

# **Focus Group Discussion Pre-Meeting Information Pack**

*This information pack is prepared to provide participants a quick glance on important factors and statistics.*

# **Pakistan Afghanistan Joint Chamber of Commerce & Industry**

## **Introduction**

PAJCCI is pleased to hold the 11<sup>th</sup> Focus Group Discussion meeting with objective of improving and strengthening bilateral trade, economic and people to people relationships between Pakistan & Afghanistan.

Issues faced by both sides will be deliberated including impact of recent changes in regional dynamics affecting trade and business, voice of business community, initiatives and support of Pakistan government as well as recommendations to both the governments.

The reasons behind impact on trade volume will also be discussed to identify means and methods to create sustainable trade and economic activity and taking advantage of historic relationship between two important countries of the region which are in ideal position to create economic hub and play their role in becoming regional trade power.

Participants from both sides including businessmen and Government of Pakistan functionaries will be present which will ensure that voice of businessmen has direct reach to decision makers and will get firsthand understanding of the issues and opportunities.

The present Afghan government has completed two years and despite being marred by financial crunch, earthquakes and floods, law & order situation has improved and various initiatives to improve trade has been taken. The biggest challenge remains acceptance of international community and release of frozen Afghan assets by USA. Non-inclusion of Afghan government authorities by various international agencies has multiplied the obstacles for business community and especially for Pakistan which faces severe threats of security and breach of borders, smuggling of goods and illegal flight of USD from Pakistan, forfeiture of legal transit cargo, obstacles in transit trade to & from CAR, imposition of high duties on goods destined for Pakistan, restricted movement of Pakistani transport, low availability of trained labor and transport, pending customs documents (47,000 T1 pending since 2 years), closure of borders and lack of infrastructure on Afghan side. In comparison Afghan trade volume has increased with Iran, China and CAR without any problems in payments directly in USD and via third party payments.

Government & business community of Pakistan has continuously raised the plight of Afghan nation at various international forums and remains instrumental in provision of immediate humanitarian aid to Afghanistan despite having own financial challenges, high inflation and current regime change. Pakistan efforts are grossly nullified due to international community attitude and lack of understanding. The potential of trade between the two countries is approximately 15Bn USD however due to international and regional constraints, non-inclusion & non-engagement of Afghan government authorities at any official forums and at PAJCCI events has negatively impacted any and all efforts to bring stability and peace to region by trade and people to people contact. It is imperative that international community must re-define sanctions on Afghanistan in order to ease trade and people to people contact while engaging Afghan government directly in resolution of issues and signing of trade agreements.

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Another challenge which needs to be addressed by Afghan government is to increase capacity and skill set of its government functionaries, various contemporary functionalities are not available to business community which contributes to trading obstacles.

PAJCCI continues to move forward in testing times and engaged several entities of government, business community of both sides and has provided several policy recommendations to both governments, has resolved several B2B issues by arranging dispute resolution proceedings, provided active platform to various trading sectors along with technical support.

The current economic condition of region and especially Pakistan has severely impacted people of Pakistan facing high inflation, halt of trading activity due to dollar crunch, at least 4Bn USD worth imported goods are stuck at ports and their clearance halted by authorities thereby creating lack of raw material and closure of several industrial units engaged in using this raw material for producing textile finished goods, pharmaceuticals, fuel etc. The non-clearance has caused the rotting of edible goods like onion, wheat, pulses and other essentials. The cost of increasing fuel and energy is another challenge being faced by Pakistan. The overall economic situation is devastating and Pakistan faces severe challenge to remain a functioning economy.

In such situation international community must take measures to bring stability by revising sanctions on Afghanistan and limited inclusion of Afghan government to provide relief to business community; thereby giving relief to people involved in working for various industries and border trade.

PAJCCI remains positive that in upcoming weeks with IMF mission's visit to Pakistan many issues will be resolved and goods stuck at port will be released with help of business community which has offered to clear them on deferred payments.

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## Highlights

Pakistan and Afghanistan bilateral trade has dipped (12%) from \$171 million to \$149 million in December 2022. The bilateral trade between Pakistan and Afghanistan recorded \$149 million in December 2022 which was \$171 million in November 2022 thus showing a decline of 12 percent.

A virtual meeting between Pakistan & Afghanistan ministries was held on 9<sup>th</sup> January 2023 to discuss issues in bilateral and transit trade. PTA was deliberated in this meeting. Pakistan sought reduction in taxes on coal imports from Afghanistan, reduction of taxes on transit goods from CAR destined for Pakistan. Afghanistan agreed to reduce 60% tax on coal exports to Pakistan.

Pakistan has already allowed Afghan trucks to freely move in Pakistan however that hasn't been allowed by Afghanistan thus increasing cost of goods and business. The high duties of \$1360 per truck coming in from CAR still is imposed by Afghanistan.

