

GOVERNMENT OF PAKISTAN
MINISTRY OF COMMERCE



EXECUTIVE SUMMARY
OF
TRADE POLICY
(1995-96)

No.2(1)/95-E.III
Government of Pakistan
Ministry of Commerce

.....

EXECUTIVE SUMMARY OF THE TRADE POLICY FOR 1995-96

1. For the first time in national history Pakistan's exports reached a level of US\$ 7.1 billion over a period of 11 months only with a growth rate of 17.9%. The export target of US\$ 7.8 billion for the financial year 1994-95, depending upon the continuation of growth trend in the 11 months, is not only likely to be achieved but is expected to be exceeded.
2. The Cabinet may endorse the principle of providing concessional tariffs/no sales tax treatment for the import of machineries, intermediate goods and raw materials required by the export oriented industries till the tariff reform package is fully implemented.
3. The Ministry of Commerce may continue presenting cases for lowering tariffs/exemptions from sales tax for the machineries, intermediate goods and raw materials required by the export oriented industries to CBR on a regular basis. Ministries of Finance and Industries may also be associated in this exercise. In a situation of dis-agreement matter could be placed before the ECC of the Cabinet for decision.
4. For the import of machineries, intermediate goods and raw materials required by the specific export oriented industries customs duty/sales tax concessions indicated at Annex-A may be approved. Ministry of Finance/CBR have concurred with these concessions.
5. New concessional tariff rates indicated at Annex-A may be deemed to be effective from 14th of June, 1995. w.e.f 3-7-1995.

6. The existing policy of zero rated tariffs on imports as well as exports on cotton and cotton yarn may continue atleast for a period of three years.
7. Exporters may be allowed to borrow money from abroad against the Letters of Credit received for exports. Modalities worked out by the State Bank of Pakistan for the implementation of the scheme are indicated at Annex-B.
8. 25% subsidy on freight may be provided for the export of Jersey sheets only for the period 1995-96. Funds for meeting the freight subsidy expenditure will be provided from Export Development Fund. The facility will be available only to the new exporting firms in 1995-96.
9. Pakistani Insurance Companies whose total assets over their total liabilities are in excess of the solvency margins prescribed by the Insurance Act should be allowed to establish their Branch Offices abroad without any specific authorization to be issued by the Controller of Insurance/State Bank of Pakistan provided they meet their initial capital requirement for operations abroad through foreign exchange bearer certificates or their own foreign exchange. Such insurance companies would however, be required to file a declaration to this effect to the Controller of Insurance/State Bank of Pakistan.
10. Export authorizations issued by Ministry of Commerce for the export-cum-reimport of vehicles for the purpose of carrying Zaireen to holy places may be entrusted to the Export Promotion Bureau within the framework of existing procedures.
11. To encourage the export of gold jewellery and jewellery studded with precious/semi-precious stones, it is proposed that the Export Promotion Bureau scheme notified vide Public Notice No.2(36)/88-Com.III dated 7th of May, 1990 may be simplified in consultation with the State Bank of Pakistan and CBR.
12. Customs authorities may be authorized to allow export-cum-import in case of repairs involving remittance of foreign exchange of the items

imported from Pakistan subject to production of No Objection Certificate from the State Bank of Pakistan.

13. Number of VIP passes for the leading exporters may be increased to 100. Previously the number was 150.
14. Following value added items may be brought under the purview of Export Finance Scheme:
 - Synthetic yarn and blended yarn.
 - Packeted basmati rice with brand name.
 - Animal casings.
 - Mushrooms.
15. Visas to the businessmen citizens of USA, Canada, European Union, Norway, Japan, South Korea, Australia, Newzealand, OPEC countries, Singapore and Hong Kong may be issued at the Airport on their arrival on payment of normal fee for a maximum period of 30 days.

OR

Our Embassies abroad may issue multiple business visas to the businessmen/investors of aforementioned countries for a period of one year.

16. Existing ceiling of Rs.75,000 for the export of carpets as personal baggage by visiting Pakistanis or foreign nationals may be enhanced to Rs.150,000. Such exports will be permissible on production of encashment of foreign exchange certificate without the requirement of obtaining NOC from the State Bank of Pakistan.
17. Under the Export Credit Guarantee Scheme, for exporters who make exports on DA basis in the criteria of eligibility for obtaining credit guarantee the Pakistan Insurance Corporation may give more weightage to the preceding year exports and the good record of the

exporting firm in securing the export values in addition to the rating and the credit worthiness of the foreign buyers.

