



GOVERNMENT OF PAKISTAN

TRADE POLICY 2004-05

SPEECH

by

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Ladies and Gentlemen: A.A.

I deem it an honour and a privilege to be presenting to you the trade policy of Pakistan for the fiscal year 2004-2005. I have this honour for the second time since our Government assumed office in 2002.

2. For Pakistan to achieve the desirable rates of growth, the Government must follow appropriate and consistent economic policies. It is fortunate, that from the beginning of his government in 1999, President Musharraf assigned the highest priority to economic revival and initiated a forward looking reform agenda. The parameters laid down in the President's economic reform agenda have of course guided economic policy over the past five years. Due to this correct direction and consistency of policy, Pakistan's economic indicators, including export figures, are the best they have ever been.

REVIEW OF EXPORTS 2003-2004

3. Between 1982 and 2003, global exports had increased by 397% to US \$ 7.482 trillion. Pakistan's exports in the same period increased by 496% i.e. from a share of 0.13% to 0.16%, a 23% increase in world market share. Whilst a turn around in Pakistan has been achieved with export growth rate being 22% more than the growth rate of the world trade, significant potential still awaits us. Exports achieved during 2003-2004 were US \$ 12,273.5 million registering an increase of 10% and surpassing the budgeted level of US \$ 12.1 billion. This is the third consecutive year of year-on-year growth and the achievement of target levels. Compared to 1999-2000, exports have increased by 43%. In the context of the socio political and economic challenges faced by Pakistan and its private sector, this is more than satisfactory. The people of Pakistan and our business community deserve congratulations for this achievement, which would not have been possible without their effort and dedication.

SECTORAL REVIEW
CORE CATEGORIES (TRADITIONAL)

4. Textiles and Garment's export were US \$ 8.302 billion. This is 68% of the total exports and an increase of US \$ 844 million, or 11.3%, over 2002-2003. Of the **total increase** in exports of US \$ 1.113 billion, Textile and Garments contribute 75.8%. It is encouraging to note that five of the sub-sectors namely cotton cloth, knitwear, bed wear, cotton yarn and ready made garments, achieved exports in excess of US one billion each. Our 'Other Core categories' combined, recorded an export level of US \$ 2.353 billion, which is 19.2% of our total exports, registering an **increase** of US \$ 99 million or 4.03% over last year. These contributed 8% of our total **increase** in national exports. Whilst Rice at US \$ 627 million and Petroleum products at US \$ 284 million produced appreciable growth over last year, 12.9% and 14.3% respectively, our other traditional product sectors were lower or declined. Exports of leather & leather products, at US \$ 723 million, were 4% higher, molasses at US \$ 48 million were up

4.7%, carpets at US \$ 223 million increased by 0.2%, sports goods at US \$ 310 million declined by 7.7% as did surgical instruments at US \$ 124 million by 17.3%. Performance of our traditional products, other than textile and garments, posting either incremental gains or decline, is a matter of concern as these currently account for 19.2% of our total exports.

'DEVELOPMENTAL CATEGORIES' AND ALL 'OTHERS' (NON TRADITIONALS)

5. The non-traditional product categories recorded exports of US \$ 1.618 billion, or 13.2% of our total exports. These grew by US \$ 178 million or 12.4%. However wheat exports distort the true performance and **excluding wheat,** last year exports of which were US \$ 130 million and this year only US \$ 6 million, our non traditional products recorded exports of US \$ 1.612 billion, which is US \$ 302 million or 23% more than last year. Thus the rate of growth of exports of non traditional products was 130% more than that of Pakistan's total exports. The base of course is still small.

6. During the period 1999 to 2003, world exports increased by US \$ 1.774 trillion i.e. by 31%. During the same period Pakistan's exports grew by 43% reflecting an improvement in world share. By comparison India increased by 53%, Singapore by 26%, Malaysia 19%, Indonesia 25%, UAE 5%, Philippine 1%, Vietnam 70%, Iran 59%, Bangladesh 25%, Sri Lanka 10% and Jordan 64%.

7. A turn around in exports has been achieved. However, the absolute value of exports at US \$ 12.3 billion suggests significant opportunities remaining. Pakistan must aim for a quantum leap in the short to medium term. Question is what would constitute a quantum leap for Pakistan. With a GDP level of US \$ 95 billion, exports are presently 13% of GDP. It is estimated that with a GDP level of US \$ 150 billion in 5 years attained through a 10% growth per annum, if we achieve a 25% of GDP level or US \$ 25 to 30 billion in exports, that would be a quantum change. This is a 15 – 20% growth per annum and a practical but stretch objective which Pakistan should aim for.

8. I must mention here that WHILE our exports went up, the value of our imports also exceeded our projection of \$ 12.8 billion by 20.9 percent, resulting in a trade gap of \$ 3.199 billion, which was considerably wider than the year before. The underlying factors for this rise, however are heartening, in that the major increases have been in the import of machinery, chemicals and metals. The nature of these increased imports implies that the level of productive investment and production activity in the economy has increased significantly in response to improvement in the policy environment over the last five years. As higher imports of industrial machinery and raw materials results in greater industrial activity, the consequential benefits are increased employment and hence, reduction in poverty.

9. In today's global trading environment, economies cannot function in isolation. Therefore it is necessary to have a system of international trade that works for the benefit of all. For such a system to be functional, it needs to be rule based and cater to the interests of all countries irrespective of their level of development. The World Trade Organisation (WTO)

represents an effort to put in place such a system which is not only rule based, but one where decisions are taken by consensus.

