

Commerce and Trade of Pakistan

By

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Significance of Exports

- ◆ Fuel GDP growth
- ◆ Increase Value Addition
- ◆ Generate employment
- ◆ Alleviate Poverty
- ◆ Improve Current Account Balance
- ◆ Enhance Competitiveness

Two Pillars of Export Strategy

- ◆ Drive Volume and Value of Exports
- ◆ Create enabling environment for the above to succeed

Strategy to Drive Volume and Value

(Pillar -I)

- ◆ Enhancing world market share of Core Product Categories in top 10 Markets
- ◆ Pursuing Value Addition through capacity building and capability enhancement of exporters
- ◆ Export Product Diversification
- ◆ Geographic Diversification
- ◆ Translating traditional ties with Countries into commercial opportunities
- ◆ Leveraging International Trade Blocs / Agreements for enhanced Market Access

Strategy for Creating an Enabling Environment (Pillar-II)

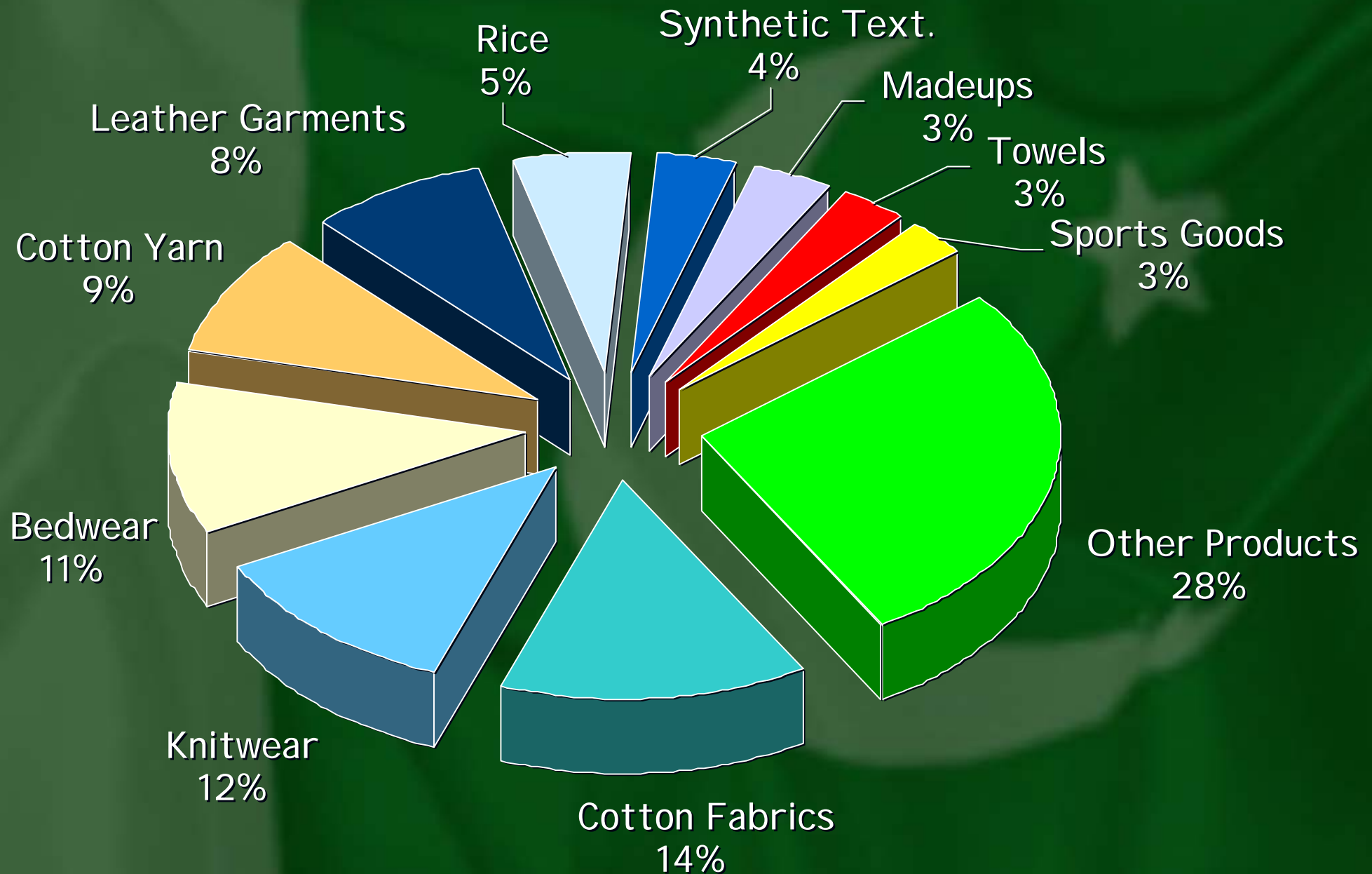
- ◆ Reducing cost of doing business
- ◆ Improving industrial & commercial infrastructure
- ◆ Tariff rationalization, decontrol & liberalisation of investment
- ◆ Quality & Standards management to reinforce confidence in 'Made in Pakistan'
- ◆ Social, environmental & security compliance
- ◆ Business image building of Pakistan
- ◆ Export related skills development
- ◆ Protection of Intellectual Property Rights
- ◆ Developing SME sector as vendors & exporters

