

Annex-I

Minutes of the First Meeting of Afghanistan Pakistan Transit Trade Coordination Authority (APTTCA)
Held on 11-12th February, 2011, at Marriot Hotel, Islamabad

The first meeting of Afghanistan Pakistan Transit Trade Coordination Authority (APTTCA) was held on February 11-12, 2011 in Islamabad. The meeting was inaugurated jointly by H.E. Zafar Mahmood, Secretary, Ministry of Commerce, Government of Pakistan and H.E. Muhammad Sharif Sharifi, Deputy Minister for Commerce & Industries, Afghanistan. The lists of delegations is at **Annex-I**.

Inaugural Session:

2. In his inaugural address, the Secretary Commerce extended a warm welcome to the Afghan delegation and hoped that their stay in Islamabad would be enjoyable and productive. He congratulated the negotiating teams of both countries on the successful conclusion of the Afghanistan Pakistan Transit Trade Agreement (APTTA). He reiterated that being an important trading partner, Pakistan attaches utmost importance to its relations with Afghanistan. However, he stated the bilateral trade between the two countries is still below the available potential. He stated that despite its limited capacity, Pakistan has been lending its fullest support to Afghanistan in its reconstruction efforts.

3. The Secretary Commerce highlighted that the new transit trade Agreement is a far more comprehensive document as compared to the 1965 transit Agreement. He stated that the main concern of Pakistan's business community has been the issue of smuggling due to transit trade. He expressed his satisfaction that APTTA provides an inbuilt comprehensive mechanism to address the issue of unauthorized trade. He was optimistic that Afghanistan Pakistan Transit Trade Coordination Authority (APTTCA) will effectively resolve all the issues involved in the smooth implementation of APTTA.

4. In his opening remarks, H.E. Muhammad Sharif Sharifi, Deputy Ministry for Commerce & Industries, Afghanistan thanked Pakistan for extending warm hospitality to the Afghan delegation. He stated that both countries enjoy historical trade and economic relations. He stated that Pakistan and Afghanistan are members of ECO, SAARC and CAREC which further strengthen transit and bilateral trade cooperation between the two countries. He expressed the hope that APTTCA would work hard in finding solutions to problems that may arise in future regarding the successful implementation of APTTA.

Plenary Session

5. At the end of the Inaugural Session, the Plenary Session commenced the technical level negotiations. Mr. Himayat Ullah Khan, Senior Joint Secretary, Ministry of Commerce

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Government of Pakistan and Mr. Mozammil Shinwari, Director General, International Trade, Ministry of Commerce & Industries Government of Afghanistan led their respective delegations.

Agenda of the Meeting:

6. The agenda of the meeting was adopted with mutual consent. Agenda is at **Annex-II**.
7. Keeping in view the agenda items, Sub-Groups were constituted to deliberate on the issue of: (a) Composition of APTTCA; (b) Rules of Business for APTTCA (c) Implementation mechanism of APTTA; (d) demurrage charges and (e) problems faced by Pakistani exporters in Afghanistan.
8. **Composition of APTTCA:** Regarding composition of APTTCA, both sides agreed that the Authority would consist of 13 members. Among them, 10 would be representing the stakeholders Ministries and similar agencies of both countries while the remaining three members would be from private sector including Joint Chamber of Commerce & Industries, Road Transporters and Freight Forwarders.
9. **Framing Rules of Business for APTTCA:** The issue of framing Rules of Business for APTTCA was discussed by the Sub-Group. The Afghan side informed that they will submit a copy of draft Rules of Business within a month time for consideration. Pakistan would respond in the matter after studying the draft Rules of Business.
10. **Implementation of APTTA:** Pakistan reiterated its commitment to the implementation of APTTA in line with spirit of cooperation and good neighbourly relations between two brotherly countries. The Federal Board of Revenue informed that it has already finalized the Afghanistan Pakistan Transit Trade Rules, 2011, duly vetted by the Law Division. These Rules contain detail mechanism to implement the Customs related provisions of APTTA. However, these Rules are being put on hold and notification is being held back as Afghan side has certain reservations in relation to implementation of the Article 3, Section 1, Protocol Three and provision contained in Article 14, Section V, Protocol Two.

11. The position of Pakistan with regard to the aforesaid provisions of APTTA is as under: -

CUSTOMS SECURITY FOR GOODS

Text of APTTA

"Custom Security means," en-cashable financial guarantee acceptable to customs, submitted by the traders or through their authorized brokers, on transit goods, for an amount equivalent to

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the import levies of Contracting Parties "(Article 3: Protocol Three).

Comments:

Pakistan is of the view that a financial guarantee acceptable to the Pakistan Customs shall be such negotiable instrument submitted by the traders or their authorized brokers, on transit goods, for an amount equivalent to the import levies of Contracting Parties as is issued by a scheduled bank, and is en-cashable in Pakistan.