10. The WTO was established and made operational in 1995. Pakistan has been a WTO member since 1995 and has been complying with its legal obligations under various WTO agreements. At this point I WANT TO reiterate that contrary to popular perception, the WTO regime will not come into effect in 2005 since it is already operational

11. However, what makes the year 2005 especially significant from Pakistan's point of view is that with effect from 1st January 2005 all remaining quotas on our textile exports will be phased out in keeping with the requirements of the WTO agreement on textiles and clothing. The elimination of textile quotas has been a longstanding objective for us because we enjoy a comparative advantage in this sector. The Textile industry of Pakistan, in collaboration with Government, has been preparing itself by making sizeable investments in order to

take advantage of the new market opportunities likely to emerge after the end of the quota regime. Our assessment is that in overall terms Pakistan stands to gain from the abolition of textile quotas.

12. Given the major share and importance of the textile sector in our economy and trade, I would like to inform you about some of the specific supportive measures under taken for this sector:

- (a) Sales tax on ginned cotton has been eliminated to reduce costs for the spinning sector.
- (b) Ban on import of cotton waste has been removed to help towel manufacturers.
- (c) Almost all restrictions on relocation of used textile machinery, and related equipment have been removed to encourage aggressive establishment of enhanced textile production capacity.
- (d) Garment Cities are being set up to encourage production and export of value added products.

13. I would like to inform you that presently negotiations are underway to further improve the WTO system and the global trading environment. In these negotiations referred to as the Doha Development Agenda, Pakistan is striving to ensure that the final outcome is development friendly and conforms as closely as possible with our economic objectives. In the most important negotiations i.e. on agricultural trade liberalization, Pakistan, alongwith other developing countries, is calling upon developed countries to make major reductions in their agricultural tariffs and eliminate their subsidies as this would be immensely beneficial for our agricultural sector, given its predominant position in our economy. At the same time, we are also mindful of the need to ensure protection of our farmers against import surges of low priced agricultural products. Accordingly, we have allied ourselves with a group of developing countries that are calling for a special safeguard mechanism to cater to such eventualities.

14. In the non-agricultural sector, Pakistan and the developing countries are willing for further liberalization, subject to the condition, that their interests would be safeguarded. This implies that developed countries will allow effective market access to the exports of developing countries by eliminating unjustified non-tariff barriers, and specifically by reducing tariffs on labour-intensive products like textiles. A very important condition of these negotiations is that the pace and extent of trade liberalization by developing countries will be lesser than developed countries, and will be in keeping with their capacity, so that their economies are not hurt in the process. Since Pakistan has already reduced its tariffs and non-tariff barriers considerably in pursuit of its own economic reform agenda, we do not foresee the need for any major changes in our current tariff and trade regime as a consequence of new agreements under the Doha Development agenda a few years down the line.

15. Public concern is often expressed about whether the Government is making adequate preparations to meet the

challenges and opportunities of the WTO system. On this subject, I confirm that our entire trade policy is designed to do just that; by reducing the cost of doing business as well as by enhancing the capacity of our producers to compete on a sustainable basis in the international market. There is however a continuing need to create greater public awareness about the WTO system so that some of the misconceptions in the public mind about the WTO can be corrected. The Export Promotion Bureau has been tasked by me to carry further the efforts already undertaken at the level of the Ministry of Commerce and other Ministries, and launch a major public awareness campaign.

16. From Pakistan's perspective the best way to increase market access for our exports is further liberalization of world trade through WTO negotiations in a way which is favourable for us. However, the pace of WTO negotiations, by their very nature, are slow and countries are therefore going for interim solutions by concluding as many regional and bilateral preferential trading agreements as possible. In keeping with this

trend Pakistan has also intensified its efforts in this area. In July 2003, Pakistan signed a preferential trade agreement (ECOTA) with ECO countries, and The South Asia Free Trade Agreement (SAFTA), alongwith six other SAARC countries, in January 2004.

17. In the bilateral sphere Pakistan signed a Preferential Trade Agreement (PTA) with China in November 2003. In order to improve our access to the US market we are making efforts to conclude in due course an FTA with the USA, and as a first step we have signed a Trade and Investment Framework Agreement (TIFA) with that country. Similar initiatives are also underway with Sri Lanka, Bangladesh, Iran, Turkey, Indonesia, Kenya, Thailand, Kazakhstan and Laos, as well as within the D-8 and OIC organizations.

18. We have a long history of economic cooperation with the E.U which is also one of our largest trading partners. Pak / EU, economic relations are conducted within the framework of a cooperation agreement and the latest third

generation agreement had been awaiting operationalisation for a number of years. This year the European Parliament ratified this agreement, as a consequence of which a new phase of EU-Pakistan Economic Cooperation has begun. This cooperation includes various EU financed projects designed to build up Pakistan's capacity for increasing its exports.

19. As we liberalize our import regime, either as a result of our international commitments, or as part of our own reform agenda, it is essential that we also have an effective mechanism in place to protect our industries against unfair competition. Such problems mostly arise either on account of dumping by foreign firms, or subsidies to their firms by foreign governments. The National Tariff Commission is a specialized organization within the Government which is authorized to take cognizance of such threats to our industry. Consequently they have initiated some investigations and also imposed anti-dumping duties in a few cases. Besides their statutory functions, they also conduct awareness activities for the benefit of our trading community. NTC has also given technical advice

to our exporters facing action under trade defence laws of other countries. Given the importance of their function the institutional capacity of NTC is being strengthened continuously.

20. Today I would also like to make a special mention of the importance of intellectual property rights protection in promotion of trade and investment. The Government of Pakistan is fully alive to its international obligations to protect intellectual property rights and is constantly working to improve its capacity. Besides, we fully understand that such protection is necessary to encourage innovation, creativity and research domestically. A good protection regime will also provide the necessary “**comfort**” and incentive for foreign investors to invest in high tech facilities in Pakistan. Your Government is therefore resolved to improve our level of enforcement in this area in the coming days in support of our national economic objectives.