Exports

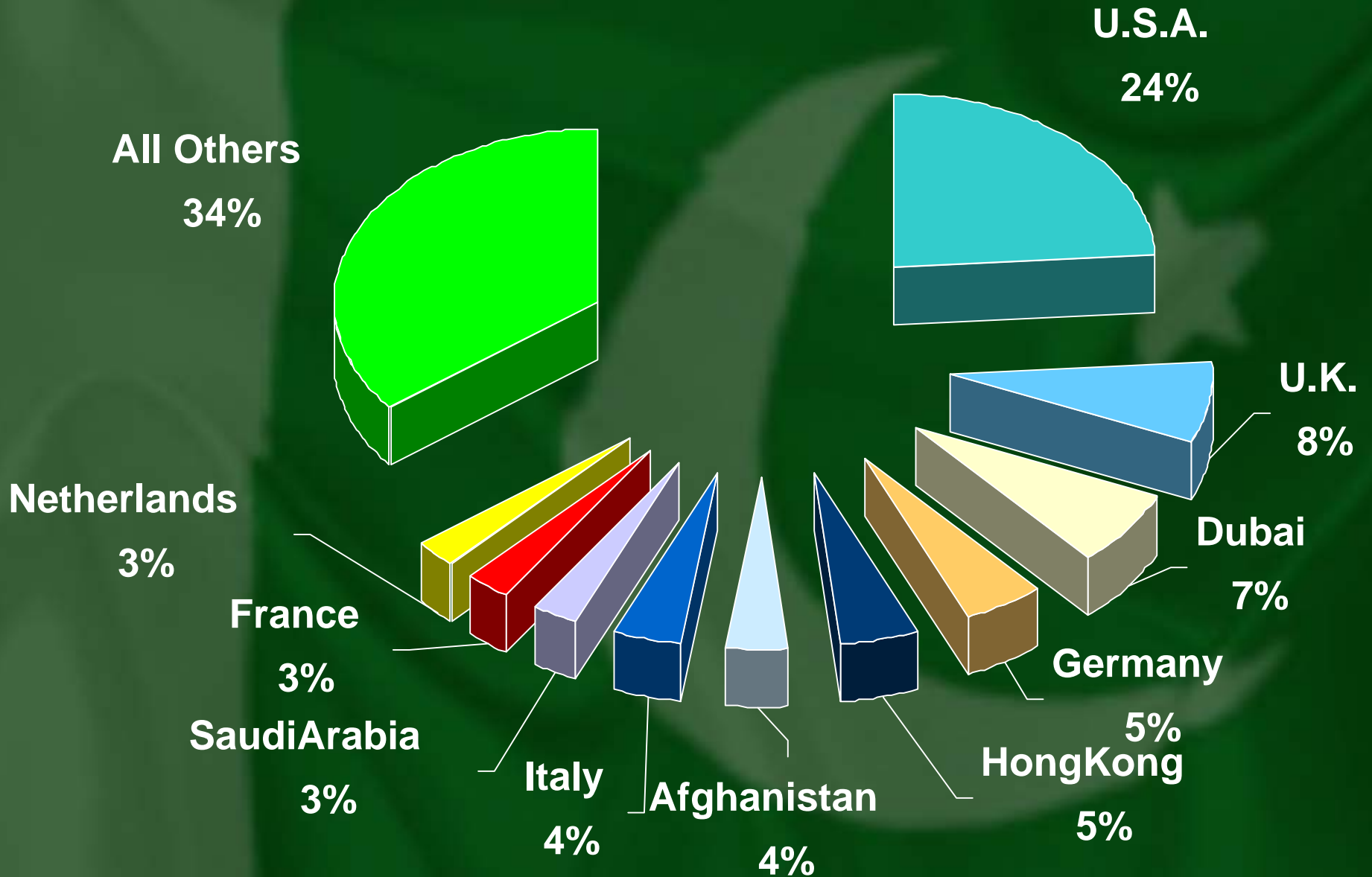
Years	Value (US \$ billion)	Growth %
1998-99	7.78	-9.85
1999-00	8.57	10.15
2000-01	9.2	7.35
2001-02	9.13	-0.76
2002-03	11.16	22.23
2003-04	12.31	10.30
2004-05 (Estimated)	14.00+	13.70

