



Trade Policy of Pakistan

Presentation to the CAREC Trade Officials

**Baku, Azerbaijan
November 21, 2011**

Scheme of Presentation

1. Brief Overview of Trade Policy of Pakistan
2. Trade Performance for the year 2010-11
3. Trade Promotion Strategy—Efforts for Better Market Access
4. Some Current & Major issues of Pakistan's Trade Policy
5. Pakistan Trade Relations with Central Asia
6. Pakistan and the WTO

1. Brief Overview of Trade Policy of Pakistan

. Brief Overview of Trade Policy of Pakistan

- From 1947 to 1990's, Pakistan practised a relatively restricted trade regime. Imports were discouraged. The level of Tariff was prohibitively high.
- The idea behind strict import regime was to give time and space to domestic sector to grow, the policy was at best partially successful. Import substitution did not help in erecting efficient industrial infrastructure.

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- After the 1990's and particularly period after the formation of WTO in 1995, emphasis shifted on opening up economy and trade.
- As a logical step as member of WTO, Import regime was simplified and liberalized.
- Tariffs were brought down and only few sectors such as Autos enjoy very high protective tariff.

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- Pakistan follows an annual Trade Policy announcement regime where every year major changes are made in the Import & Export regulations with changes in Tariff.
- Ministry of Commerce is lead Agency in formulation of Trade Policy but active input is taken from all relevant Government departments and the private sector through a regular and sustained contact.

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- Currently, Pakistan's trade policy can be summed up as "Liberal Leaning" since it encourages exports of all kinds & import of all kinds without any licensing requirements at relatively lower tariffs for most products.
- The emphasis of the Trade policy is more on encouraging exports than restricting imports to manage Balance of Trade.
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- Export facilitation through market development initiatives and efforts for the market access are the hallmarks of Trade Policy of Pakistan

2. Trade Performance for the year 2010-11

Export Performance of Last Five Years

In Billion USD

YEAR	EXPORT
2006-07	16.9
2007-08	19.05
2008-09	17.68
2009-10	19.2
2010-11	24.82

PAKISTAN MAJOR EXPORTS 2010-11

Value in Million USD

YEAR	2009-10	2010-11	Percentage Increase
Food Group	3283.7	4481.3	36.5%
Textile Group	10221.4	13805.4	35.1%
Petroleum Group	1033.7	1345.4	30.2%
Other Manufactures Group	3786.8	4019.2	6.1%
Engineering Goods	230.2	254.9	10.7%

Import Performance of Last Five Years

In Billion US Dollars

YEAR	IMPORT
2006-07	30.54
2007-08	39.96
2008-09	34.82
2009-10	34.17
2010-11	40.41

PAKISTAN MAJOR IMPORTS 2010-11

Value in Million USD

YEAR	2009-10	2010-11	Percentage Increase
PETROLEUM GROUP	10028.9	12082.6	20.5%
FOOD GROUP	3575.4	5086.5	42.3%
MACHINERY GROUP	5363.6	5270.4	-1.7
TRANSPORT GROUP	2027.9	2068.6	2.0%
TEXTILE GROUP	1849.5	2382.5	55.9%

3. Trade Promotion Strategy- Efforts for Better Market Access

Agreements Concluded

- Pakistan Sri Lanka FTA
- SAARC Free Trade Area (SAFTA)
- Pakistan China FTA
- Pakistan Malaysia FTA
- Pakistan Mauritius PTA
- Pakistan Iran PTA
- Pakistan Indonesia PTA

Agreements under Negotiations

- Pakistan China FTA Second Phase
- Pakistan Singapore FTA
- Pakistan Turkey PTA
- Pakistan Sri Lanka Comprehensive Economic Partnership
- Pakistan GCC FTA
- Pakistan Jordan FTA
- Pakistan Mauritius FTA
- D-8 PTA
- OIC PTA
- ECO Trade Agreement (ECOTA)

Other Market Access Initiatives in Asia Pacific

- Joint Feasibility Study for FTA with ASEAN (10+1) concluded
- Joint Study of FTA with Thailand Concluded
- Joint Study with Brunei ongoing
- Pakistan Vietnam Joint Committee on Trade inaugurated
- Pakistan Australia JTC
- Pakistan New Zealand JTC