REVIEW OF LAST YEAR'S TRADE POLICY INITIATIVES

21. Our trade policy last year contained an array of new initiatives some of which were trend setters, designed to identify opportunities. It is encouraging to note that a vote of confidence has been expressed by other Federal and Provincial agencies as they have decided to pursue some of these initiatives themselves. I am particularly appreciative of the concerted efforts of the Ministry of Industries to set up the Textile City in Karachi; and of the policy decision of the Government of Punjab to set up Garment Cites at Faisalabad and SUNDAR near Lahore.

22. In order to be able to finance the plans emerging from the 2003-2004 Trade Policy initiatives, a special long-term, fixed mark-up rate finance scheme has been launched in collaboration with the State Bank of Pakistan. Under this scheme, such units are being provided Credit on concessional terms with mark-up rates of 5 to 7.5% repayable over a period of 2 to 7-1/2 years.

23. Diversification of products and markets is an important thrust of our trade strategy, hence a 25% freight subsidy incentive was allowed to exporters to explore non-traditional products and markets. This subsidy was available for products whose annual exports were less than U.S. \$ 5 million or to markets where total annual Pakistani exports were under \$ 10 million. This measure resulted in a 30% increase in exports to the eligible countries.

24. Availability of contamination free cotton is an essential pre-requisite if Pakistan is to take a quantum leap in textile exports. To this end, targeted research on issues of the ginning sector and creation of awareness among stakeholders is necessary. Accordingly, a Cotton Research Institute is being established in Multan in collaboration with Pakistan Cotton Ginners Association. Land for this facility has been identified, and feasibility prepared, on the basis of which the necessary financing has been firmed up from the Export Development Fund.

25. Export of gems and jewelry is a new sector with major potential. To support this sector, a gold assaying / hall marking facility is being established in the proposed Dazzle Park in Karachi. The necessary ground work is complete and funding has been lined up from the Export Development Fund.
26. The Fisheries Sector is also receiving priority attention, with special emphasis on shrimp and fish farming. Our partners in this effort, the Governments of Sindh and Baluchistan have already earmarked land in the coastal area and consultants are being hired to help in setting up shrimp and fish hatcheries and other state of the art facilities.
27. Agricultural exports are also a focus of our attention and we have a number of initiatives under way in this sector. Specifically, projects for an apple treatment plant in Quetta and date processing plants in Khairpur, Turbat and D.I. Khan are being implemented through a specially established Horticulture Development Board. Additionally, specialized agro processing

Zones are also being established in Mirpur Khas, Salam, Multan and Risalpur.

28. A ground breaking initiative was the establishment of garment cities in Karachi, Lahore and Faisalabad. Funding for this initiative of Rs. 1.42 billion has been arranged from the Export Development Fund. Furthermore, land for the Lahore project stands identified, and its procurement is underway. Two sites in Karachi and three in Faisalabad have also been short-listed and selection of the most appropriate sites will be made shortly, so that these facilities become operational in the very near future.

29. Relatively higher electricity rates have been making it difficult for our export enterprises to be competitive. We have been able to successfully work with WAPDA and KESC on the concept of cheaper **'bulk'** and **'off-peak'** rates to facilitate our industrial producers. Consequently cheaper power rates have been notified by WAPDA and KESC.

30. Some industries in Pakistan have developed in clusters like electric fans in Gujrat or cutlery in Wazirabad. For these clusters a development strategy was conceived whereby some common services would be provided to them. Such common services would include training facilities, testing services, bonded warehouses and combined marketing support, wherever feasible. This project is underway in collaboration with UNIDO and funds amounting to U.S. \$ 211,000 have been arranged from the Export Development Fund.

31. Marketing of our export products is of course a critical activity of the Export Promotion Bureau. There is a continuing emphasis on this activity to support our exporter community. A major initiative in this regard is the proposed holding of a mega event in the form of "EXPO PAKISTAN", scheduled from 2nd – 5th February 2005, at Karachi. On this occasion, besides show casing all our products with export potential, side events like seminars, conferences etc. will also be organized to get maximum marketing mileage. Preparations

for successful mega events require massive effort, and these are well underway.

ENTERPRISE CAPACITY BUILDING AND TECHNOLOGY UPGRADATION

32. A Scheme to assist enterprises in technological upgradation and export marketing by providing them consultancy services has been launched. 50% of the cost of consultancy is being met by the EPB except in the case of leather products and carpets, where this package has been increased to 75%.

BRAND-NAME ACQUISITION / FRANCHISING

33. EPB has launched a Scheme to assist Pakistani exporters in acquiring and franchising foreign brand names so that their products may be easier to market abroad. EPB is engaging consultants to assist interested Pakistani exporters in making such acquisitions and is also picking up 50% of the cost of these consultancy services.

PROMOTING PRODUCTS MADE IN PAKISTAN

34. A Scheme to promote sale of Pakistani products abroad has been launched to help interested exporters. Under this Scheme, space in high traffic prestigious shopping malls is being arranged as per the requirement of exporters for display / sale of their products and EPB will pay 50% of the rent. In the first phase this scheme is being implemented in Dubai.

RELOCATION OF INDUSTRIES

35. Some existing industries are relocating from developed countries to countries where production costs are lower. The EPB has launched a Scheme to assist Pakistani Companies to arrange the transfer of such industrial plants to Pakistan and will share 50% of the transfer costs like freight of machinery.

ASSISTANCE FOR JOINT VENTURES

36. In order to upgrade the capacity of our export enterprises through transfer of technology and management expertise, a Scheme has been launched to encourage joint ventures with foreign partners. For this purpose, EPB has engaged consultants to assist Pakistani Companies to enter into joint ventures and is also picking up 50% of the Consultancy Costs.