Source: Statistical Supplement: Pakistan Economic Survey 2003-04

Pakistan's Top Products (2003-04)

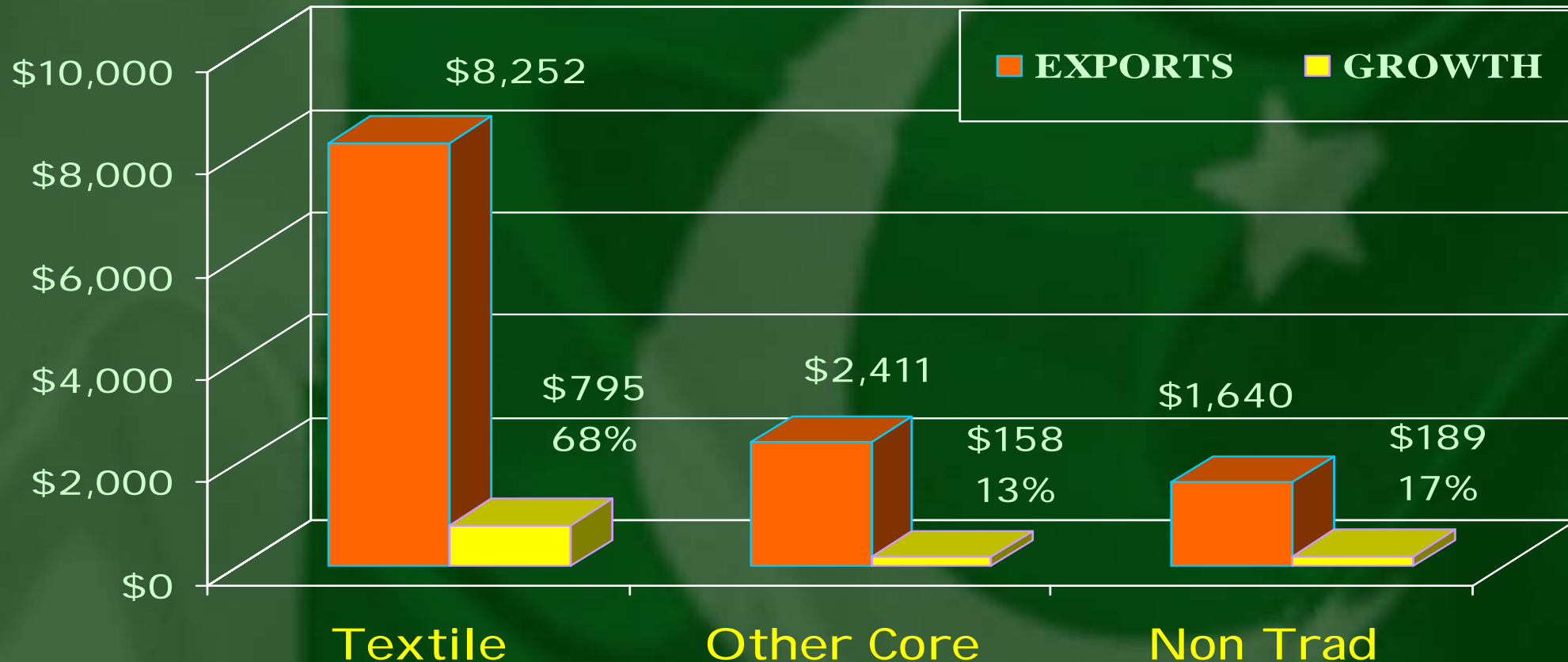


Pakistan's Top Buyers (2003-04)



Export Profile: Products & Sectors (2003-2004)