Unilateral Market Access Initiatives

- **USA**
 - Reconstruction Opportunity Zones (ROZs) for exports to USA
- **Trade Concessions by EU**
 - Waiver request pending in the WTO

4. Some Current & Major issues of Pakistan's Trade

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Currently, there are three important issues in Trade Policy of Pakistan:

1. Normalization of Trade relations with India
2. Market access in EU for selected Tariff lines on reduced Tariff
3. An exercise of economy wide Tariff reforms to adjust Tariffs to changing structure of the economy to spur economic growth

- 5. Pakistan's Trade Relations with Central Asian Countries

Pakistan's Trade Relations with Central Asian Countries

Pak-Central Asian Republics Bilateral Trade Figures are given below: -

(Value in US\$ Million)

Year	Exports	Imports	Total	Trade Balance
2006-07	12.344	38.137	50.481	(-) 25.793
2007-08	13.952	100.449	114.401	(-) 86.382
2008-09	15.027	30.061	45.088	(-)15.034
2009-10	13.551	55.415	68.966	(-) 41.864
2010-11	14.9	72.0	86.9	(-) 57.1

Pakistan-Central Asian Republics Country-wise Trade figures are given below:

Country	200607		2007-08		2008-09		2009-10		2010-11	
Kazakhstan	Exp	8.037	Exp	8.25	Exp	2.888	Exp	3.618	Exp	8.1
	Imp	2.963	Imp	47.69	Imp	2.313	Imp	24.898	Imp	17.3
	Total	11.000	Total	55.94	Total	5.201	Total	28.516	Total	25.4
	Bal	(+) 5.074	Bal	(-) 39.44	Bal	(+) 0.575	Bal	(-) 21.217	Bal	(-) 9.2
Tajikistan	Exp	0.400	Exp	0.171	Exp	0.359	Exp	1.033	Exp	0.7
	Imp	2.300	Imp	11.759	Imp	4.908	Imp	6.658	Imp	2.5
	Total	2.700	Total	11.930	Total	5.267	Total	7.691	Total	3.2
	Bal	(-) 1.900	Bal	(-) 11.588	Bal	(-) 4.549	Bal	(-) 5.625	Bal	(-) 1.8
Turkmenistan	Exp	1.007	Exp	1.005	Exp	0.698	Exp	0.721	Exp	1.9
	Imp	9.874	Imp	22.259	Imp	9.853	Imp	13.412	Imp	41.6
	Total	10.881	Total	23.264	Total	10.551	Total	14.133	Total	43.5
	Bal	8.867	Bal	(-) 21.254	Bal	(-) 9.155	Bal	(-) 14.133	Bal	(-) 39.7
Kyrgyzstan	Exp	0.800	Exp	1.738	Exp	1.195	Exp	1.114	Exp	0.7
	Imp	0.000	Imp	0.626	Imp	0.018	Imp	0.008	Imp	0.1
	Total	0.800	Total	2.364	Total	1.213	Total	1.112	Total	0.8
	Bal	(+) 0.800	Bal	(+) 1.112	Bal	(+) 1.177	Bal	(+) 1.106	Bal	(+) 0.6
Uzbekistan	Exp	2.100	Exp	2.788	Exp	2.113	Exp	2.779	Exp	3.5
	Imp	23.000	Imp	18.115	Imp	12.969	Imp	10.439	Imp	10.5
	Total	25.100	Total	20.903	Total	15.082	Total	13.218	Total	14.0
	Bal	(-)20.900	Bal	(-) 15.327	Bal	(-)10.856	Bal	(-) 7.66	Bal	(-) 7.0

Pakistan's Major Export and Import

- **EXPORT**

Major items of Pakistan's exports to these republics include textile products, leather manufactures, footwear, tobacco manufactures, pharmaceutical products, tents, sugar confectionery, optical goods and misc. Manufactured goods

- **IMPORT**

Items imported from these republics include plastic materials, vegetable & synthetic textile fibers, natural honey, raw cotton and crude rubber.

