

BUSINESS RECORDER

Founded by M.A. Zuberi

Brief recordings

Interview with the Founder Chairman of Pakistan-Afghanistan Joint Chamber of Commerce & Industry on 30th October 2017
in which
Mr. Muhammad Zubair Motiwala said that
“Afghan Transit Trade will have to shift to Gwadar”.

Muhammad Zubair Motiwala is an eminent industrialist, businessman and social worker. He is a Founder Chairman of Pakistan-Afghanistan Joint Chamber of Commerce & Industry (PAJCCI), Managing Director of Diamond Textile (Pvt.) Ltd. and Director Motiwala Industries. He was the focal person from Pakistan during rounds of Afghanistan Pakistan Transit Trade Talks specifically focused on finalization of APTTA 2010. At the same forum, an understanding was developed to form Pakistan-Afghanistan Joint Chamber of Commerce and Industry to address and resolve the issues of informal trade.

Following are the edited excerpts of a conversation between BR Research and Mr. Motiwala.

BR Research: Are there any plans to shift Afghan Transit Trade to Gwadar port, especially in view of the recent construction of the Turbat-Quetta road?

Zubair Motiwala: The government is very clear. We have given this port to the Chinese. If we shift transit trade to Gwadar, all the income and benefits will go the Chinese. The utilisation of the port is their domain. They kind of own the plot for a certain period of time.

But one thing is for sure that the Afghans do want trade to shift to Gwadar. And I think there is no harm. The current ports' conditions cause a lot of problems and transit trade containers are problematic containers. We have an agreement to examine 5 percent and scan 20 percent of the containers. This process causes delays so much that 40 percent of our business has gone to Chabahar, Iran. There are also lots of other problems like the borders closing down, etc. Ultimately, I think the trade will have to shift to Gwadar.

BRR: Has there been any working on this?

ZM: The Afghans and clearing agents are in the process of meeting with the Chinese. They are still in the process of finalizing tariffs such as port charges, damages' charges, and other charges. Once this is done and the road is fully complete, the shift will be made speedily because it is in our mutual interest as that route is shorter.

We are in touch with both the authorities. A few days ago, we had a notable meeting with people from the Ministry of Commerce, FBR, Ministry of Industries, Port Qasim etc. on transit trade and export to Afghanistan.

BRR: How soon do you see this happening, if it does?

ZM: Not in this year I believe; I think it will go on to the next year.

BRR: Are there any requirements for Gwadar?

ZM: No. Port Qasim is a port of Pakistan and Gwadar is a port of Pakistan. Afghanistan is a land locked country; there are 44 land locked countries. There is nothing new about it. We have exaggerated the issue. It's not a problem; I believe it's a blessing. We gain so many benefits from transit trade. We get payment for port and storage utilisation, there are truck drivers and hotels on the route. There are umpteen numbers of benefits for Pakistan and for Afghanistan.

BRR: Has the implementation of APTTA decreased nefarious activities like smuggling and under invoicing?

ZM: We have tried to find IT solutions to it. There are chips placed on containers as well as the truck. Their route is followed and Google comes into play. As a result, there has been a remarkable improvement, but it is still going on.

We have tried to implement models that are practiced in the entire world. And the best model was Nepal-India. They have the agreement with Her Majesty acting as a guarantor. For APTTA, US is somewhat participating as a mediator.

The Nepal-India agreement has some penal clauses that we have tried to implement. Our fear is that the manufacturing sector in Pakistan can get the injury. The industry suffers and the traders who pay duties suffer. The minimum incidence on any goods imported is not less than 40 percent with sales tax, withholding tax etc. That's a huge difference between a normal importer and someone who is smuggling. Anything that has a difference of 20 percent is viable for them since the expenditure of bribes and other stuff is about 8 -12 percent.

BRR: How badly has smuggling through transit trade impacted Pakistan's economy?

ZM: Let me give you an example. We had assembly plants of Sony Sharp and other TV producers. They all closed down because all TV sets were coming from Afghanistan. We tabulated the numbers and told the Afghans that the number of TVs imported by them exceeded their population. Tea is the biggest problem for Pakistan because the Afghans do not drink black tea, but still thousands of tons of tea is coming in and being re-routed to Pakistan.

BRR: Other than IT solutions, what other measures have been taken to combat smuggling?

ZM: There are penal actions such as if the goods are found stored in Pakistan, the penalty is the amount of duty plus the variance between the retail price and the cost. Then there should be quantitative restrictions. For example, Nepal can import 100,000 tonnes of potatoes a year through India. If they exceed this, then they have to pay the normal duty. We are fighting to have such quantitative restrictions imposed under APTTA as well.

BRR: Do the problems with the Frontier Corps still exist in the form of bribes?

ZM: Everything still exists. On that front, through IT and other changes, there has been improvement but it has not been significant.

BRR: You mentioned trade through Chabahar has increased. Has that come at a cost to Pakistan?

ZM: Of course. Iran is charging very minimal rates for port usage. Afghanistan is importing through the world through Iran. Afghanistan's imports have increased but Pakistan's exports to Afghanistan have decreased. And that share by and large has been taken by India through Iran.

BRR: If you were to put one reason to that, what would it be?

ZM: Our enmity with India. They are contesting Pakistan everywhere to finish us economically. India is selling at a cheaper price, they are giving air freight subsidy, they are subsidizing travel of traders, and we do not have the resources to do all that.

BRR: Do you see America's role in all this?

