

GOVERNMENT OF PAKISTAN  
MINISTRY OF COMMERCE



# TRADE POLICY 1993-94

ENGLISH TEXT OF THE SPEECH

*BY*

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**FEDERAL MINISTER FOR COMMERCE**

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**ISLAMABAD**

## **Ladies and Gentlemen,**

The Prophet Muhammad (peace be upon him) came to the world to refine the character of men. His conduct being exemplary was also all embracing. He chose the profession of commerce for he knew business and trade would emerge as the most significant force as centuries rolled by. He had to lay bare the Principles of honesty, straight dealing and ingenuity in trade so that the world could have a model to emulate.

The contributions of the Prophet and Hazrat Khadija besides being multi-dimensional in this field were also most productive. In a world of ruthless economic competition we have to once again seek inspiration from the Sunnah of the Prophet and the Quran.

Ladies and Gentlemen,

2. It is indeed a great honour for me today to present the Trade Policy for 93-94. This is the third Trade Policy of the IJI Government, and is being presented at a point of time, of special significance. We have been witness to a historic reaffirmation of the supremacy of law and Constitution. I would like to congratulate and thank the business community for supporting and strengthening the democratic institutions and for playing a very constructive role in the entire process of flux and change.

3. Before explaining the salient features of the new Trade Policy, I would like to briefly review the trade trends during the last financial year. First the exports. The exports for the year 92-93 were intially projected at 8.06 billion dollars but had to be scaled down to 7.8 billion dollars as a result of the floods which extensively damaged the cotton crop. According to the provisional data, exports during 1992-93 are valued at 6.78 billion dollars. These figures show a decline of 1.7 percent in 92-93, as compared to exports in 1991-92. The decline in growth rate of exports is primarily due to three reasons.

Insignificant availability of exportable surplus of cotton from the new crop,

- slow sales of rice in the international market and
- lower international prices of cotton yarn. Reduction in the quantity and value of these three commodities alone resulted in decline of export earnings of over 600 million dollars.
- Other textile items like knitwear, towels, bedsheets, synthetic fabric; leather products and fisheries sector have done well despite recessionary trend in the international market.

4. Now the imports: Imports during 92-93 are recorded 10.04 billion dollars as compared to 9.25 billion dollars during 91-92, showing an increase of 8.6 percent. Imports of some major items like petroleum products, automotive vehicles, edible oil, wheat, tea, pulses and chemicals registered an increase.

5. Before I proceed further, I would like to touch upon the main features and the strategies incorporated in the Trade Policy, to bring about improvement in our export performance.

Firstly, the textile and clothing sector particularly the ancillary industry, will be provided full assistance and support to improve their productivity, quality, product range, and encouraged to go into higher value addition. Accordingly, the new Trade Policy envisages greater access to a large variety of raw materials and liberal import of machinery in this sector.

Secondly, in order to overcome the structural weaknesses of our exports, we must make a decisive move towards diversification and reduce our dependence on cotton group exports. The export of engineering goods at present is stagnating at about 15 to 20 million dollars while the imports are in excess of 2 billion dollars. We have evolved a new strategy for boosting export of engineering goods and encouraging import substitution.

Thirdly, for the first time the concept of agri export farms is being introduced, with the objective of maximising export

potential of our agricultural sector. A number of measures are being taken to promote the development of this concept.

Fourthly, we are initiating a new scheme for setting up of service centres for small industries which have high export potential. To start with, a service centre is being established for the cutlery industry. The service centre will provide a number of facilities including supply of raw materials, use of testing laboratory and training of workers.

Fifthly, in order to meet the growing challenges of international trade, we are establishing new institutions and improving the existing ones. An Export Promotion Council for Engineering Industry and Agri Export Council for the farm sector are being set up to invigorate these sectors.

6. Before announcing the decisions for the Trade Policy for 93-94 I would like to bring to the notice of our business community two issues, which are of critical importance for the development of our exports and image of Pakistan as a trading partner.