DEVELOPMENT OF LOCAL BRANDS AND MARKETING

37. Since export products with widely recognized brand names are easier to market abroad, a Scheme has been launched for the benefit of our exporters. Under this Scheme interested exporters are assisted in branding their products and marketing the image of such brand names with the help of well qualified consultants. Half the cost of Consultancy Services provided under this Scheme is being borne by the EPB.

FUTURE PROJECTIONS

38. I would now make a brief mention of our targets and projections for the current year for exports and imports. On the Export side our target is to achieve exports of at least U.S.\$ 13.7 billion. This target represents an increase of 12% over last year's actual exports of U.S. \$ 12.3 billion. On the imports side, we estimate that these will be around U.S. \$ 16.7 billion. These targets of course are subject to the assumption that no extraordinary event will cause any major disruptions in the present trading environment, the GDP will grow at over 6% and inflation and exchange rate will remain at internationally competitive levels.

EXPORT STRATEGY

39. Based on the proven drivers of export growth in developing countries, our strategy will be based on two fundamental pillars :

- (1) Strategy that would directly impact volume & value increase in exports
- (2) Strategy to provide our exporting stakeholders an environment that allows them to efficiently pursue their aspirations.

In case of the first pillar, GOP will act as a strong export promotional facilitator. In case of the second, GOP will need to take various initiatives itself to encourage such an environment. Our export strategy for volume & value growth is therefore to :

- (1) Enhance world market shares of our core export categories in our major markets through proactive export promotion and buyer driven FDI.
- (2) Develop our exporters capabilities and capacities to compete and improve product range & quality to achieve sustainable value addition.
- (3) Achieve export diversification to reduce future vulnerability by achieving product and geographic diversification.

- (4) Pursue Multilateral Regional and Bilateral market access aggressively.
- (5) Leverage trade development with OIC countries.
- (6) Promote the role of women in trade & business to maximize economic value addition through human resource development.
- (7) Identify next generation product sectors to achieve the desired quantum leap, especially through export oriented FDI, and joint ventures and develop clear plans to strengthen the respective supply chain capacity.

Our strategy to provide a more enabling environment is to:

- (i) Strengthen export culture defined as
 - (a) The sensitivity amongst all stakeholders of the **importance** of exports
 - (b) A positive supportive and problem solving **attitude**,
 - (c) Recognition of the need for exports to be profitable; and

- (d) Use of IT & Electronic data processing to facilitate exports.
- (ii) Reduction in cost of doing business with special emphasis on reducing bureaucratic delays and impediments and proactive customs and infrastructural facilitation.
 - (iii) Provision of adequate and efficient infrastructure including roads, sewerage, utilities and telecommunications.
 - (iv) Tariff rationalization to reduce cost of capital investments specially in the developmental product sectors and the services industry.
 - (v) Better quality & standards management to reinforce buyer confidence in '**Made in Pakistan**'.
 - (vi) Support social, environmental & security compliance and management.
 - (vii) Business image management of Pakistan to reinforce the suitability and reliability of Pakistan as a source of products and services.

- (viii) Support development of export related human resources and skills to provide for both existing export sectors and also those that will be developed through FDI in the medium term.
- (ix) Support international confidence in protection of intellectual property rights.
- (x) Develop the SME sector for exports both as vendors to export industry and also as exporters themselves.

40. The Trade Policy last year was also by and large based on the above strategic thrusts. However these have been more clearly articulated for national understanding and strong alignment amongst all stakeholders.

41. Our trade policy export initiatives for 2004-2005 may be read in the above context and are as follows:-

NEW EXPORT INITIATIVES 2004-05

REHABILITATION OF INDUSTRIAL ESTATES

42. In order to facilitate exports, Federal Government will collaborate with the Provincial, District/City Governments &

private sector stakeholders in rehabilitating the infra-structure of existing industrial estates. The Federal Government will contribute upto 50% of the cost of such rehabilitation. This will be conditional upon the Provinces contributing 25%, District Governments 10% and users 15%.

ESTABLISHMENT OF COMBINED EFFLUENT TREATMENT PLANTS.

43. At priority existing industrial estates locations, combined effluent treatment plants will be set up and Federal Government will contribute upto 75% of the cost of such plants: provided the remaining 25% is shared by Provincial and District Governments and stakeholders.

INCENTIVE FOR SETTING UP IN-HOUSE EFFLUENT TREATMENT PLANTS

44. Export oriented enterprises need to put up In-house Effluent Treatment Plants to meet requirements of foreign buyers. Such plants will now be importable at 5% duty even if such plants are produced locally. In case these are being produced locally, the raw material will be importable duty free.

Furthermore, mark-up cost of loans obtained by existing exporting units for establishment of Effluent Treatment Plants will be picked up by EDF upto a maximum of 6% .

ESTABLISHMENT OF COMMUNICATION CITY.

45. In order to promote the exports of Information Technology products, a Communication City will be established in Islamabad to provide all infrastructure facilities to IT, Telecommunication and Media Companies.

EXTENDING OF SPECIAL PACKAGE FOR PROMOTION OF GARMENT SECTOR.

46. We are keenly aware that the knitted and woven garment sector will be exposed to stiff competition in the post quota environment. The Government is seriously considering measures to enable this sector to compete effectively; from 2005 onwards. Furthermore, leading producers/exporters will

be assisted to improve their productivity and product range, specially in the high fashion. They would be provided technical, commercial and marketing support as EPB's cost for this purpose.

EXPORT OF HORTICULTURE PRODUCTS:

47. In order to increase export of value-added horticulture products, the private sector will be encouraged to invest in green houses and cool chain infrastructure, facility of concessional financing will be provided. The first 6% of mark-up rate will be picked up by the EDF. Further, the PHDEB will provide services of hired cool vans to exporters of flowers on experimental basis in Lahore and other stations where exporters show interest.