US\$ Million

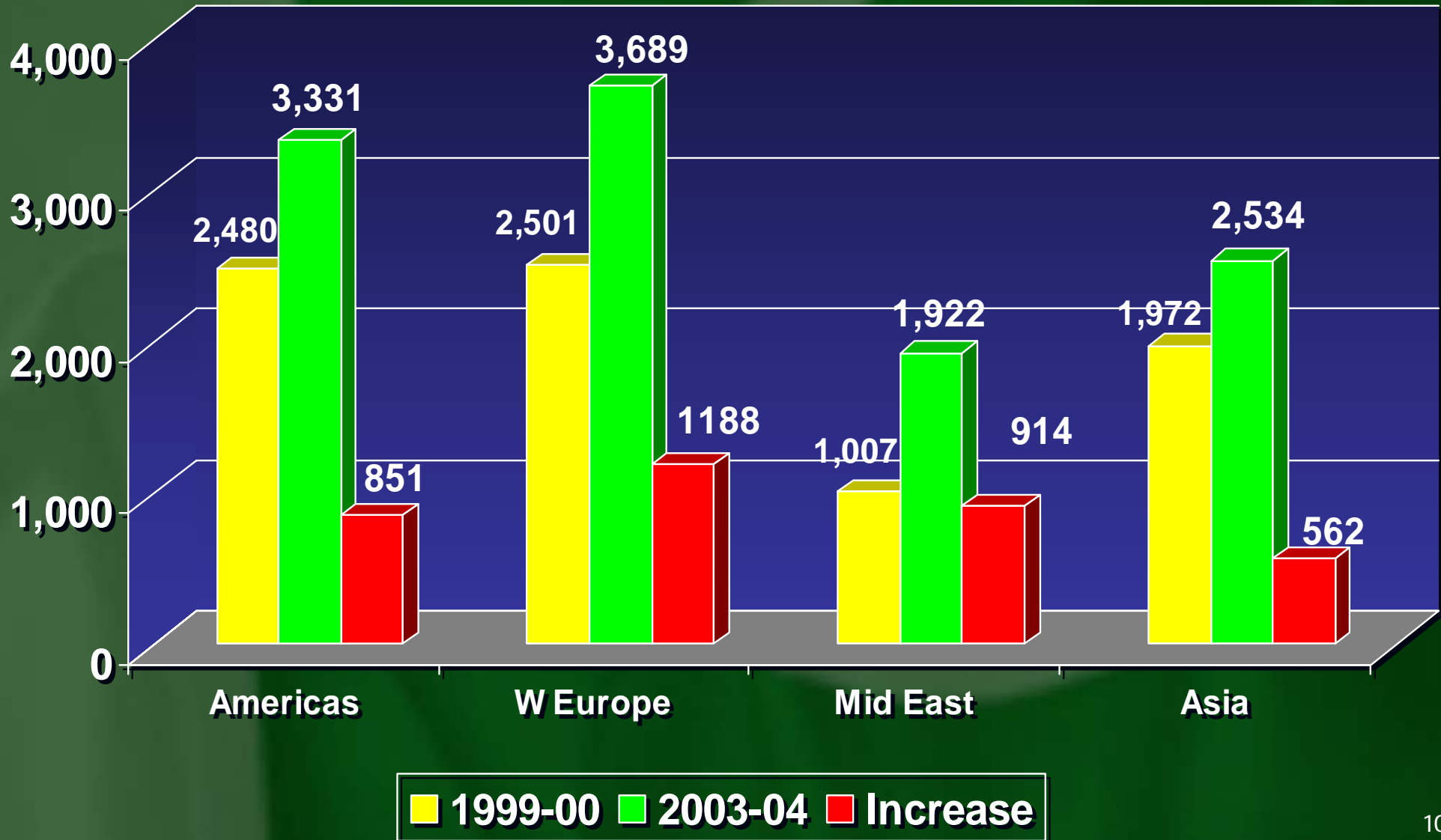


Other Core Prod: (Rice, Leather & leather Mnf., Footwear, Sports Goods, Carpets & Rugs, Surgical Ins.

Developmental: IT, Fisheries, Fruits and Veg, Marble & Granite, Gems & Jewellery, Chemicals, Pharma, Meat & Poultry, Wheat, Services