CUSTOMS SECURITY FOR VEHICLES

Text of APTTA:

The transporter shall provide a bank guarantee or revolving bank guarantee or carnet-de-Passage (when operational) as a pre-requisite for Temporary Admission Document, on his convenience, acceptable to Host Country. (Article 14: Protocol Two)

Comments

Pakistan is of the view that in the case of vehicles, a financial guarantee means such Bank Guarantee or revolving Bank Guarantee issued by a scheduled bank, as is acceptable to Host Country or carnet-de-Passage (when operational).

Afghanistan view Regarding Customs Security for Goods and Vehicles:

Afghanistan side insisted that the objective and purpose of the new APTTA is to facilitate the movement of goods between and through the territories of Islamic Republic of Afghanistan and Islamic Republic of Pakistan. The articles related to bank guarantee for trucks and custom security/financial guarantee is unilaterally interpreted by Pakistan customs which is not acceptable to the Afghan side. Article 28 sub clauses F, clearly says "to establish a custom transit system including custom guarantee coverage for the cargo as mutually agreed". Both parties did not reach to an agreement; therefore the issue will be discussed in the next meeting, while the transit trade through contracting parties' territories will continue as per the current practices.

Issue of Tracking Device: Regarding the device on trucks, Pakistan and Afghanistan sides mutually agreed that the traffic in transit in respective countries will not be hampered for want of tracking devices if the system is not in place.

12. Regarding the installation of biometric system at the entry / exit point for issuance of entry transit permit identifiable by biometric device, Pakistan informed that till the installation of the said system, Pakistan Federal Investigation Agency (FIA)'s immigration authorities will

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issue multiple transit permits, as per existing system, valid for a period of six months, with each stay for fifteen days to the drivers of the vehicles and the persons engaged in transit trade on the recommendation of Afghan Customs Authorities and vice versa.

13. For the passage of traffic in transit by road through Pakistan, Ministry of Communications, Government of Pakistan has notified the transit transport routes and the ports of entry / exit. These routes are to be utilized by transit traffic operating under the Afghan – Pakistan Transit Trade Agreement (APTTA). The National Highway Authority (NHA) has been asked for keeping all the transit routes in well maintained condition as per the provisions of the Agreement and similarly, National Highways & Motorways Police (NH&MP) has also been directed to take effective measures for regulating and facilitating transit traffic on the designated transit transport routes.

14. **Demurrage Charges:** The Afghan side informed that the Prime Minister of Pakistan, during his visit to Afghanistan in December, 2010, had announced to waive off the demurrage charges levied by Pakistan Karachi Sea Port (KPT, KICT, PICT and QICT) on Afghanistan Transit Goods. The Afghanistan side requested for taking action on the Prime Minister's announcement. Afghanistan side informed the Pakistan side that the majority of the demurrage was charged during the floods in Pakistan, when no transport was available to carry Afghan Transit Goods. Afghanistan side asked for the refund of demurrage charged during 2010. It was mutually agreed that the Afghan side would send an official request for Ministry of Ports & Shipping's consideration, with available information related to demurrage charges. The request will be considered in consultation with relevant departments.

15. The Afghan side also raised the issue of uniform demurrage charges and free days up to 30 days at all the ports of Pakistan. In this regard, it was agreed that a formal request from the Afghan Government would be sent for consideration.

16. **Problems faced by Pakistani exporters in Afghanistan:** Pakistan side raised the following problems being faced by Pakistani exporters in Afghanistan while transiting their goods to Central Asia:

(i) **Lack of Permission to Pakistani Trucks to go to CARs:**

Afghanistan side informed that even before the APTTA was signed, Pakistani trucks were moving freely in Afghanistan up to CARs and the current practice will continue as per APTTA defined routes;

(ii) **110% security charged by Afghanistan from Pakistani exporters:**

Afghan Customs Department temporarily introduced 110% guarantee system, which will be changed based on reciprocal arrangement under APTTA. Afghanistan side also

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informed that the 110% guarantee is not based on the invoice value, but on customs levies.

(iii) Collection of Rahdari of Rs 5000 per truck by Afghanistan at Torkham:

Afghanistan side informed that Khaki Poli was temporarily introduced as reciprocity to charges levied by political administration of the concerned tribal agency in Pakistan. The Government of Islamic Republic of Afghanistan has removed the Khaki Poli, while charges are still in place for Afghan trucks in Pakistan tribal areas. Afghanistan side asked for the removal of these charges.

