</p>	<p>Department of Plant & Protection (DPP) unduly causes delay and enhance restrictions while issuing Quarantine reports and import permits especially once it is season of Afghanistan exports (fruits and vegetables).</p> <p>Pharmaceutical sector faces several issues in Afghanistan preliminary being trademark issues and unruly attitude of distributors in Afghanistan (who neither fulfils contractual obligations, does not issue NOCs and launch counterfeit products for reaping benefits under the umbrella of original brand).</p> <p>Afghanistan additionally charges 7-8% tax on pharmacy items, raising its costs and giving leverage to Indian counterparts.</p> <p>Afghanistan customs significantly delays stock clearance process that affects timelines and adds to cost and trust deficit.</p> <p>At this time when Pakistan requires cotton to be imported from Tajikistan and Uzbekistan, it is important for Afghanistan to facilitate this move that does not affect their local industry / consumption.</p> <p>Under the circumstances and the state of unrest within Afghanistan, what could be the plight of Pakistan bound business houses planning to develop business relationship. In case of any default or breach of contract by Afghan counterpart, there is no remedy available. As at present, procedural formalities does include respective chamber, foreign office attestations. Despite attestations, there is no assurance or surety for the franchisor (Pakistan part) in case of any default by the counterparts.</p>
<p>Recommendations</p>	<p>A meeting with Department of Plant & Protection needs to be convened urgently for resolving the issues at hand.</p> <p>PAJCCI through its Afghanistan Chapter will engage Afghanistan Ministry to facilitate the matters highlighted.</p> <p>Afghanistan should provide preferable treatment to Pakistan keeping the special access provided by Pakistan for its transit and bilateral trade.</p> <p>India in order to gain preferable treatment has reduced duties on several items for Afghanistan, whereas Pakistan is unable to reap benefit of low-hanging fruit. It is unanimously agreed that Fiscal reforms is the best strategy to curb illegal trade regime and also to provide level playing field to Pakistani businesses in the region.</p>