Pakistan has also taken up the issue of US\$250 per truck as transit fee by Afghanistan on trucks carrying relief goods for flood victims citing two instances when trucks coming from Tajikistan were charged with high duty, royalty and damages. "This goes against the agreed rules decided in the Transit Trade Agreement and TIR convention – the Convention on International Transport of Goods Under Cover of TIR Carnets. Pakistan is not charging any fee for transit from Afghans.

The two sides also agreed to undertake measures to prevent smuggling of US dollars from Pakistan to Afghanistan, as on average, US\$600-700 million per month is smuggled to Afghanistan and then to UAE and Turkey. Besides, the two sides also agreed on taking steps to prevent smuggling of precious commodities from Pakistan such as silk, sugar, tyres, mobile phones, oil and other commodities which is hurting Pakistan economy while these items are then re-exported to Pakistan.

On the containers stuck at Karachi port and the border, the Afghanistan side will share the list of stuck containers with the Customs holding some containers because they submitted fake invoices.

Both the countries need to re-define and re-think their policies and bring focus to economy before politics and regional power games.

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## Important Statistics

### Bilateral Trade of Pakistan with Afghanistan (USD Thousands) <sup>1</sup>

Year	Exports to Afghanistan	Imports from Afghanistan	Total	Balance (+)
2015	1,711,069	54,021	1,765,090	1,657,048
2016	1,242,537	52,231	1,294,768	1,190,306
2017	1,144,163	79,603	1,223,766	1,064,560
2018	1,513,846	169,659	1,683,505	1,344,187
2019	1,213,942	184,506	1,398,448	1,029,436
2020	904,789	131,711	1,036,500	773,078
2021	990,259	185,276	1,175,535	804,983
<sup>2</sup> 2022	556,787	194,615	751,402	362,172

### Performance of Bilateral Trade Jan-Mar FY22 Vs FY21

Months	Exports		Imports		Total		Balance (+)	
Year	2022	2021	2022	2021	2022	2021	2022	2021
Jan	17,236	94,229	15,635	29,251	32,871	123,480	1,601	64,978
Feb	38,450	86,636	14,380	15,289	52,830	101,925	24,070	71,347
Mar	73,558	116,541	13,218	6,237	86,776	122,778	60,340	110,304
Apr	66,988	83,633	20,873	9,355	87,861	92,988	46,115	74,278
May	58,021	67,409	17,120	4,185	75,141	71,594	40,901	63,224
June	58,279	88,904	16,644	3,092	74,923	91,996	41,635	85,812
July	40,835	66,648	12,841	4,705	53,676	71,353	27,994	61,943
August	57,881	61,413	6,792	5,497	64,673	66,910	51,089	55,916
Sept	32,008	86,853	15,128	9,518	47,136	96,371	16,880	77,335
October	31,193	87,303	15,731	14,450	46,924	101,753	15,462	72,853
November	48,897	72,748	26,344	19,737	75,241	92,485	22,553	53,011
December	33,223	82,731	17,828	31,623	51,051	114,354	15,395	51,108
Total	556,569	995,048	192,534	152,939	749,103	1,147,987	364,035	842,109

<sup>1</sup> State Bank of Pakistan

<sup>2</sup> Data from Jan-Dec 2022

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## PAJCCI Activities

PAJCCI continues to engage stakeholders and raising of issues being faced by business community of both sides.

The documentation issue & high valuation was raised on which Pakistan Customs and Kabul counterpart are in discussion. It requires to amend rules on Afghan side. Keeping the intensity of issue, PAJCCI organized a meeting with Customs authorities where Zubair Motiwala advised measures to resolve the issue. Due to this issue at least 500 trucks changed route to Bandar Abbas for transit cargo which is alarming and loss of revenue for both governments.

Stakeholders' meetings were conducted at Chaman & Torkham border crossings in January-February 2023 despite harsh weather, security threats and non-cooperative attitude by Afghan government.

At both meetings PAJCCI engaged Pakistan Customs, security institutions, business community, NLC, Banks & other related stakeholders to bring the issues in open and provided platform to deliberated solutions which can be easily handled by border committees.

PAJCCI at various governmental forums submits reports and recommendations to address the issues faced by business community on both sides. PAJCCI recommends to involve Afghan government authorities to develop joint policies, open lines of communication between related ministries and authorities, sign PTA and limited amendment to APTTA, agreement on duties and taxes, transportation, trained labor, competent border authorities for quick clearance of goods, increased border crossing timings, ease of movement in each other's countries for businessmen and traders, smooth access to transit trade and related bilateral matters.

## Recommended Reading

**Webinar on “Pak Afghan Economic Ties: Opening New Vistas” by Institute of Strategic Studies-Islamabad<sup>3</sup>**

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<sup>3</sup> <https://issi.org.pk/34809-2/>