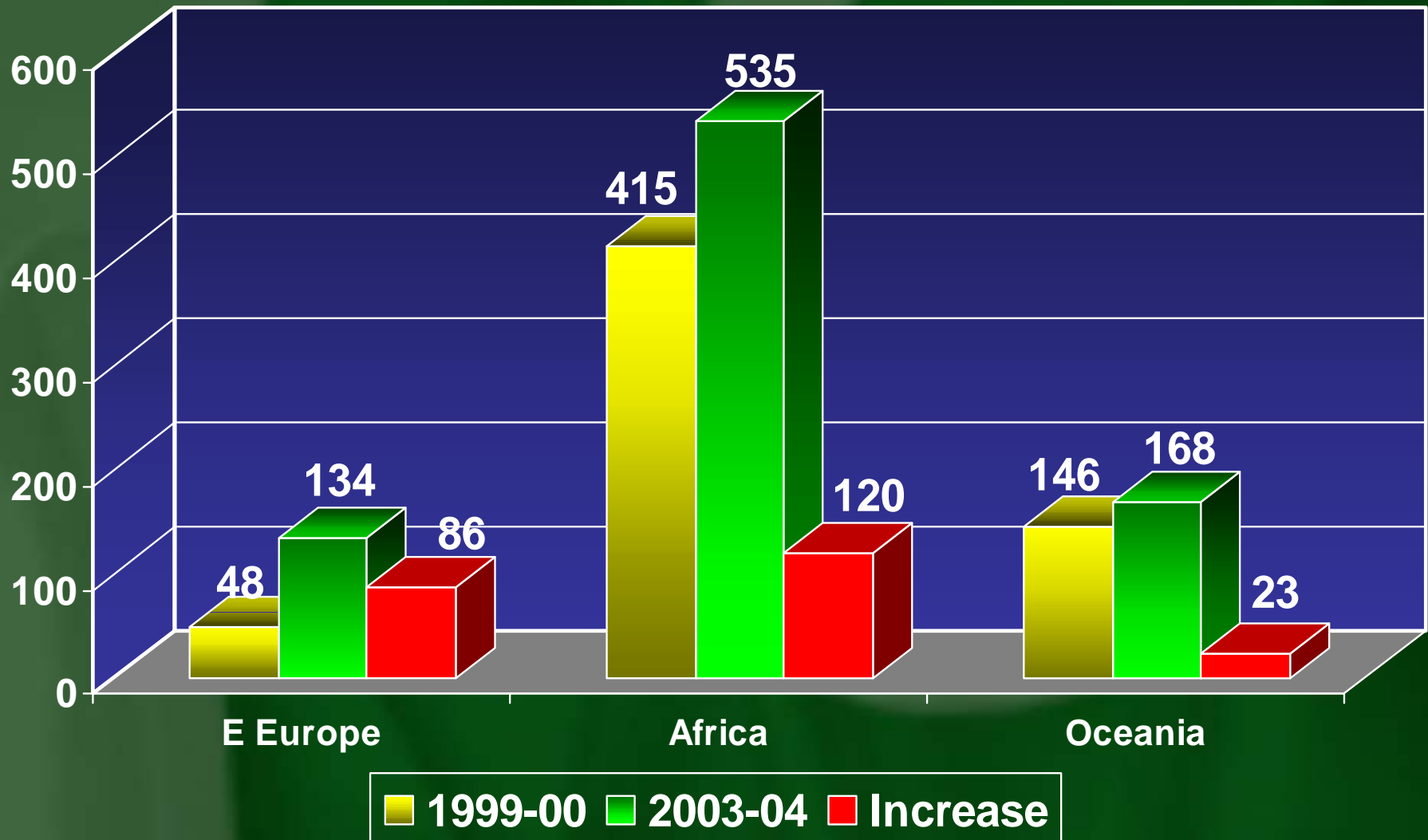
Export Growth 99-00 to 03-04 Traditional Markets

US\$ Million



Export Growth 99-00 to 03-04 Developmental Regions

US\$ Million



Economic Category-Wise Exports

Years	Primary Commodities % Share	Semi-Manufactures % Share	Manufactures % Share
2000-01	13	15	72
2001-02	11	14	75
2003-04	10	12	78

Source: Statistical Supplement: Pakistan Economic Survey 2003-04

Exponential Growth in Imports

US\$ Billion

Year	Imports	Growth (%)
1998-99	9.43	-6.82
1999-00	10.31	9.33
2001-02	10.34	-3.63
2002-03	12.22	18.18
2003-04	15.59	27.58
2004-05 (July-March)	14.5	37.83

Economic Category-Wise Composition of Imports

Years	Consumer goods	Raw material		Capital goods
		Consumer goods	Capital goods	
	% Share	% Share	% Share	% Share
1999-00	14	54	6	26
2001-02	11	55	6	28
2002-03	10	53	6	31
2003-04	9	49	7	35

Economic Category-Wise Composition of Imports 2003-04

US\$ Billion

Sr.#	Category	Value of Imports	Share
1.	Industrial Raw Material	8.7	56%
2.	Machinery and Capital Goods	5.5	35%
3.	Consumer Goods	1.4	9%
Total:		15.6 (15.592)	100%