18. Karakuli cloth falling under H.S.Code No.5801.2110 may be allowed for import from world wide sources also by amending the Negative List of Import Policy Order 1994 against Heading No.5801 to 5811.
19. The prescribed shelf life of imported edible products/pharmaceutical be reduced from the limit of 75% to 50% at the time of import with other conditions remaining the same. The shelf life should be calculated from the date of filing "Import General Manifest" (IGM) as per provisions of Customs Act, 1969.
20. The import of second hand aircrafts may also be allowed to those agencies who are presently eligible to import new aircrafts with the condition applicable on the import of new aircrafts subject to the recommendations of Ministry of Defence and Aviation.
21. Import of used/second-hand tools (hand operated/power driven etc) may also be allowed by the industrial consumers, construction organizations and engineering concerns.
22. Import of only pressure horns covered under H.S.Code No.8512.3000 may be banned.
23. Oil and Gas Companies & Refineries etc may import without authorization from Ministry of Commerce their specific requirements on permanent/temporary basis. In the case of banned items or items subject to condition(s) authorization of Ministry of Commerce shall continue to be required. Customs will clear their consignments on the recommendations of Ministry of Petroleum & Natural Resources, Deptt of Petroleum & Energy Resources. Indemnity Bond equal to the value of machinery and equipment shall, however, be submitted to the customs authorities by the sponsoring Government agency to ensure re-export of such machinery & equipment imported on temporary basis.

24. Foreign contracting companies may be allowed to import freely importable items after submitting Indemnity Bond equal to the value of such items to the Customs authorities. However, for the retention of goods imported on temporary basis and for goods borne on Negative List, authorization of Ministry of Commerce shall continue to be required.
25. Civilian officers of Grade-17 and above may be allowed to import one non-prohibited bore weapon under Personal Baggage Scheme on one time basis during their service tenure on the recommendation of their parent Ministry/Division/Department subject to payment of normal duties and taxes. This facility is already available to armed forces personnel.
26. The condition of use/registration in the country of origin/export may be removed for import of agriculture pesticides registered under the Agriculture Pesticide Ordinance, 1971.
27. For minor deviations from the provisions of the Import Policy Order an Inter-ministerial Committee headed by Secretary Commerce be constituted with the powers to condone such departures, while other dispensations of the relevant provisions may continue to be allowed in consultation with the Ministry of Finance and the concerned Ministries or with the approval of the Economic Coordination Committee of the Cabinet, where considered necessary.
28. Import of pharmaceutical (allopathic) raw materials may be restricted only to pharmaceutical manufacturers.
29. Presently 578 items are importable from India. Indian authorities on a number of occasions on formal and informal basis have proposed according MFN status to the import of Indian products. Ministry of Commerce is not in favour of opening up of our market for Indian products on unilateral basis. If at all we have to open up our market for additional Indian products that should be as a result of negotiated deal on the MFN issue.

The import of the following items from India however, is proposed:-

- i) Artificial parts of human body(H.S.Code No.9021.3000) on humanitarian grounds.
- ii) Live animals. Import of live animals would not only bring down the local prices of meat but would also discourage smuggling of Pakistani goods to India in exchange of live animals.
- iii) Spray Dryer (H.S.Code No.8419.3900). India is the cheapest source for Spray Dryer which are used to enhance the production of reactive dyes.

30. Chemical classified as hazardous wastes under Basal Convention may be banned for import.

31. The import of used books/magazines and journals may be allowed.

32. Following types of carpets and floor covering made up (machine made) may also be removed from the Negative List and made importable:

<u>H.S.Code Nos</u>	<u>Description</u>
(i) 5702.0000	Carpets and other textile floor coverings (woven)
(ii) 5704.9000	Carpets and other textile floor carpets, of felt not tufted or flocked.
(iii) 5705.0000	Other carpets and other textile floor coverings whether or not made up.

33. Lubricating Oils, Mineral Oils and Greases may be made importable on the recommendations of Ministry of Petroleum & Natural Resources instead of meeting requirement of specifications notified by the Ministry of Petroleum & NR.

34. Armoured Security Vans older than 5 years may also be made importable by banks and Security Companies, subject to the certification by an internationally recognized surveyor that the vehicles still have reasonable useful life. The other conditions of import of armoured security vans would remain the same as prescribed in the Import Policy.
35. Cigarette Paper and Acetate Tow be restricted for import by the Cigarette Manufacturers only.

Statement showing concessional tariffs/sales tax for items required by the
export oriented industries

S.No	Item	Proposed rate of duty	Sales Tax
1.	For leather/shoe making industry		
(i)	Interling materials woven/ non woven, fusible/non-fusible all sorts.	10%	Zero
(ii)	Thermoplastic counter/toe puff material/stiffeners, cut or in sheets.	10%	Zero
(iii)	Band knife for splitting machines used in footwear industry.	10%	Zero
(iv)	Feed rollers for skiving machines.	10%	Zero
(v)	Bell knife for skiving machines.	10%	Zero
(vi)	Grinders for splitting and skiving machines.	10%	Zero
(vii)	Special cutters for sole and heel trimming.	10%	Zero
(viii)	Moulds for making soles and heels.	10%	Zero
(ix)	Brushes/round mops including wire brushes for finishing and roughing of footwear components.	10%	Zero
2.	Conventional hi-tech machines used for cutting, polishing of stones.	10%	Zero
3.	Grinding wheels for cutlery industry.	35%	Zero
4.	Prawn seedlings	10%	Normal
5.	Shoe lasts other than those of wood.	10%	Normal
6.	Drafting system for spinning and roving.	10%	Zero
7.	Lap machines not locally manufactured.	10%	Normal