48. Internationally accepted quality standards are a pre-requisite for export of horticulture products. Therefore, Pakistan standards for horticulture products will be developed by the Pakistan Horticulture Development and Export Board. The

adoption of such standards would however be voluntary but as an meantime exporters complying with such standards would be eligible for a freight subsidy.

FACILITATING EXPORT OF PHARMACEUTICAL PRODUCTS

49. A 50% subsidy was being allowed to pharmaceutical companies for registration of their products in foreign countries for export from 1998 to 2003. This subsidy is being restored to facilitate pharmaceutical companies for registration of their products in foreign countries. This scheme will also cover registration / certification with FDA of USA.

INCENTIVE FOR PRIORITY EXPORT SECTORS

50. In order to encourage growth of seven non-traditional export sectors measures will be taken to reduce capital cost of their infrastructure. These sectors are Leisure equipment, Fisheries including Shrimp-farming, Horticulture, Furniture, Gem & Jewelry, Footwear and Medical equipments.

ENHANCING QUALITY AND VOLUME OF DEVELOPMENTAL SECTORS.

51. Qualified consultants will be engaged to advise exporters on how to improve quality and volume of their products in the following sectors with export potential:

- i) Fisheries including Shrimp Farming
- ii) Horticulture
- iii) Marble, granite
- iv) Furniture
- v) Gem & Jewellery
- vi) Footwear
- vii) Sports/Leisure equipment
- viii) Surgical instruments
- ix) Carpets.
- x) IT enabled businesses.

The cost of hiring these consultants will be met through the EDF.

INLAND SUBSIDY FOR EXPORT OF FINISHED FURNITURE AND FINISHED PRODUCTS OF GRANITE AND MARBLE

52. It is intended to encourage export of finished products of granite and marble and furniture from far flung areas of Pakistan. Inland export subsidy @ 25% of freight will be allowed provided the respective factories are located beyond 250 K.M. from exporting sea ports.

ATTRACTING BUYER DRIVEN FDI FOR EXPORT SOURCING FROM PAKISTAN

53. Pakistan, with its diverse and extensive supply base of Garments, Footwear, Sports Goods, Leather Garments, Surgical Goods and Electrical Appliances can attract FDI as these sectors are poised for producing Demand Driven Products.

It has been decided to identify and locate five Major International Sourcing Groups of each of the above Sectors to help establish vital links between Foreign Buyers and Pakistani Suppliers by developing Strategic Alliances and Global

Networks. The top leadership of the country will be requested to focus on these groups during their international visits.

REGIONAL CONFERENCES OF ENVOYS/COMMERCIAL OFFICERS

54. To formulate targeted strategies to increase exports of Pakistani goods to Africa, Central Asian Republics and East European countries, regional conferences of our envoys and commercial officers in these regions will be organized in consultation with the Ministry of Foreign Affairs.

US\$ 10 MILLION SUPPLIERS CREDIT EACH TO AFRICA AND CARS

55. A Suppliers Credit Fund amounting to US\$ 10 million each is being set up to facilitate development of markets in Africa and Central Asian Republics for our exports. This fund would be offered to countries with acceptable credit rating and for selected products.

SALES TAX FACILITATION FOR TEXTILE CHAIN.

56. The sales tax regime for export products is being reviewed. However, as a first step, ginned cotton has already been exempted.

FREIGHT SUBSIDY

57. The freight subsidy scheme announced in Trade Policy 2002-03 and continued during 2003-04 will be extended for another year upto 30.9.2005.

HAND-HOLDING OF POTENTIAL EXPORTERS ON ONE TO ONE BASIS

58. In order to expand the domestic export base, exporters in various sectors will be identified and EPB officers would be attached with them to assist them in Export Management aspects.

ENCOURAGING WOMEN ENTREPRENEURS

59. To encourage women entrepreneurs, their participation in international exhibitions and exploratory delegations will be fully funded by EPB.

FACILITATING RE-EXPORT OF IMPORTED GOODS.

60. To facilitate re-export of imported goods, the condition of value-addition has been waived. Furthermore, in case of re-export through land route, the requirement of payment of full duty has also been waived. Such re-exports will be entitled to a refund of the 1% warehousing surcharge.

STRENGTHENING OF COMMERCIAL COURTS

61. Timely resolution of trade disputes is essential for maintaining the goodwill and trust of foreign buyers. The working of the Commercial Courts would, therefore be further improved in consultation with the Law Division.

INCENTIVIZATION SCHEME FOR USERS OF COMPLIANCE SOFTWARE

62. The present non-tariff barriers to trade pose a serious threat to Pakistan's export to industrialized countries, especially in the post quota market regime. However, software has been developed which can help our exporters in becoming compliant and hence competitive. To encourage exporters to take advantage of this software, EPB will subsidize 25% of the cost of acquiring it.

SUPPORT FOR QUALITY ASSURANCE AND LAB ACCREDITATION.

63. 100% cost of consultancy services will be provided to private sector parties for development of accredited testing facilities of international standards within the country. For new capital investment in quality testing and Research & Development equipment, the first 6% of the mark-up cost will be picked up by the EDF.

BUYERS CONCERNS ABOUT SOCIAL AND ENVIRONMENTAL ISSUES.

64. To encourage exporters to address concerns of foreign buyers, all exporters who obtain the following certificates, will be considered for grant of subsidy from EDF:

- i) ISO-14000
- ii) ISO-17025
- iii) HACCP Certification
- iv) WRAP Certification
- v) Eco Labeling.

INCREASING EXPORTS TO JAPAN

65. In large markets where Pakistan's exports are declining, a country specific programme will be prepared which will identify the causes of decline and propose remedies. This year a beginning will be with Japan where collaboration, on cost sharing basis, will be undertaken with Japanese Trading

Houses for market research, product identification and subsequent joint marketing in Japan.