7. Firstly, In the face of the growing competition from abroad, we have to work in a sustained manner towards improving the quality of our products. Companies seeking entry into European single market are obliged to meet the vigorous standards of International Standard Organization (ISO) particularly ISO 9000. I am glad that some of our companies have already initiated action towards meeting the ISO requirement. On our part, we are taking measures through EPB to generate greater awareness about ISO 9000 so that more companies could prepare themselves for such certification. In addition EPB has prepared a scheme called "Enterprise Initiative Consultancy Scheme" under which small and medium sized exporters would be provided consultancy services for overcoming production and marketing problems free of cost. We have also approved ten projects to be funded out of the Export Development Fund for providing training facilities for textile, leather, gem cutting and cutlery. You would however, agree with me that a breakthrough in qualitative improvement of our products, which is going to be a critical

factor in the growth of our exports, is possible only through individual contribution of each entrepreneurs.

8. The second issue that merits full attention is that our exporters should ensure strict adherence to the legal and ethical norms governing international trade as well as the contractual obligations, contained in the multilateral and bilateral agreements with our trading partners. We must make every effort to stand by our obligations and build a positive image of Pakistan in the international business community. The Qur'an Lays full stress on this aspect and we find that Prophet Shoaibs nation was punished because they did not observe the proper measure in trade. We have to remain mindful of the Divine Rules, the violation of which results in affliction and disaster.

Ladies and Gentlemen,

9. Having enumerated the main features, I will now like to announce decisions relating to the Trade Policy 1993-94 approved by the Cabinet today. I will start with decisions regarding exports:

Under exports first I will cover, the concessions given to the Textile Industry.

- i) The import of following textile machinery has been allowed without customs duty:
  - (a) Lap machinery
  - (b) Drawing or roving machinery, and
  - (c) Twisting machinery.
- ii) The import of ramie, ramie yarn and lycra has been allowed free of duty and sales tax.
- iii) Import of yarn of wool, silk, viscose, acrylic and dyed yarn of cotton / wool required by manufacturers has been allowed free of duty, sales tax and iqra surcharge. The import will be against an indemnity bond by the manufacturers-cum-exporters who are members of respective Associations.

- iv) **Import of machinery for dyeing of yarn has been treated at par with the import of processing and weaving machinery for import tariffs.**
- v) **Import of second hand terry shuttleless looms and second hand looms for specialized textiles by industrial consumers has been allowed free of customs duty and sales tax.**
- vi) **Manufacturers-cum-exporters of textile garments have been given the facility to import their raw materials and accessories, without payment of duty, upon furnishing an indemnity bond certified by the respective Association dealing with textile garments (both woven and knitted).**
- vii) **Inter-bond transfer of imported materials has been allowed on intimation to the customs authorities. Goods to be processed outside the bond can now be shifted against manufacturers' undertaking instead of bank guarantee.**
- viii) **An Autonomous Export Promotion Council is being constituted to undertake the full range of promotional activities to boost export of engineering goods. The Council will comprise exporters of engineering goods and will hire executives from the private sector with professional background and experience in industry, commerce and international marketing. Main functions of the Council will be to provide expert advice and guidance for acquisition of technology, marketing etc.**
- ix) **10 items required by the engineering industry and not manufactured locally have been allowed to be imported free of duty and sales tax both by the industrial and commercial importers.**
- x) **All parts and components required for use in the manufacture of capital goods and not manufactured**

locally have been allowed to be imported free of duty and sales tax.

- xi) Machinery for quality control and for testing laboratories to be prescribed and not manufactured locally has been allowed to be imported against cash resources free of duty, sales tax and import licence fee.
- xii) The Committee already constituted in the CBR for fixation of ITP would associate the engineering industry while deciding cases of engineering goods.
- xiii) Farm export sector (excluding rice and cotton) shall be treated at par with export industry and shall be entitled to all facilities, services and incentives provided for the export of manufactured goods.
- xiv) An Agri Export Council shall be established under the chairmanship of the Commerce Minister to assist the Government in policy formulation for the growth and development of farm export sector. The Council shall include representatives of the Agri Export Farms' Associations, prominent agriculturalists, specialists and representatives of the concerned Ministries and Provincial Governments.
- xv) All agri export farms shall be required to be registered with the EPB and shall form an association on the same pattern as other trade bodies to present their view point at all official fora.
- xvi) An Agri Export Directorate would be established in the EPB for providing guidance and marketing assistance to the agri export farms.
- xvii) Registered export farms have been allowed to import agricultural machinery and equipment not locally manufactured and all agricultural inputs free of duty and sales tax.