8.	Twisting machines not locally manufactured.	10%	Normal
9.	Drawing/roving machines	15%	Normal
10.	Basic chromium sulphate.	35%	Normal
11.	Machines for packing of fresh fruits and vegetables.	10%	Normal
12.	Industrial steam	10%	Normal
13.	Iron(8516)	10%	Normal
14.	Fusing presses/vaccum tables(8451.3000)	10%	Normal
15.	Wool	Zero	Zero

Salient features of foreign currency loan scheme of State Bank of Pakistan

- (a) Exporters may obtain such credits from abroad either directly or through their banks in Pakistan.
- (b) Authorized dealers in Pakistan will also be permitted to grant such credit from foreign currency deposits mobilized by them.
- (c) Loans can be obtained not only against letters of credit but also against firm contracts.
- (d) The foreign currency borrowed as export finance would be converted into rupees at the official exchange rate.
- (e) The rate of interest would be freely negotiable.
- (f) Loans will have a maximum maturity of six months, and shall be repaid out of export proceeds. In case of failure to export or delay in realization of export proceeds, the loan may be serviced through FEBC or from a Foreign Currency Account maintained in Pakistan.

FOREIGN CURRENCY LOAN

Attention of Authorized Dealers is invited to the instructions conveyed vide F.E. Circular No.69 dated the 24th October, 1994, permitting residents to obtain foreign currency loans from abroad on repatriable basis for any purpose, subject to the conditions mentioned therein.

2. It has now been decided to permit those exporters who have entered into firm contracts with the overseas buyers or are holding letters of credit received from abroad to obtain short term loans in foreign currencies, to the extent of the value of such contract/letter of credit to enable them to finance the export of goods from Pakistan, provided the exporters bear the exchange risk. It would be permissible for exporters to arrange the finance in foreign currency from outside Pakistan either directly or through an Authorized Dealer.

3. The Authorised Dealers can also provide finance to the exporters out of foreign currency deposits mobilised by them. In such an event, following terms and conditions shall apply:-

- (a) The amount of deposit will be reflected in the local books of the Authorized Dealers as deposit and for this purpose conversion of U.S. dollar into Pakistan rupees will be made at the SBP's spot buying rate while conversion of other currencies will be made at the Authorized Dealer's spot buying rate, but foreign currency amount will not be surrendered to nor forward cover obtained from State Bank of Pakistan. It will be kept abroad over and above the normal limit of the Authorized Dealer for balances/open position till lending/disbursement to the exporters. The funds representing deposits held abroad will be reported in Appendix V-5 of the Foreign Exchange Manual (7th Edition - 1992) revised format whereof is attached herewith.

- (b) Authorized Dealers will be under obligation to fulfill all the statutory and Prudential requirements in respect of such loans and deposits.

4. The Authorized Dealers/borrowers will be free to fix the interest rates on such loans. The instructions contained in BARD Circular No. _____ dated _____ will not apply on such loans. The maximum tenure of such loans will be 180 days.

5. The foreign currency amount of loan obtained in terms of paras 2 and 3 will be required to be repatriated to Pakistan and encashed with an Authorized Dealer. Such inward remittances will be reported on form 'R' schedule 'J' with Code No. _____.

6. In case an exporter utilises this facility, he will not be eligible to obtain export finance in local currency from a bank in Pakistan for the same export commitment and in case he has already obtained such a loan on the basis of the relative contract/LC, he will be required to repay that loan immediately on encashment of the proceeds of the foreign currency loan.

7. A foreign currency loan obtained by an exporter in terms of this general permission will be required to be repaid alongwith interest out of the export proceeds received by him. The exporter will instruct the Authorized Dealer, through which the loan was received, and which is negotiating/handling the export documents, to arrange to repay the foreign currency loan and interest occurred thereon, less tax, to the lending institution out of the proceeds of the bill. The concerned Authorized Dealer will be required to report the full proceeds of the bill as a 'purchase' on schedule A-1 and the amount of loan and interest paid as 'sale', as laid down in sub-paragraph-vi of paragraph 2 of F.E.Circular No.69 of 1994. At the time of reporting sale, the Authorized Dealer will attach with the relative form 'M':

- (i.) Proceeds Realization Certificate evidencing transfer of the amount of loan to Pakistan.
- (ii.) Income Tax Officer's/Auditor's certificate indicating the

- (iii.) amount of tax due on the interest accrued on the foreign currency loan. In case interest is exempt from tax, exemption certificate from I.T.O. shall be attached.

It will be the responsibility of the Authorized Dealer to ensure while arranging payment/remittance of interest, that either the interest is exempt from tax or the payment is made after deduction of tax, leviable thereon.

8. In case the exporters fail to fulfil the export obligations, or their repayment of loan and interest accruing thereon less taxes, if leviable will be made by him through Foreign Exchange Bearer Certificates or from a foreign currency account.

9. In the case of exports to ACU member countries where export proceeds are not realized in convertible currencies, Authorized Dealers have our general permission to make remittances of the amounts of principal/interest less taxes, if leviable at the current exchange rate subject to compliance of the drill laid down in para 7 above.

Please bring the above to the notice of your constituents.

Yours faithfully,

(WASI AHMED)
Joint Director