Growth of Industrial Inputs and Capital Goods

US\$ Million

Category	1999-00	2003-04	Growth
Industrial inputs	6151	8864	44%
Capital goods	2705	5489	103%

Source: FBS

Manufacturing Sector Growth: A Historical Perspective

Period	Manufacturing Sector Growth %
1960's	9.9
1970's	5.5
1980's	8.2
1990's	4.8
1996-97	-0.1
1999-2000	1.5
2002-2003	6.9
2003-2004	13.4

Growth In the Selected Engineering Sectors

Quantity in Numbers

Commodity	1999-00	2003-04	Growth
Cars	32,461	99,263	206%
Motorcycles	86,959	340,000	291%
Refrigerators	211,514	587,000	178%
Televisions	121,645	878,000	622%

Trade Policy Reform

S.no.	Category	Status
1	Import/Export Regimes	Liberalized
2	CCI & E Department	Abolished
3	Import licensing	Abolished
4	License fee @ 6%	Abolished
5	Import/Export Registration	Abolished

Tariff Reforms

- ◆ Top rate brought down to 25%
- ◆ Number of slabs reduced from 42 in 1985 to 16 in 1995, 7 in 1999 and 4 in 2001.
- ◆ Discriminatory SRO Regime eliminated
- ◆ Level playing field provided by tariffification of concessional duties.
- ◆ SMEs' access to low tariff raw materials enhanced.

Cont'd..

Contd... Tariff Reforms

- ◆ Duties on hundreds of tariff lines comprising industrial inputs i.e. Raw Materials and Capital Goods gradually reduced to 0-5%
- ◆ Para-tariffs abolished i.e. Iqra, Import Surcharge, Regulatory Duties, Flood Relief Surcharge, etc.
- ◆ Tariff discrimination between Commercial and Industrial imports eliminated

Tariff Reforms

Top Rate Reductions	
Year	Top Rate
1985	120%
1990	90%
1994	65%
1997	45%
1999	35%
2000	30%
2001	25%

Source: Central Board of Revenue

DDA Negotiations

- ◆ Core negotiations:
 - i. Agriculture
 - ii. Non-Agricultural Market Access (NAMA)
 - iii. Services
- ◆ AoA mandate substantial reduction in tariffs and domestic support and elimination of export subsidy.
- ◆ Removal of distortions will increase currently depressed international agricultural prices.

Cont'd... DDA Negotiations

- ◆ Resultantly growth of our agriculture and agri-business sector.
- ◆ However food import bill for wheat/edible oil, etc may also rise.
- ◆ We have low tariffs and few subsidies and trade defence via Special Safeguard Mechanism, Special / Sensitive products.
- ◆ NAMA mandate-reduce/eliminate tariffs/peaks/escalations/Non-Tariff Barriers (NTBs).

Cont'd..

Cont'd... DDA Negotiations

- ◆ MFN lowering of Tariffs/NTBs best way to neutralize preferences of competitors. Pakistan's interests protected as our tariffs already low with no NTBs
- ◆ Our services sector quite liberal. International liberalization of Services Sector in Pakistan's interest.
- ◆ Will achieve reduction in tariffs on textiles/clothing which are still high in our main markets.

Opportunities/Challenges

- ◆ New opportunities under WTO regime can only be utilized if competitiveness increased by:
 - Reducing cost of doing business
 - Promoting quality and compliance with consumer standards
 - Improving trade related capacity and infrastructure.
 - Human Resource Development.

Future under WTO

- ◆ Elimination of Tariff Barriers and their possible replacement by NTBs:
 - Sanitary and Phyto-Sanitary (SPS)
 - Technical Barriers to Trade (TBT)
 - Safe Guard Measures (SGM)
- ◆ Unfair use of anti-dumping and trade chilling effect:
 - Egypt (Matches case)
 - EU (Bed linen)
- ◆ Compliance issues:
 - Social.
 - Environmental.
 - Security
- ◆ WTO regime moving towards a Free Trade Area eventually.

Market Access Initiatives

- ◆ Bilateral
- ◆ Regional

REGIONAL

ECOTA

(Economic Cooperation Organization Trade Agreement)

- ◆ ECO member countries are:
 - Pakistan, Iran, Afghanistan, Turkey, Azerbaijan, Kazakhstan, Tajikistan, Turkmenistan, Kyrgyzstan and Uzbekistan.
- ◆ Agreement signed in July 2003.
- ◆ Initial Agreement = reduction of maximum tariff slab to 15% within 8 years.
- ◆ On a fast track initiative, reduction of tariff to 10% on all traded items in 5 years.