- xviii) Freight subsidy to the extent of 25 percent has been allowed for flowers.
- xix) Long-haul refrigerated vehicles have been made eligible for financing out of the Prime Minister's Scheme for Revamping of Public Transport.
- xx) Manufacturers-cum-exporters of plastic industry are being allowed to import their raw materials without payment of duty, sales tax and iqra surcharge on the condition that the plastic products manufactured from the raw materials shall be exported. This facility will be available to the members of All Pakistan Plastic Manufacturers Association.

Ladies and Gentlemen,

Our Cutlery Industry is another area that merits considerable attention. In order to help it grow following measures have been taken:

- a) Straightening machines and vibratory bowls have been allowed to be imported free of duty, sales tax, iqra surcharge and import licence fee under BMR.
- b) The rate of duty on import of magnicite grinding wheels (cups and flats) has been reduced from 90 percent to 30 percent.
- c) Import of densified wood used for manufacture of hunting knives has been allowed free of duty.
- d) A service centre is being established which would include establishment of a bonded warehouse by Pakistan Cutlery Stainless Utensils Manufacturers and Exporters Association under an agreement with the CBR. The Association would be able to import raw materials free of duty, sales tax, iqra surcharge and licence fee for meeting the



requirements of the members of the Association. EPB will depute an whole time officer to assist the association. EPB will also establish fully equipped testing laboratory to be used by the members of the association.

- e) Lastly, cutlery manufacturers-cum-exporters have been allowed to import spare parts of machinery equivalent to two percent of FOB value of their exports of the preceding year, at a duty rate of 10 percent ad val.
  
- xxi) In order to exploit our rich sea resources and to consolidate the growth of Fishing sector, factory ships and vessels for processing and preserving fishery products have been allowed to be imported free of duty, sales tax and licence fee. Machinery and equipment imported by sea-food industry, under BMR has been exempted from duty; and import of shrimp seedlings has been allowed to be imported free of duty, sales tax and import licence fee.
  
- xxii) To resolve difficulties being faced in the operation of duty drawback scheme a Committee comprising Secretary Finance, Secretary Revenue and Secretary Commerce has been established to review the scheme and to oversee all aspects of its operation.
  
- xxiii) The capital base of export credit guarantee scheme has been increased from Rs.60 million to Rs.130 million which would cover loans amounting to Rs.2600 million. The designated banks would provide one window service by extending financing as well as insurance cover facility.
  
- xxiv) In order to improve technical capability and skill in ancillary industries, 10 projects have been sanctioned at a cost of Rs.250 million out of Export Development Fund.
  
- xxv) Import of components of rice milling machinery not manufactured locally has been allowed without

payment of duty and sales tax. Import of colour sorting machines used by the rice milling industry has also been allowed free of duty and sales tax.

- xxvi) Export of peanuts and barley has been allowed.
  - xxvii) The policy concerning samples has been liberalised. There will be no monetary or quantitative ceilings on export of samples if these are exported in mutilated form. For un mutilated samples the present ceiling will continue. The same policy will be applicable on import of samples.
  - xxviii) Import of conventional and hi-tech machinery including laser machines used for cutting, shaping and polishing of stones has been allowed without payment of duty, sales tax and licence fee.
  - xxix) The period of payment under Export Finance Scheme on export of engineering items has been extended to 365 days.
10. Now, I would like to announce the decisions relating to imports:
- i) Monetary ceilings for the import of machinery and mill work (excluding spinning machinery) have been enhanced by 10 percent.
  - ii) Commercial importers of garments and leather goods manufacturing machinery have been allowed to import these machines upto Rs.20 million in addition to normal commercial imports of machinery upto Rs.30 million.
  - iii) Import of machinery without any monetary ceiling will continue to be allowed under loans, credits, Pay-As-You-Earn Scheme and foreign currency accounts.
  - iv) The condition of standardisation for assembly and manufacture of tractors has been

dispensed with, in keeping with the policy of de-regulation and promoting market forces to operate freely.

- v) A Classification Committee has been set up comprising representatives of the Ministry of Commerce and Revenue Division to decide cases involving difference of opinion between importers and the Customs.

11. As a part of the Government policy of de-regulation the office of the Chief Controller of Imports and Exports is being wound up with effect from 15-7-1993. New system will be operative w.e.f 17th of July, 1993. All relevant SROs and Orders have been amended accordingly and import export procedures for the guidance of trade, banks and other relevant agencies of the Government have been prepared and sent to the above organizations.