STRENGTHENING OF FOREIGN TRADE INSTITUTE OF PAKISTAN (FTIP)

66. The Foreign Trade Institute of Pakistan (FTIP) will be strengthened by enhancing the capacity of the Institute faculty. The physical resources of the Institute will be improved and it will also be shifted to a new building with adequate space and facilities. The upgraded Institute will be tasked to carry out research and conduct periodic refresher courses.

CONTINUITY OF MAJOR 2003-2004 POLICY INITIATIVES.

67. One of the important components of 2004-2005 policy is the continuation of the long-term and trend setting initiatives announced in 2003-04 .

It has been decided that all these schemes will continue in the fiscal year 2004-05.

EXPORT OF SAMPLES

68. At present, exporters can send samples of non-restricted items valuing US\$ 10,000 FOB per annum. This limit is being increased to US\$ 25,000.

GIFT PARCELS THROUGH POST/COURIER SERVICE.

69. Presently, gift parcels upto a maximum value of \$ 1,000 can be sent through post/courier service. This limit is being increased to US\$ 5,000/-

Facilitation for export oriented sectors.

70. It has been decided to facilitate the exporting units by extending the date of clearance of imported Machinery etc from 31st December 2004 to 31st march 2005 for LCs opened up-to 12th June under SRO 554.

HS CODING OF BANNED ITEMS.

71. Exact HS Codes of banned items will be indicated in the relevant regulatory orders in order to eliminate any ambiguity and create ease for the exporters.

INDICATION OF GROSS WEIGHT ON RETAIL PACKING OF FRUITS

72. All fruits being exported in retail packages will indicate gross weight on each package to provide foreign buyers with the necessary information and satisfaction that they are getting the full value for their money.

PROTECTION OF NATURAL ENVIRONMENT UNDER CITES AGREEMENT.

73. To safeguard the natural environment and to meet our obligations under CITES, export of wild mammals and reptiles mentioned in Appendix-III of CITES Agreement will not be allowed without an NOC issued by the Ministry of Environment.

EXPORT INFORMATION ACCESS FACILITATION

74. As practical support to develop export business, EPB will initiate a Project to extend facilities of internet-connectivity, computers and printers to SMEs. This will be done through business support centers to be located in existing Export Information and Advisory Centers in industrial and commercial cities like Rawalpindi, Peshawar, Lahore, Karachi, Muzaffarabad, Mirpur, Sialkot, Gujranwala, Islamabad, Multan, Faisalabad, Quetta and internet cafes to provide access to business enterprises to browse commercial intelligence or data on the world- wide web. Access to such export information shall also be provided in a user friendly manner for foreign customers at five star Hotels.

LABOUR PRODUCTIVITY ENHANCEMENT SCHEME

75. To enhance labour productivity in the country, existing training facilities in the country will be improved through provision of latest machinery to the training institutes in the public/private sector. Qualified trainers would also be hired from

abroad to train the local trainers and existing training facilities will be utilized to the optimum level.

EXTENSION OF STATE BANK OF PAKISTAN CREDIT SCHEME FOR NEW INITIATIVES.

76. The State Bank of Pakistan long-term Fixed Rate Financing Scheme announced as a result of last year's trade policy will be expanded to cover the initiatives announced today which involve financing from the Banking Sector.

DEEMED DUTY DRAW BACK – POLYESTER SECTOR

77. The revised Deemed Duty draw backs in the man made Fibre Sector recently announced by the C.B.R, are being reviewed. New improved draw back rates will be announced in a few day's time which will be retroactive to July 1st 2004.

IMPORT SECTOR STRATEGY

78. This year's Import Policy proposals have been based on the following strategic considerations namely:-

1. Liberalization;
2. Facilitation; and
3. Regulation

The entire text of our Import Policy has been restructured on the basis of the above mentioned principles. Recourse to Ministry of Commerce for obtaining NOCs or special authorization has been done away with in respect of all permissible items. Relocation of industrial projects from abroad has been allowed in all manufacturing and industrial sectors in order to reduce the cost of doing business in Pakistan. Plant, machinery and equipment, import of which is required in the national interest, has been allowed to be imported in second hand condition for enabling transfer of technology with reduced cost. Specialized requirements of a number of sectors for import of second hand machinery are being met. The scope of existing Temporary Import Scheme has been ~~be~~ expanded, for

facilitation of trade and industry without jeopardizing the genuine interests of local industry engaged in manufacturing import substitutes.

79. As Trade Policy alone cannot achieve macro-economic objectives, a well coordinated and highly integrated approach is being followed, so that all major macro-economic policies of the government including fiscal and monetary policies will be fully and mutually supportive on a sustainable basis in order to generate the required synergy to achieve national objectives. In this context, Tax and Tariff Policies have in particular been used to serve the national objective of bringing about an industrial turn around. Taxes and tariffs have been reduced on agro-industrial sector - related machinery and raw materials, so as to help revive our industrial base and place it in a rapid growth mode. Our strategy has also brought about necessary structural changes in the Import Regime which bode extremely well for the industrial and economic future of Pakistan. An evidence of this is that last year highest growth (37.7%) has been registered in the import of industrial

raw materials for local manufacture of capital goods, followed by 39.8% growth in import of capital goods and 15.2% growth in the import of raw material for consumer goods. Growth in import of consumer goods was 17%. The share of industrial raw material in total imports during July-May 2003-04 was 56.70%; the share of capital goods was 33.7% and the share of consumer goods was only 9.6%. Increased import of manufacturing machinery and industrial raw materials will beef up domestic production to generate more exportable surpluses, which in turn will boost exports in an expanding market access environment for Pakistan. In this way, Import Policy is efficiently and effectively being used for investment and export promotion. This is a healthy trend in our import regime, which will be further strengthened by a set of well considered new measures. These measures have been finalized on the basis of detailed consultations with private sector stakeholders as well as intense inter-ministerial consultations.