SAFTA

(South Asian Free Trade Area)

- ◆ SAFTA was signed on 6 January 2004 at Islamabad.
- ◆ The Agreement shall come into force on 1st January 2006.
- ◆ Tariff Reduction to 0-5%: vulnerable sectors protected through Sensitive List
- ◆ Non-Least Developed Countries (Non-LDCs)
 - India - Pakistan - 7 years (2013)
 - Sri Lanka - 8 years (2014)

Cont'd..

Contd.... SAFTA

- ◆ LDCs (Bangladesh, Bhutan, Nepal, Maldives)-(2016)
- ◆ Pakistan, India, Sri Lanka for LDCs-3 years (2009)
- ◆ Current Negotiations:
 - Sensitive lists; non-tariff barriers; rules of origin; technical assistance and revenue loss compensation mechanism for the LDCs

- ◆ **Preferential Trading Arrangement (PTA) with D-8 (Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, and Turkey)**
 - **Two meetings held**
 - **Next meeting due**
- ◆ **Trade Preferential System (TPS) with OIC**
 - **Negotiations initiated**
- ◆ **Gulf Cooperation Council (GCC)**
 - **Agreement signed in August 2004 envisaging establishment of Free Trade Area with Pakistan**
 - **First round of negotiations due**

BILATERAL

Sri Lanka

- ◆ The FTA with Sri Lanka was signed in June 2002.
- ◆ Diplomatic notes exchanged on 9th February, 2005 during the visit of the Sri Lankan President to Pakistan.

	Pakistan (No. of items)	Sri Lanka (No. of items)
Immediate concession list (ICL)	206	102
No concession list (NCL)	540	697

- ◆ Tariff on items (other than NCL) will be eliminated:

Pakistan - 3 years

Sri Lanka - 5 years

Cont'd..

China

- ◆ PTA signed with China in November 2003 is operational since 1st January 2004.
- ◆ In December 2004 during the official visit of the Prime Minister to China it was announced to initiate extension of PTA, Joint Feasibility Study on FTA and to negotiate an Early Harvest Programme.
- ◆ Following achievements made during visit of the Chinese Premier On 5th April 2005:-
 - Completion of Joint Study and commencement of FTA negotiations; and
 - Early Harvest Programme was finalized.

Cont'd..

Pakistan's Products

- **Bed-linen, table linen & other home textiles, towels, cotton & blended fabrics, synthetic yarn, synthetic fabrics, mangoes, oranges, dates, tarpaulin and marble articles like tiles, surgical goods, sports goods & cutlery etc., dyes, guar gum, industrial alcohol and medicines, etc.**

China's Products

- **Some organic chemicals & machinery for textile, leather production, etc.**

Iran

- ◆ PTA signed in March 2004
- ◆ Tariff reduction (average)
 - Pakistan 338 items 18%
 - Iran 309 items 18%
- ◆ It is expected that the Agreement will be operational at an early date.

Turkey

- ◆ The Framework Agreement on PTA was signed on 19th January 2004.
- ◆ First round of Technical Negotiation was held from 25 - 27 May 2004 in Islamabad. Draft text of PTA and wish lists were exchanged.
- ◆ Negotiations continue.

ASEAN COUNTRIES

Indonesia

- ◆ Joint statement on Comprehensive Economic Partnership (CEPT) was signed on 21st August, 2003. First Meetings on CEPT was held in Islamabad on 25-26th Oct, 2004.
- ◆ Both sides have agreed to initiate negotiations on establishing CEPT which would lead to FTA.
- ◆ The CEPT will include:
 - i) Areas of Economic Cooperation;
 - ii) FTA; and
 - iii) Liberalization of trade in goods, services and investment.

Singapore

- ◆ First meeting of Joint Study Group held at Islamabad in February, 2005.
- ◆ Decided to negotiate FTA in the next meeting.

Malaysia

- ◆ During the visit of the Prime Minister of Malaysia to Pakistan on 15-18 February, 2005, it was decided to negotiate bilateral FTA.
- ◆ First meeting held in Malaysia on 18-19 April, 2005.

Laos DPR

- ◆ Cabinet has approved to initiate negotiations with Laos.
- ◆ Date of the meeting is being fixed through diplomatic channels.

ASEAN + 1

- ◆ High level visits from Pakistan to ASEAN countries
- ◆ Initiative to have an FTA with ASEAN (10 countries) will be proposed.