Market access initiatives with Central Asian Countries

- Pakistan initiated the process of negotiating PTAs with Kazakhstan and Tajikistan for greater market access in Central Asia. Kazakhstan and Tajikistan have intimated that due to their other commitments with trading blocks, they deem individual PTAs with Pakistan premature.
- Pakistan has proposed PTA with Uzbekistan. The draft PTA has been sent to Uzbek authorities through diplomatic channels for consideration

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- In Pak-Turkmenistan JEC meeting, Turkmen side forwarded an MOU of cooperation between Ministry of Commerce, Pakistan and its counterpart in Turkmenistan. The approval of Cabinet was obtained to start negotiations on the agreement.
- Cabinet granted approval to start negotiations on Memorandum of Cooperation between Export Development and promotion corporation KZANEX, JSC & Trade Development Authority of Pakistan (TDAP) ON 18-11-2009.

Factors which Continue to Affect Trade

1. Lack of
 - a Direct cargo links
 - b Safe and direct land routes
 - c Marketing strategies
 - d Knowledge of Pakistani products.
 - e Effective and efficient Banking System in CARs
 - f Visa facilitations
2. Costlier transportation by air.
3. Non existence of Pakistani Bank branches.

Things Needed to be Done for Promotion of Trade with Cars

1. Introduction of Pakistani products, Single Country Exhibitions.
2. Opening of branches of Pakistan Banks.
3. Increase in cargo flights by PIA.
4. Entering into joint ventures for utilization of raw materials available there.
5. Establishment of trading houses by the private sector.
6. Security of exports proceeds and investments through insurance.
7. Formulation of Business councils and Committee between the Chambers.

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8. Development of all weather land route via Karakorum Highway and Transportation of goods through public/private sector transport companies.

Pakistan's Links with CARs

- Enhanced need for Pakistan's link with CARs after becoming member of CAREC.
- Linkage with CARs will be strengthening through Trade Facilitation.
- Trade & Transport Facilitation Project:
(Bringing cost of doing business down)
- National Trade & Transport Facilitation Committee
(Public-Private Partnership)

Transport Legislation

- (i) Carriage of Goods by Road Bill-2010
- (ii) Carriage of Goods by Sea Bill-2010
- (iii) Carriage by Air Bill-2010
- (iv) Marine Insurance Bill-2010

Transit Trade / Transport Agreements in Operation

- Afghanistan Pakistan Transit Trade Agreement (APTTA)-2010. concluded in 2010 and operational since June 2011.
- Agreement for Traffic in Transit among the Governments of China, Kyrgyzstan, Kazakhstan and Pakistan (only for goods). It was signed in March 1995 and is in Operation since May, 2004.

- Agreement between Pakistan and China concerning International Road Transport (goods and passenger). It was signed in December 1993 and is in Operation since April, 2005.
- Agreement on Bilateral Road Transportation of Goods between Pakistan and Iran. It was signed in July 1987 and is in Operation since October 1992.

ECO Transit Transport Framework Agreement (Road, Rail, and Ports)

- **Signed:** May, 1998 (by 9 States except Uzbekistan)
- **Member States:** Afghanistan, Azerbaijan, Iran, Kazakhstan, Kirgizstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan.
- **Ratification:** 8 States except Turkmenistan and Uzbekistan. Pakistan ratified in December, 2000.
- **Status:** On the proposal of Ministry of Communications, Govt. of Pakistan, ECO Truck Caravan comprising one truck from each member state has been recently launched from Pakistan on 30th September 2010 (from Quetta) with the objective to practically enforce this Agreement.

Agreements between Pakistan and Afghanistan on Bus Services:

The Agreements on Bus Services between Pakistan and Afghanistan on Peshawar – Jalalabad, and Quetta - Kandahar routes

It was signed in March, 2005 and is in operation since May, 2006

Transit Trade / Transport Agreements (on various stages of approval/ratification)

- Agreement between Pakistan and Uzbekistan on cooperation in the field of transport and transit of goods. It was signed in March 2007 and ratified in 2010 (instruments of ratification yet to be exchanged). It is yet to be operationalized.

- **Agreement between Pakistan and Tajikistan on Transit Traffic (proposed):**
- Draft Agreement prepared after inter-ministerial consultations, has been submitted to Govt. of Tajikistan for their consideration, through Ministry of Foreign Affairs.
- Yet to be negotiated and finalized.
- **Agreement between Pakistan and Turkmenistan on Transit Traffic (proposed):**
- Draft Agreement prepared after inter-ministerial consultations has been submitted to Govt. of Turkmenistan for their consideration through Ministry of Foreign Affairs.
- Yet to be negotiated and finalized.