IMPORT MEASURES 2004-05

WIDENING THE SCOPE OF TEMPORARY IMPORT FACILITY

80. (i) As per the existing Import Policy, oil exploration and production companies and construction companies working in Pakistan on projects are allowed to temporarily import certain secondhand or specialized machinery and construction equipment . The scope of this facility is now being expanded to include gas companies, mining companies, their approved contractors and sub-contractors and services companies . Prior authorization from the Ministry of Commerce will now no longer be necessary. This facility will cover all specialized used machinery except passenger transport vehicles, trucks and buses and static road rollers less than 12 tons.

(i) Second hand tools and professional equipment will be temporarily importable for use in initial installation,

periodical repairs and refurbishing of projects or plants and machinery in Pakistan.

- (ii) Entry and exit of foreign cargo transport vehicles will be allowed provided there is a bilateral or multi-lateral agreement on reciprocal basis between Pakistan and the concerned Foreign Country.
- (iii) Temporary import of goods (including means of transport) under ATA Carnet Istanbul Convention 1990 will be allowed upon furnishing of temporary admission papers (Carnet etc) as due security.
- (iv) Temporary import of goods including means of transport under TIR Convention will be permissible subject to fulfillment of all prescribed conditions.
- (v) Temporary import of exhibition materials for fairs and exhibitions officially organized by the Government, FPCCI or Chambers of Commerce and Industry will be allowed.

Import of giveaways will also be permissible but on payment of leviable duties etc.

- (vi) Temporary import of machinery for repair in Pakistan of carpets, sports goods and surgical instruments etc. will be allowed.

IMPORT OF VEHICLES UNDER , GIFT AND T.R. SCHEMES

81. Presently if Overseas Pakistanis want to import vehicles under the Transfer of Residence or Gift Schemes they have to establish that they have a stay abroad of six months before departure and they have stayed abroad for at least 700 days. Henceforth it will only be required that returning Overseas Pakistanis should have stayed abroad for at least 700 days during the past three years before their date of departure. Furthermore, in order to encourage the agriculture sector, Tractors, Bulldozers, Laser Land Levellers and Combined Harvesters are being added to the Gift, Baggage and TR Schemes. The Rules for Gift Scheme regarding such equipment will be relaxed to allow their import once every year.

CKD IMPORT OF MOTORCYCLES

82. Presently CKD kits for motorcars, other motor vehicles, trucks and buses are importable only by the recognized assemblers as per deletion programmes approved by the Ministry of industries and Production. Import of CKD kits of motor-cycles will henceforth also be importable only by recognized assemblers so as to provide motor cycles to consumers that meet quality and safety standards.

EXPORT PROCESSING ZONES

83.

- (i) The units operating in Export Processing Zones may import goods from abroad as well as from the Tariff Area in accordance with the EPZA rules and procedures.
- (ii) Plant and machinery imported for, or installed in Export Processing Zones will be allowed to be sold or shifted to the Tariff Area after approval of EPZA, irrespective of whether the machinery is old or new and whether it has remained

installed for any period or not, provided its import is otherwise permissible.

- (iii) The units established in the Export Processing Zones shall export only upto twenty per cent of their total production to Tariff Areas in Pakistan while eighty per cent shall be exported to foreign countries.
- (iv) The Warehouses established in the Export Processing Zones will sell only such imported raw materials to the Tariff Area, as may be specified by the Federal Government from time to time by notification in the Official Gazette.
- (v) Units operating in the Export Processing zones may sell defective goods, wastes, used packing materials, empty drums and cartons, to the tariff area subject to the condition that the total value of such sales during a year does not exceed 3% of the FOB value of their exports. Besides, such sales will be subject to payment of normal duties and taxes.

IMPORT OF ANIMAL FUR

84. Import of such Animal Fur, which is not prohibited by an international agreement, is being allowed to facilitate the export sector, especially the leather garments industry.

ALLOWING IMPORT OF COTTON WASTE

85. Ban on import of cotton waste is being lifted.

COMMERCIAL IMPORT OF ARMS AND AMMUNITION

86. Ban on commercial import of non prohibited bore arms and ammunition will be lifted subject to the approval of commercial importers by Ministry of Interior and their maintaining Category Pass Books with the Banks opening letters of credit.

IMPORT OF BETEL NUTS

87. In order to reduce health hazards, import of betel nuts will require an official certificate from the health authorities of the country of export, that the betel nuts are not diseased and are fit for human consumption.

PROJECT RELOCATION SCHEME

88. Relocation of projects from abroad is presently allowed only for a few industrial sectors. This scheme is now being liberalized to cover all industrial sectors. Spare parts on the regular inventory list of such projects will also be importable. Import of project machinery and equipment under relocation scheme will be permissible even if it is locally manufactured in the country. However, such machinery and equipment will need to be certified by a prescribed and internationally recognized pre-shipment inspection company (PSI) that it is in good working condition and has a remaining life of at least 10 years. The facility however will not be available for controlled sectors i.e. arms and ammunition, radioactive substances, high

explosives, currency and mint, security printing and alcoholic beverages.