SOUTH ASIA

Bangladesh

- ◆ First round of negotiations were held in Dhaka in November 2003. Finalization of negotiation is expected by the end of this year

Nepal

- ◆ Cabinet has approved negotiations with Nepal.
- ◆ Date of the first meeting being fixed through diplomatic channels.

USA

- ◆ Pakistan signed a Trade and Investment Framework Agreement (TI FA) with USA in June 2003.
- ◆ The First round of TI FA Talks was held on 28-30th September, 2004 at Washington.
- ◆ Bilateral Investment Treaty negotiations initiated:
 - Draft BIT discussed at London (7th -11th Feb, 2005)
 - Second Round due in Islamabad (May 2005)
- ◆ U.S was requested to start FTA negotiations.

Africa

- ◆ Ministry of Commerce is evaluating proposal for initiating PTA with South Africa and Al-Maghreb countries (Tunisia, Algeria and Morocco).

Thailand - Japan

- ◆ Pakistan is desirous to have a PTA /FTA with Thailand, Japan.

Bangkok Agreement

- ◆ Pakistan keen to join Bangkok Agreement. (Bangladesh, China, India, South Korea, Laos and Sri Lanka)

Cont'd..

MERCOSUR

- ◆ Member countries: Argentina, Brazil, Uruguay, Paraguay
- ◆ During the visit of the President to South America initial proposal for FTA was made.
- ◆ FTA negotiations initiated.

European Union

- ◆ Trade diplomacy to secure GSP concessions.

Trade with India

US \$ Million

	Exports	Imports	Trade Balance
2000-01	55.397	235.086	-179.689
2001-02	49.227	186.521	-137.294
2002-03	70.664	166.509	-95.845
2003-04	93.680	382.367	-288.687

Challenges

- ◆ Rapidly growing imports
- ◆ Exports as key for economic turnaround
- ◆ Infrastructure deficiencies
- ◆ Shortage of skilled manpower
- ◆ Conformity to quality and standards
- ◆ Maintaining fiscal stability

Required Infrastructure

- ◆ Physical Infrastructure
- ◆ Financial Infrastructure
- ◆ Legal Infrastructure
- ◆ Intellectual Infrastructure
- ◆ Technological Infrastructure
- ◆ Social Infrastructure

Institutional Strengthening

- ◆ Export Promotion Bureau (EPB)
- ◆ Foreign Trade Institute of Pakistan (FTIP)
- ◆ National Tariff Commission (NTC)
- ◆ Pakistan Standards and Quality Control Authority (PSQCA)
- ◆ Pakistan National Accreditation Council (PNAC)
- ◆ Pakistan Intellectual Property Rights Organization (PIPRO)

Policy Focus

Domestic Dimension

- ◆ Strengthen the Production Bases
- ◆ Improve Quality
- ◆ Ensure Compliance
- ◆ Enhance Design Capabilities
- ◆ Develop Human Resource with reference to Technical Skills
- ◆ Provide volumes for achieving Economies of Scale.

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Cont'd...Policy Focus

Foreign Dimension

- ◆ Expand Market Access Abroad
- ◆ Improve Country's Business Image Abroad
- ◆ Showcase Pakistan's strengths to foreign buyers
- ◆ Launch new Trade Diplomacy
- ◆ Trade not Aid Approach.
- ◆ Envoys' Conferences
- ◆ Warehousing: New and existing markets
- ◆ Expo Pakistan: Annual Mega Exhibition

Major Trade Policy Initiatives

- ◆ Establishment of Technology Up-gradation Fund
- ◆ Launching Enterprise Capacity Building Scheme
- ◆ Improving Country's Business Image
- ◆ Freight Subsidy—Inland and Offshore
- ◆ Establishment of Zones for Agri-Products and Fisheries
- ◆ Establishment of Special Export Zones
- ◆ Establishment of Garment Cities
- ◆ Rehabilitation of Industrial Estates
- ◆ Establishment of Combined Effluent Treatment Plants

Contd....Major Trade Policy Initiatives

- ◆ Facilitation of Garment Exports through Textile Garment Package
- ◆ Incentivizing export of Horticulture Products
- ◆ Encouraging Women Entrepreneurs
- ◆ Opening Land Route Trade with Afghanistan
- ◆ Strengthening Trade Diplomacy
- ◆ Attracting Buyer Driven FDI for Export Sourcing from Pakistan
- ◆ Zero-Rating of Sales for Textile Chain
- ◆ Support for Quality Assurance and Lab Accreditation
- ◆ Strengthening of SMEs Industrial Clusters
- ◆ Relocation of Industries to Pakistan

Thank You