ZM: I am apolitical, but we can see that this region is like a class and they want to make India the monitor of the class. Now it is a stated policy, but we have been feeling this for a long time that they feel that India should control the entire region. But China will never like it so there will be a problem with two powers. And I am very fearful that Pakistan may suffer the lashes of these things.

BRR: What is your take on Afghanistan wanting to allow imports from India through Wagah?

ZM: I am totally opposed to this. The first reason is that we have to have better bilateral relations; then only we can enter into trilateral relations. Our bilateral relations with Afghans are not very good and everyone knows our relations with India. So first we have to improve on bilateral relations and then we can talk about trilateral relations.

The second thing is that we are fearful that Indian commodities are market commodities for Pakistan, especially ladies wear. It will give tough competition to manufacturers in Pakistan. Things would arrive in the name of Afghanistan but they will end up in Pakistan's markets.

Afghanistan's market is supplied 95 percent by Pakistan. Afghanistan's wheat flour is from Pakistan. In Peshawar, there are more than 200 flour mills catering to Afghanistan. Starting from breakfast, the cream they eat is from Pakistan to the paratha that is made from Pakistan's flour, everything is from Pakistan.

BRR: Has the chamber tried to increase trade with Afghanistan?

ZM: There are two kinds of trade. The unofficial trade is about \$2.5 billion and the official trade was \$2.7 billion and has gone down to \$1.5 billion. But parallel trade and mainstream trade are about the same amount.

When this chamber was formed, we tried to increase trade and we were successful. Trade was at \$2 billion and then we touched at \$2.7 billion through many measures we took such as trading in dollars and not rupees. It is only through fiscal measures and tariff rationalization that smuggling can be stopped.

I told President Ghani to select 20 items and let us start with them. I suggested that for the major duties items, we rationalize tariffs and wherever duties are higher in Pakistan, we reduce them a bit, and where Afghanistan's duties are lower we increase them a bit. And then we come to a level where unscrupulous elements do not have room to play. And the President agreed to this. A memorandum was signed for 49 items that included tariff rationalization and transit trade. The finance ministry signed off and it was agreed that it would be implemented in 2 weeks of time. It has been 2 months and nothing has happened.

BRR: Is the delay because of us, or is it from their side?

ZM: We did not implement it. Both the sides are at fault, but our side is more because we were the ones that had to deliver. President Ghani was very kind and nice. When he was here, we had at length open-hearted meetings. But then he changed, I think it is international pressure. He is no more the same. He selected Pakistan as the first country to visit when he became President. He stayed here for 3 days and said that he was open to everything. The memorandum that was signed was sent to me and I was told to pursue it but nothing has come of it as yet.

BRR: Do you see this is a political problem?

ZM: What I always say is to segregate between business and politics; segregate between business and security. For example, people lost fortunes when the containers were blocked. 6,600 containers were stuck on the Pak-Afghan border. At that time, I went to everyone, from the embassies to our security advisor, and the commerce minister.

There were 330 containers of perishable items, which rotted. People lost a tremendous amount of money. I am contesting with the Government of Pakistan to wave off the container retention charges so that some relief is given to those people.

I told the government and the security agencies that while they should take every bit of measure as security comes first, there should be no stoppages once the parameters are framed and implemented, because it is a long border and it is not only the gates at Torkham and Dera Ismail Khan that people cross over. So all those people coming in and creating problems in Pakistan are not coming through these gates.

If there are political reasons, then the security part should be put into place and allow businesses to carry on. That is how we can address the trust deficit that exists between Pak Afghan relations. The trust deficit I believe is at the highest level.

BRR: What are the consequences of such hindrances? Are we in real danger of losing our trade?

ZM: They want to divert their trade and not buy from Pakistan. That is how India has fit in. India even air freights wheat flour, which is very difficult but they still do it just to close down our industry.

We have already lost 40 percent of our trade and to resume it would be an uphill task. Not only is the Indian quality good, they are also good salespeople and businessmen. The Afghanistan market is an excellent market and it will grow further.

Traditionally, we are a supplier of grains and food to Afghanistan. If we lose that market, it will be a big setback for us. Local businesses in Peshawar and Chaman are the ones that are going to suffer and they are already suffering.

BRR: What is the banking situation between the two countries?

ZM: Banking is not very strong between the two countries. Funds are routed through third countries. When President Ghani was here, he talked to Mian Mansha; he asked him to open MCB in Afghanistan but I see no progress to that.

A banking channel between the two countries is required, because through that channel you can do so many other things such as routing of the currency, checking money laundering, and so much can be controlled. Efforts are being made to put a banking channel in place, but there are vested interests that do not want this in place.

BRR: What goods in particular are we losing trade for?

ZM: We are losing everything. The biggest is textiles; we export a huge amount of textiles to Afghanistan. Iran is replacing our sugar, cement and iron and steel exports to Afghanistan.

BRR: Let's talk about the chambers. Has PAJCCI been able to facilitate trade and investment between the two countries? Has the chamber's strength increased?

ZM: We have sent many trade delegations, participated in fairs and conferences, facilitated business relations etc. It is not easy for the Afghans to travel to Pakistan in spite of having visas. They are terrorised and terrified by the local police.

Through membership, we have our own revenue stream and now the PAJCCI has its own office. We have about 250 members in Karachi and about 200-250 members in Peshawar.

BRR: To sum it up, do you see light at the end of the tunnel?

ZM: Basically, both the business communities are on the same page. We respect each other and we want to cooperate. From business to business, I see no problems, but there are problems from government to government of a political nature. If politics are withdrawn from this game, I see a very big market for Pakistan.