CARGO HANDLING EQUIPMENT

89. Import of certain equipment in used condition will be allowed to Airlines operating in Pakistan, Airport Authorities, Approved Ground Handling Agencies, Sea Port Authorities, Dry Port Authorities, Agencies Operating Border Crossing Infrastructure at Customs Border Posts and Operators of Inland Container Depots. Such import will however be subject to certification by any of the prescribed international PSI Companies, that the equipment is in good working condition with a remaining life of at least 10 years. Such equipment includes Mobile Air-Conditioning Vans, Truck mounted Power Generating equipment, Mobile Cranes, Fork lifters and Security Compliance Equipment, Passenger Vehicles will be excluded

USED MACHINERY FOR CONSTRUCTION, MINING AND PETROLEUM SECTORS

90. Import of used hand plant, machinery and equipment excluding Passenger Transport Vehicles, Trucks, Static Road Rollers upto 12 ton capacity, will be allowed to the Construction, Mining, Oil and Gas and the Petroleum Exploration and Production Sectors. Specialized used machinery and equipment that can be imported by these sectors includes Super Swinger Truck Conveyors, Mobile Canal Lining Equipment, Mobile Tunneling Equipment, Mobile concrete Pumps, ~~Mobile concrete Pumps~~, Transit Mixers, Asphalt Plants above 150 tons capacity, Concrete Placing Trucks, Asphalt Pavers, Semi dump Trailers and Dump Trucks above 5 tons capacity. Import of such Plant, Machinery and Equipments (PME) would be subject to certification by any of the prescribed PSI Companies that the remaining life is at least 10 years.

AGE RELAXATION IN IMPORT OF SECOND HAND BOILERS.

91. Presently, 5 year old boilers are importable. Now boilers will be importable subject to certification by one of the prescribed PSI Companies with respect to safety and remaining life of at least 10 years.

BAN ON IMPORT OF SOME USED EQUIPMENT AND APPARATUS LIFTED.

92. Ban on the imports of the following used equipment is being lifted:-

- (i) Industrial dry cleaning machines.
- (ii) Automatic goods – vending machines for postage stamps, food and beverages, and money changing machines.
- (iii) Electromagnets, permanent magnets and articles intended to become permanent magnets after magnetization.
- (iv) Laboratory specific Lenses, Prisms, Mirrors and other optical Elements.

- (v) Optical telescopes and other similar astronomical instruments.
- (vi) Balances of sensitivity of 5 cg or better, with or without weights.
- (vii) Hydrometer and similar floating instruments, Pyrometers, barometers, hygrometers and psychometers.

USED MOBILE TROLLEYS FOR SPECIALIZED USE IN TEXTILE INDUSTRY.

93. Ban on used automatic specialized mobile trolleys used in wet processing textile industry is being lifted.

ALLOWING IMPORT OF STAINLESS STEEL SCRAP CUTTINGS FOR RE-MELTING

94. Import of scrap of stainless steel waste, seconds and cuttings in the form of coils/circles of AISI-200, AISI-300 and AISI-400 series will be allowed for purposes of re-melting by local industry.

ALLOWING IMPORT OF DONATIONS

95. Import of used firefighting vehicles or fire tenders donated free of cost to Municipal Bodies is being allowed. Also import of secondhand ambulances donated free of cost to institutions registered under the Income tax ordinance as charitable Organizations, is also being allowed, However, such equipment may not be older than five years.

SHELF LIFE OF FOOD ITEMS

96. Presently edible products are importable subject to the condition that they have a remaining shelf life of at least 50% or 6 months, whichever is less. The shelf life requirement is now being increased to 75% in the interest of consumer welfare.

DEFINITION OF REROLLABLE STEEL SCRAP.

97. Definition of Rerollable Scrap of Iron and Steel is being revised in order to eliminate trade disputes at import stage.

REGULATING IMPORT OF NON-STERILIZED SURGICAL NEEDLES AND SYRINGES

98. Import of non-sterilized surgical needles and syringes will be made only by those industrial units which are engaged in further processing of these goods into value – added, final and finished products.

REGULATING IMPORT OF CONTAMINATED BLOOD SAMPLES

99. On the recommendation of Ministry of the health, import of HIV, Hepatitis or other virus contaminated blood samples for local laboratory tests and quality control purposes, will be allowed subject to the following conditions:-

- (i) The importing laboratory is duly approved by Ministry of Health.
- (ii) The laboratory has qualified staff and state of the art equipment to ensure “**Bio-safety**” safe waste disposal and rule out possibility of abuse.

- (iii) Import of these samples will be subject to compliance with the procedure prescribed by Ministry of Health for bio-safety and secure waste disposal.

IMPORT OF ANIMALS ETC.

100. Import of live animals, semen and embryos will be subjected to requirements of the marine Fishery Department of the Ministry of Food and Agriculture.

101. Similarly, import of chillis, apples, citrus and other fresh and dry fruits will be allowed after an aflatoxin content report and freedom from pests/diseases certificate of the Plant Protection Department of the Ministry of Food and Agriculture.

IMPORT OF PLANTS ETC.

102. Import of all species of plants will be required to comply with the Phyto-Sanitary requirements administered by

the Plant Protection Department and the Federal Seed Certification Agency of the Ministry of Food and Agriculture.

IMPORT OF CHEMICAL PRECURSORS.

103. The requirement of NOC by Ministry of Health for import of precursor chemicals by companies other than the licenced pharmaceutical industries will be done away with. However, import of these chemicals by other than licenced pharmaceutical companies will continue to be regulated by the Narcotics Control Division.

104. I would like to conclude my speech by saying that this trade policy has put in place the best possible institutional framework and enabling environment for our business community to optimize their performance. This effort is in line with our firm belief that an effective and synchronized public – private partnership is the key to achieving national economic objectives.

105. The Government's envisaged role is of a catalyst; to spur our businessmen and exporters to achieve more and more. On the external front, we are focusing on enhanced market access at a bi-lateral, regional and multi-lateral level.

106. I feel confident that we are firmly pointed in the right direction, and can look to the coming year with optimism. Let us work together in unison to realize our full potential for the benefit of our succeeding generations. Export has been a national cause. We must develop it into a National movement.