- Agreement between Pakistan and Iran on International Transport of Passengers and Goods by road.

It was signed in June 2008 and ratified in 2009 by Pakistan. However it is yet to be ratified by Iran Government.

- **Agreement on International Motor Transportation between Pakistan and Kazakhstan.**

It was signed on 12 March 1995. It is not yet operationalized due to non - availability of access through territories of Afghanistan and Uzbekistan.

- **Bilateral Agreement between Pakistan and Turkey on Road Transport (Passenger & Goods)**

It was signed in June, 2003 and ratified in 2009 (by both sides). Not yet operationalized. Operationalization depends upon availability of transit access through Iran. Would be operationalized upon ratification of Transit Agreement between Pakistan and Iran by Iranian Government.

Status of Pakistan's Road Transport Agreements with these countries:

- **Iran** : *Ratified by Pakistan but not yet by Iran.*
- **Turkey**: *Ratified by both. Permit issuing mechanism is being finalized*
- **Uzbekistan**: *Instrument of Ratification exchanged. Procedural protocols are being finalized.*
- **Kyrgyzstan Republic**: *Agreement signed in 1994. Implementation of this agreement is pending.*
- **Kazakhstan**: *Agreement signed in 1995. Ratification is under submission to cabinet.*
- **Tajikistan**: *Draft agreements have been exchanged for seeking comments.*

Accession to Various Conventions

Work is in progress for accession to following Conventions:

1. Convention concerning International Carriage by Rail (COTIF), 1980
2. TIR Convention, 1975
3. Convention on Contract for the international Carriage of Goods by Road (CMR) Convention, 1956
4. Customs Convention on Temporary Importation of Commercial Road Vehicles (1956)
5. Customs Convention on Containers (1972)
6. International Convention on the Harmonization of Frontier Control of Goods (1982)

6. Pakistan and the WTO

PAKISTAN & WTO

- Pakistan was a founding member of General Agreement on Tariffs & Trade (GATT)
- Pakistan is founding member of World Trade Organization (WTO) since January 1, 1995
- WTO provides for
 - **Tariff binding**
 - **MFN & National Treatment Commitments in goods, services and intellectual property rights (IPRs)**
 - **Remedies against unfair trade practices, such as dumping and unauthorized subsidies.**

PAKISTAN & WTO

Pakistan has liberalized its trade regime under WTO.

Simple average tariff rate:

1992-3	92%
1995-6	51%
2004-5	17%
2005-6	14.5%
2007-08	13.5%
2009-2010	13.9%

TARIFF PROFILE OF PAKISTAN—SIMPLE AVERAGE (%)

Product	Final bound in WTO	Applied (2010)
All products	59.9	13.9
Agriculture	95.6	17.1
Non-Agriculture	54.6	13.4
Tariff binding coverage: 98.7		
Unbounded lines are mainly from beverages & auto sector		

Source: World Trade Organization

PRESENT TRADE REGIME

- Import and Export Control Act
 - Export Policy Order
 - Import Policy Order

EXPORT POLICY ORDER

- Export of all goods allowed except

1. Banned items

- Examples: wildlife species, counterfeit products, fissionable material, intoxicants, antiquities,

2. Restricted items : Export allowed subject to certain conditions/ procedures

- Examples: livestock, agri products, cotton, surgical equipment, arms

IMPORT POLICY ORDER

- Import of all goods allowed except
 - 1. Banned items**
 - Examples: Obscene literature, opium, alcoholic beverages. Edibles not fit for consumption
 - 2. Restricted items** : Import allowed subject to certain conditions/ procedures
 - Health & safety requirements
 - Procedural requirements

PRESENT TRADE REGIME

- Export led growth strategy
- Exporter & Importer registration scrapped
- Open & transparent import regime
- Import licensing system has been abolished
- Import of all products are freely allowed
- Restrictions on some products for reasons of religion, morality and national security
- Lowering of tariffs. Average applied tariffs are less than 14%
- Maximum applied tariffs 35% except tariff peaks

What can Pakistan do ?

- Since, Pakistan is the founding member of GATT & WTO, it has the expertise and understanding to help aspiring members to the WTO.
- An institutional mechanism for sustained contact between the governments of Pakistan Central Asian Republics can bear fruit to them.

THANK YOU