



Trade Policy Initiatives 2005-06

**Ministry of Commerce
Government of Pakistan**

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FOREWORD

One of the principle responsibilities of the Ministry of Commerce is to draw up and announce a Trade Policy every year. This is a consultative process in which the Ministry holds intensive meetings with all stakeholders in the four Provincial Governments, as well as Federal Ministries, and most importantly with all the Federations of Chambers of Commerce and Industry, and other trade bodies, businessmen and exporters.

2. Trade Policy is a road map for the year, but also reflects the vision of the Ministry of Commerce (both short term and long term) on how to enhance trade and commerce related activities, and carry forward the over all macro economic agenda of the Government.
3. The Trade Policy by its composition is also a continuation of the past initiatives of the Government, and prescribes actions for dovetailing these earlier initiatives with the newly announced ones so as to form a wholesome strategic as well as implementation framework.
4. Since 1999 Pakistan has embarked on an export led growth strategy and the Ministry of Commerce carries the vital responsibility of implementing this strategy.
5. Ministry of Commerce strongly believes that consistency and transparency allied with facilitation, is the key to all successful initiatives in trade related areas. These principles were followed in last year's Trade Policy (2004-2005), where emphasis was on liberalization of our import regime, and facilitation of our stakeholders i.e. (businessmen and exporters), so that the cost of doing business for them was reduced, and they could create exportable surpluses after adding value.
6. In the current Trade Policy 2005-06, a Rapid Export Growth Strategy (REGS) has been drawn-up and is based on the following five pillars:—
 - (i) **Improved market access** through trade diplomacy, and new FTAs/ PTAs with selected priority countries.
 - (ii) Focusing on **regions neglected** by Pakistani exporters i.e. regions like Africa, Latin America, Eastern Europe, Central Asia and the Far East.

- (iii) Strengthening of **trade promotion infrastructure** of the Government including the EPB and the trade offices abroad.
- (iv) Improving skill development and productivity through provision of **large scale training**.
- (v) Provision of **state of the art physical infrastructure** by the government to spur investment and FDI.

7. These five basic areas needed to be concentrated upon to enhance Pakistani exports in a highly competitive post quota era. Of course for any strategic thrusts to be taken forward; tactical focus with specific proposals, have to be formulated, and these have been done under eight areas as below:—

- (i) Diversification of Exports
- (ii) Trade Facilitation
- (iii) Increased Market Access
- (iv) Enhancing export competitiveness by reducing cost of doing business.
- (v) Capacity Building on WTO and Trade Negotiations.
- (vi) Developing Export of Services
- (vii) Improving compliance and quality infrastructure and
- (viii) Technico-legal proposals.

8. Traditionally Ministry of Commerce would issue Trade Policy Documents consisting of Import Policy Order, Export Policy Order and the Speech of the Commerce Minister. As details of the new Trade Policy initiatives were not printed separately in easy to read booklet form; stakeholders namely Importers, Exporters, Pakistan's Trade Missions abroad, Foreign Trade Missions in Pakistan and Government Ministries and Departments find it difficult to get the details of the Trade Policy.

9. Ministry of Commerce realizing the need for availability of such information; has now published all Trade Policy initiatives for 2005-2006 in this Booklet form.

10. This booklet incorporates all the thrusts and initiatives which make up a Trade Policy on the Export and Import sides.

11. I am sanguine that this booklet, the first of its kind, will facilitate all stakeholders and especially our trading community to easily and quickly access complete initiatives and, comprehend the underlying ethos and rationale of Pakistan's Trade Policy for 2005-2006.

TASNEEM NOORANI
Secretary Commerce.

Islamabad, the 30th July, 2005.

2004-05 TRADE – OVERVIEW

Exports	2003-04	US\$ 12.3 billion
Export Target	2004-05	US\$ 13.7 billion
Export realized	2004-05	US\$ 14.4 billion
		Growth 17%
Imports	2003-04	US\$ 15.6 billion
Imports Target	2004-05	US\$ 16.3 billion
Import realized	2004-05	US\$ 20.6 billion
		Growth 32%

The US\$ 2.1 billion increment in 2004-05 was contributed by following sectors:

TEXTILE	US\$ 529 m	25% of increase
FOOD ITEMS	US\$ 319 m	15% of increase
LEATHER	US\$ 121 m	6% of increase
ENGG GOODS	US\$ 101 m	5% of increase
CHEMICALS	US\$ 119 m	5.7% of increase
OTHERS	US\$ 690 m	33% of increase

Major Increment in Imports

Machinery	38%
Industrial raw materials	39%
POL	20%

EXPORTS INITIATIVES FOR 2005-06

1. Focusing on neglected regions/countries:

- (i) Pakistan embassies will be allowed to hire local Marketing Executives, funded from the Export Market Development Fund (EMDF), wherever considered necessary.
- (ii) The Ministry of Foreign Affairs, in consultation with the MOC may appoint Honorary Consuls General in the priority countries for greater focus on Trade Matters.
- (iii) Envoys' Conferences will be held in Moscow, Eastern Europe, GCC countries and Far East Asia.
- (iv) EPB will focus on priority countries and priority products as identified in the Envoys' Conferences in its annual exhibition and delegation plan.
- (v) A detailed scheme is being prepared to set up warehouses in priority countries.

2. Marketing efforts in USA:

Trade-lobbying firm and consultants will be hired to enhance exports and market access.

3. Marketing efforts in European Union (EU):

Marketing Company will be engaged in EU countries for match-making and procurement of orders for Pakistani exporters.

