



PRESS RELEASE

PAKISTAN AFGHANISTAN JOINT CHAMBER OF COMMERCE & INDUSTRY

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Third party bank payments are preferable in Af-Pak scenario even if Barter trade is adopted as alternative mechanism

During first deliberation session on barter trade and other Af-Pak economic irritants, where members from various relevant trade bodies and Chambers were present, house unanimously resolved that “it is better to use banking channels for financial transactions whereas barter can be added as an alternative, umpteenth number of countries trade with Afghanistan and use third party payment method via international corresponding banks and face no sanctions and problems from any international agency like FATF. These countries include CARs, Turkey, South Korea, far east, UAE, some European countries, China and India. The foremost action expected from State Bank of Pakistan is to discuss this with international corresponding and local commercial banks with support of Ministries and OFAC (A US Treasury sub agency) & remove barriers for Pakistan to bring in much needed foreign currency. This has been pending since a year and business community has voiced the issue at all levels.”

Later house deliberated all aspects related to barter trade mechanism with Afghanistan and agreed that the process shall be developed carefully keeping in view the matters of credibility, integrity, efficiency, legality, government’s role, dispute resolution and arbitration, matters of sales tax refund and duty drawback, readiness of PSW, FBR, Pakistan Customs and where necessary the role of SBP to amend the needed clauses to support barter trade mechanism.

The house suggested that barter trade shall be started on trial basis for 3 months and re-evaluated for its feasibility. The matters of deficit and surplus, starting with zero rated categories like pharma and food items, relaxing and reducing duties on Afghan products to bring competitiveness with other countries like India and identification of 10 or more items initially for barter from both sides to ensure balance of trade were discussed.

To manage payments, it will require escrow account which must have multiple signatories to ensure transparency and formation of check and balance system.

Sales tax refunds and duty drawback are already a big issue in case of trade via land which will enhance in case of barter, to counter this, Jawed Bilwani, President PAJCCI, suggested to process

barter trade under “Export Processing Zones” mechanism to make it better organized and easily monitored with less stress for business community. The legality and framework for this alternate will be worked out and proposed to the Ministry accordingly. Additionally a SRO needs to be finalized prior to ensure the mechanism of Sales tax refund and duty drawbacks without further regulatory requirements else the interest of business community in this arrangement will be lost and a lucrative trading opportunity will not realize the full potential.

Barter trade shall be only used as alternate and shall not include products and companies which are already trading in dollars. Use of foreign exchange companies was not well received as it will increase the element of illegal payments and may fall under FATF regulations.

PSW & FBR system must have special module under this category for efficient management and to be linked with PAJCCI to reduce duplication of efforts and paper work while verifying transactions and arranging payments.

Zubair Motiwala established that detailed report of the session will be shared with participants, further cross border sessions will be held in coming weeks and later with Afghan side as joint session to finalize the proposal to be presented to both governments. He stated that PAJCCI strongly believes that using established banking procedures is preferable for trading but will use its experience to bring about viable barter trade mechanism while keeping in view all legal and practical requirements.

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