(iv) Imposition of duty @ 18% on certain Pakistani products:

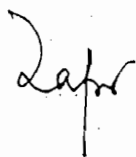
Afghanistan informed that their tariff system is based on harmonized commodity and description system (HS), 2007. Imports from all countries including Pakistan are charged customs duties at uniformed rates. Otherwise too, the Afghan tariff does not have any duty slab of 18%.

(v) Imposition of 0.85% tax over of the customs value of Afghan Transit Goods at Sindh Province:

Afghanistan side also informed that the Pakistan's Sindh Provincial Government has recently imposed a 0.85% tax over of the customs value of Afghan Transit Goods. This being explicit contradiction of ATTA as well as APTTA articles should be waived off. The Pakistan side agreed to look into the matter.

18. In view of the above stated problems which need early resolution, it was mutually agreed that the date of operationalization of the agreement which is 12th February, 2011, is hereby extended. The parties would make efforts to resolve the outstanding issues in next meeting of APTTCA within a period of six weeks. Accordingly the parties mutually agreed to extend the date of operationalization of the agreement by four months or earlier if the parties agree.

19. *Done and signed on the 12th February, 2011 at Islamabad.*



H.E. Zafar Mahmood,
Secretary, Ministry of Commerce,
Government of Islamic Republic of Pakistan



H. E. Muhammad Sharif Sharifi,
Deputy Minister for Commerce & Industries,
Government of Islamic Republic of Afghanistan

LIST OF AFGHAN DELEGATION

1. H.E. Dr. Merohamad Sharif Sharify , Deputy Minister of Commerce and Industry , head of the delegation.
2. Mr. Mozmmil Shinwari, Director General of International Trade Department of the Ministry of Commerce and Industry;
3. Mr. Gul Pacha, Technical and Operation Director of the Afghan Customs Department, Ministry of Finance;
4. Mr. Mohammad Yonous Mogul, Director General of Transit and Trade Facilitation Department of the Ministry of Commerce and Industry;
5. Mr. Saifullah Abid, Economic Advisor to the Ministry of Finance;
6. Mr. Mohammad Ramzan Shafaq, Director General of the Plan and Policy, Ministry of Transport and Civil Aviation;
7. Mr. Ahmad Jawid Azad Zoy, Director of the of Pakistan Desk, First Political Department, Ministry of Foreign Affairs;
8. Mr. Mohammed Umer Momand, Director of the Plan and Reform of Afghan Customs Department, Ministry of Finance;
9. Mr. Sayeed Agha Hashimi, Lawyer to the Ministry of Commerce and Industry,
10. Mr. Haleem Sadry, Director of Transit for Afghan Custom Department, Ministry of Finance;
11. Mr. Ahamad Khalid Yousofiy, WTO Advisor to the Ministry of Commerce and Industry,;
12. Mr. Sediq-Ullah Haron, Convention officer of the Transit and Trade Facilitation Department of the Ministry of Commerce and Industry;
13. Mr. Khan Jan Alkozai, Vice President of the Afghan Chamber of Commerce and Industry ACCI;
14. Mr. Daood Moosa, Senior Advisor to the ACCI, and Honorable Senior Advisor to the Ministry of Commerce and Industry; and
15. Mr. Atiqullah Momin, Advisor to the ACCI.

LIST OF PAKISTAN DELEGATION

01. Mr. Zafar Mahmood, (Co-Chair of APTTCA)
Secretary, Ministry of Commerce,
Islamabad.
02. Mr. Himayat Ullah Khan
Senior Joint Secretary, Ministry of Commerce,
Islamabad
03. Syed Irtiqa Ahmed Zaidi
Project Director (TTFU), Ministry of Commerce,
Islamabad
04. Mr. Mumtaz Haider Rizvi
Member Customs, Federal Board of Revenue,
Islamabad
05. Mr. Manzoor Ali Khan
Senior Joint Secretary, Ministry of Communications,
Islamabad
06. Mr. Sajjad Kamran
Director General (ECO & Afghanistan),
Ministry of Foreign Affairs, Islamabad
07. Mr. Amir M. Khan Marwat
Director General (Customs), FBR,
Karachi.
08. Mr. Najeeb Abbasi
Collector (Customs),
Lahore
09. Syed Tanvir Ahmed
Export Collectorate (Customs),
Karachi
10. Mr. Muhammad Hafeez
Joint Secretary, Ministry of Ports & Shipping,
Islamabad
11. Mr. Shahzada M. Taimur Khusrow
Joint Secretary, Ministry of Narcotics Control,
Islamabad.
12. Mr. Saeed Ahmed
Joint Secretary, Ministry of Interior,
Islamabad

13. Mr. Muhammad Saleem
Director (Operations), Ministry of Railways,
Islamabad

14. Mr. Taj Muhammad
Section Officer, Ministry of Commerce,
Islamabad.