12. With the help of the package of new incentives for exporters, expectations of a good cotton crop and anticipated buoyancy in the prices of critical commodities like cotton and yarn, we hope to achieve an export target of dollars 8 billion in the year 93-94. We are confident that despite the set-backs of last year, we shall, Insha-Allah, be able to accelerate our exports during this year. If these projections come true, our export earnings will constitute 80 percent of the expected import bill of dollar 10 billion in 93-94.

13. The decisions which I have announced today, reflect our determination to streamline and expand export of both traditional and non-traditional items. The package of incentives our Government has provided can be successful only if the business community adopts modern management techniques instead of continuing with existing and out moded methods of running the business. These modes could be useful for small business houses but cannot serve the large scale international business interests.

14. Business has become so complex that it is no longer possible for one individual owner to manage all aspects of business effectively. The need for professional management is

imperative and we must develop corporate culture to catch up with other nations and to meet the challenges of modern trade and industry. More emphasis has to be placed upon development of human resources in terms of skills and management. Young, qualified and skilled managers have to be inducted into business not only to open up new avenues of employment but also to achieve goals which are shared both by the Government and the business community.

15. I am fully aware of the difficulties being faced by our textile exporters under the current recessionary market conditions.

There are reports of closure of spinning factories, a downward disturbing trend in the flow of orders from foreign buyers of textile and clothing products.

Instead of standing upto the challenge of a recessionary phase, unfortunately, our textile exporters have adopted the easy route of pressurizing the Government to provide them more incentives in terms of soft term loans both for development and trading purposes, more remissions in income tax, exemption from sales tax and other Government levies and drastic adjustments in the exchange rate system.

In making these demands they have been influenced by the policies of a couple exporting countries without taking into account the facts that the soft credit policies induce inefficiencies and result in creation of sick industries; vibrant economies have not increased their exports through devaluation but by improving the quality of their products. Our exchange rate system and credit policies have linkages with the overall framework of the economic policy and requirements of the export sector cannot be viewed in isolation. Our endeavour is to integrate the export sector with the overall domestic production process. For this structural adjustment some more time is needed.

Under the circumstances I urge the business community to reflect and ponder upon the inherent weaknesses of their production and marketing systems and rectify them by way of

cutting down wastage, improving quality of their products, adopting new technologies, streamlining their business management techniques and pursuing an aggressive marketing strategy, instead of putting unnecessary pressure on the Government.

16. I request and urge the business community to realize that compulsions of a free market economy place heavy responsibilities on their shoulders to invigorate their business operations. Macro-economic changes demand cyclical adjustments and re-allocation of resources for better and new products.

17. The Government has genuine constraints in helping the business community in a free market economy. Nevertheless, I would like to assure the business community that we would keep on making feasible structural adjustments in the monetary/fiscal and taxation policies of our country to help our traders and industrialists, who constitute the backbone of our economy.

18. For Pakistan, achieving the goal of self-reliance is critical. The path to this destination lies through sustained increase in exports.

19. The Government on its part is doing its best to provide a highly supportive policy and functional environment to promote, and assist the efforts of our entrepreneurs. Here I would also like to urge the women entrepreneurs to come forward and contribute in the nation building efforts. Women Entrepreneur centres are being established at Karachi, Lahore and Rawalpindi to encourage female participation in this potentially vast area. The joint venture between the Government and private sector has an extremely challenging task before it. Our Government has complete faith in the ingenuity, skills and resourcefulness of the private sector which is fully capable of achieving export targets of which we may be proud of. The expansion, enlargement of highways besides improving the transport system in the country will definitely have an impact on our commercial progress. Our trade link up with Central Asia will have far reaching impact which will make itself obvious in the near future. In the end, in all humility, I

pray to Almighty Allah that under the leadership of our Prime Minister, Muhammad Nawaz Sharif, our endeavours to lead Pakistan to the destination of prosperity and strength may succeed.

20. Here I would like to thank the private sector, business community in general, creative entrepreneurs, including lady entrepreneurs, Chambers of Commerce and other Associations for their cooperation in formulating this trade policy.

I thank you all.

PAKISTAN PAINDABAD