

**Government of Pakistan
Ministry of Commerce and Textile
Commerce Division**

Working Paper

**2nd Meeting of Committee Relating to Pakistan-Iran and Pakistan Afghanistan
Bilateral Trade through Land Route**

The first meeting of committee to discuss Pakistan-Iran and Pakistan-Afghanistan bilateral trade through land route was held on 11th March, 2019 in Ministry of Commerce, Islamabad. The meeting was chaired by the Minister of State for Revenue, Mr. Muhammad Hammad Azhar. The meeting was attended by the representatives from Ministry of Foreign Affairs, Federal Board of Revenue, State Bank of Pakistan, GHQ and Federation of Pakistan Chamber of Commerce and Industry.

The issues relating to bilateral trade with Iran including the absence of banking channel, informal trade, and custom procedures for trade with Iran via different border crossing points were discussed. The inputs from the business sector were also taken into consideration. The former President of Quetta Chamber of Commerce and Industry informed that there are sixteen Iranian Banks which are not under the US sanctions and US is doing business with them. He asserted that Pakistan may follow suit. Suggestions from other stake holders include opening of barter trade and consideration of Special Purpose Vehicle as planned by EU to trade with Iran. After hearing the views of all stakeholders, the chair observed that the committee needs to develop a narrative for trade with Iran based on non-sanctioned institutions and non-sanctioned products. For this Ministry of Foreign Affairs and State Bank of Pakistan will discuss and give input regarding the following aspects before next meeting of the committee:

- i. Opening of the Iranian bank branch (which is not under US Sanction) in Pakistan
 - ii. Obtaining a Waiver from US as available to India and some other countries.
3. Similarly, in case of Afghanistan operational issues relating to transit trade and functioning of WEBOC were discussed at length. The representative of Custom informed the participants of the meeting that implementation of Integrated Transit

Trade Management System (ITTMS) is in the offing in which all processes of checking will be held under single roof. Representative from the Chaman Chamber of Commerce and Industry highlighted the problem of internet vis-à-vis Weboc. He also suggested that time duration for payment of duty drawback and Sales Tax refunds may also be decreased.

4. The second meeting of the committee to discuss the decisions made in the first meeting will be held on 20th March, 2019 at 12:30 p.m. in Ministry of Commerce. The Meeting will be chaired by the Minister of State for Revenue. The committee will discuss the inputs provided by the State Bank of Pakistan and Ministry of Foreign Affairs on the decisions made in the first meeting.

Pakistan- Iran Bilateral Trade

A brief overview of Pakistan-Iran trade is shown as under:

Pakistan's Bilateral Trade With Iran US \$ million				
Years	Exports	Imports	Total Trade	Trade Balance
2013-14	52.67	172.49	225.16	-119.82
2014-15	29.32	239.37	268.68	-210.05
2015-16	38.25	205.85	244.10	-167.59
2016-17	26.68	284.58	311.26	-257.91
2017-18	22.86	369.23	392.08	-346.37
July-Jan (2017-18)	13.31	211.05	224.36	-197.74
July-Jan (2018-19)	11.92	229.51	241.43	-217.58

Source: FBR

Issues in Pakistan-Iran Bilateral Trade via Land Route:

i. Issue of banking Channel:

Absence of a banking channel remains a staggering problem in the bilateral trade. It is further exacerbated by the sanctions imposed by US on Iran. According to State Bank of Pakistan (SBP), although an MoU has been signed between the SBP and Bank Markazi Jamhouri Islami Iran (BMJII) on 13th April, 2017 in Tehran. However, Pakistani banks are still reluctant to do business with the Iranian banks and have adopted a risk adverse approach specially due to recent penalty imposed on Habib Bank Limited by US Treasury.

ii. Import Authorization System:

According to the Iranian system, all the importers are required to first register their requests for imports with Ministry of Commerce through a system called sabt-e-safaresh. After processing of the case, the Iranian Ministry of Commerce issues an import permit which is valid for 6 months. In some cases, the issuance of import permit also requires NOC from other ministries/departments.

iii. **Charges imposed on Pakistani Transporters:**

The Federation of International Transport Companies of Pakistan have informed that Pakistani transporters are being charged by Iranian authorities in the following way:-

a) **Visa Fees:**

Iranian authorities are charging visa fee from Pakistani drivers and business community @ Rs. 13,750/- as compared to Pakistani visa fee of Rs. 2,750/- being charged by Pakistan from Iranian nationals. The amount of visa fee is for six months and visa is cancelled any time by Iranian authorities without assigning any reason.

b) **Attestation Fees:**

The export consignments from Pakistan to Iran are required to be attested by the Consulate of Iran at Quetta with attestation fees of Rs: 100,000/- for a consignment of 100 MT of rice and takes around 2-4 days. It may be noted that Pakistan has not imposed any such conditions on Iranian exports to Pakistan.

c) **Load Tax:**

Load Tax is charged at the rate of 10% of the fare of Transport Company. If a truck is charged Rs. 40,000/- for its travel from Quetta to Zahedan the transporter has to pay Rs. 4000 even though the distance from Taftan border to Zahedan is 80 km.

Pakistan- Afghanistan Trade

A brief overview of Pakistan-Afghanistan trade is shown as under:

Pakistan's Bilateral Trade With Afghanistan-US \$ million				
Years	Exports	Imports	Total Trade	Trade Balance
2013-14	1760.17	359.05	2119.22	1401.12
2014-15	1875.46	323.03	2198.5	1552.43
2015-16	1472.9	388.73	1861.63	1084.17
2016-17	1299.93	337.2	1637.14	962.73
2017-18	1301.54	450.05	1751.59	851.49
July-Jan (2017-18)	611.07	325.9	936.97	285.17
July-Jan (2018-19)	591.47	385.39	976.86	206.08

Source: FBR

Issues in Pakistan-Afghanistan bilateral trade and Transit Trade via Land Route:

i. **Repeated Border Closures:**

As a result of the closure of the border, both the Afghan Transit as well as Afghan traders have suffered heavy demurrage, detention and over stay charges.

ii. **Informal Trade:**

Weak border trade management system on both sides of the border and lack of tariff parity or rationalization.

iii. **Implementation of Afghanistan Pakistan Transit Trade Agreement (APTTA):**

Under the Article 34 of APTTA, 2010, Afghanistan Pakistan Transit Trade Coordination Authority (APTTCA) was established to monitor the effective implementation of the Agreement. So far six (06) meetings of APTTCA have been held to address operational issues in the implementation of the Agreement. The sixth meeting of Afghanistan Pakistan Transit Trade Coordination Authority (APTTCA) was held on February, 14-15, 2016 in Islamabad. Afghanistan has failed to convene the 7th meeting of APTTCA, despite multiple reminders and assurances. Thus the most important institutional forum under APTTA has been rendered

dysfunctional by Afghanistan. As a result many trade issues between the two sides have accumulated over the period of last 2 years.

iv. **Early Harvest Programme:**

In July 2017 Pakistan has offered an Early Harvest Program (EHP) to Afghanistan. Pakistan has conveyed ten items of its choice to the Afghan side and also asked them to reciprocate by providing ten items of their choice so that a Mini PTA could be signed between the two countries. However, it is pending with Afghanistan and there has been no response from them.

v. **Joint Business Council**

The JBC was supposed to hold its first meeting in February 2015, but it could not take place. Afghanistan is reluctant in nominating their members of JBC.

vi. **Ban Imposed on the Import of Culling Bird**

Afghanistan has imposed ban on the imports of culling birds from Pakistan.