4. Awareness Campaign on Trade Agreements:

In order to fully utilize concessions received under FTAs/PTAs, Ministry of Commerce and EPB will launch campaign including interaction with trade bodies including seminars, workshops and panel discussions.

5. Retail Sale Outlets:

Retail sale outlet in major importing countries is the best tool for introducing and exporting high quality and brand-name exports of Pakistan. To support the initiative and to motivate exporters to introduce their products, subsidy on rent of these outlets will be provided upto 50%, 25% and 10% per annum for the first, second and third years respectively. An upper limit will be determined by the EDF Board according to the destination country.

6. **Facilitating Exports to Afghanistan:**

- (a) *Facilitating Export from Balochistan.*— To facilitate export to Afghanistan from Balochistan, a new land custom station will be established at Qamar-ud-Din Karez.
- (b) *Simplification of Verification.*—The system of verification of exports to Afghanistan by Pakistan embassy has been replaced with verification on the basis of copy of import clearance documents by Afghan Customs authorities.
- (c) *Afghan Transit Trade (ATT).*—In order to remove an anomaly, re-export of such imported goods as are included in the Negative List of Afghan Transit Trade has been disallowed.

7. **Garment Skill Development Board:**

To enable the Garments manufacturing units to run certifiable on-job training programmes in a harmonized manner, an umbrella organization, namely “Garments Skill Development Board (GSDB)” will be set up. This Board will declare leading garments units as **training institutes**. The selected units will create additional infrastructure for training.

The GSDB will seek affiliation with international institutes to develop technical curriculum, arrange training of trainers, and conduct examinations. Training will focus on each progressive step of garment manufacturing i.e. stitching, cutting, finishing & accessories, packaging etc. Funding for this programme will be shared by the Board, the Garments’ Units and the students.

8. **Gems and Jewellery Package:**

Gem & Jewellery sector has been declared as an **industry**. Ministry of Commerce will develop a system whereby exporters will get financing from commercial banks under a collateral scheme.

Following further facilitation has been provided through amendments in SRO 266(1)/2001:

- (a) Period for export of jewelry manufactured from imported gold has been extended from 90 days to 180 days.

- (b) Period for realization of export sale proceeds has been extended from 120 days to 240 days.
- (c) Failure to comply with the above provision will result in a penalty equal to 5% of the leviable custom duty for first month and penalty of 10% for each subsequent month.
- (d) The Valuation Committee for export of precious and semi-precious stones has been abolished.
- (e) This sector has also been included in State Bank of Pakistan's Long Term Finance Scheme for Export-Oriented Projects (LTF-EOP).

9. Development of Footwear Sector:

In order to tap the full potential of Footwear exports, a consultant of international repute will be hired to:

- (a) Advise measures which can help in attracting FDI in Pakistan; and,
- (b) Propose how local industry can become a major player in world market;

Footwear Development Center will also be setup by the Footwear Association, at Lahore and Karachi with financial assistance from EDF.

10. Incentive for Pharmaceutical Exports:

Pharmaceutical exporters will be provided financial subsidy for hiring 3 medical representatives for a period of 2 years @ US\$ 500 per medical representative per month. For designated high-cost countries this support will be 30% higher.

11. Promotion of Organic Cotton:

Services of an international consultant will be hired to advise on cultivation of organic cotton. Government will arrange training of farmers interested in cultivation of organic cotton. Guaranteed procurement price of organic cotton will be ensured through Trading Corporation of Pakistan (TCP).

12. Reducing cost of Transportation

At present, exporters individually book their cargo with shippers directly at higher price as Freight Forwarders cannot offer bulk price due to limitation on them to

remit foreign exchange. In order to facilitate this sector, the State Bank of Pakistan, on the initiative of Ministry of Commerce, has agreed to allow Freight Forwarders to remit freight charges in foreign exchange. This will bring down the freight cost of exporters.

The “Freight Forwarding” has also been declared as an industry enabling their access to formal finance, concessional duties and taxes on the import of equipment, and utilities at reduced rates.

13. Assistance for Quality Standards Certification

To facilitate export of agriculture products to European Union, a subsidy of 50% will be provided on cost of certification of EUREPGAP.

14. Assistance for Mandatory Certifications:

For several agriculture and value-added export products, exporters are required to obtain certification from foreign accredited laboratories. The government will provide 75% of the certification cost of the internationally accepted laboratories verified by the concerned Pakistan Missions from EDF, subject to a maximum of US \$ 2000 per certification.

15. Promotion of Pakistani Trade Marks:

Pakistani exporters who register their trade Marks abroad for export purposes will be provided subsidy equal to 50% of the official registration fee.

16. Strategy for Export of Services:

Export of Services is a neglected field which can open new vistas for exports. For the promotion of export of services, a comprehensive strategy will be developed: Ministry of Commerce will hire, from EDF, one consultant each to provide expert advice for export of services in the fields of Law, Accountancy, Medicine, Architecture, and Construction / Engineering.

17. Concessional Rate of withholding tax for Export Services:

CBR has agreed to treat Services of Stitching, Dying, Printing, Embroidery and Washing provided to exporters and export houses by various enterprises as **deemed exports** for concessional rates of withholding tax.

18. Capacity building on issues related to WTO, Bilateral & Regional Trade Negotiations:

It is important to build a reservoir of knowledge and expertise on WTO issues, Bilateral and Regional Trade Negotiations. For this purpose, Ministry of Commerce will enter into partnership with reputed Universities, Institutes and Think Tanks and assign research studies on such issues to them. It would support them holding WTO and Negotiations related seminars.

Higher Education Commission will finance Pakistani scholars who opt to study abroad for Ph. D in WTO & Trade Negotiations related issues.

19. National Tariff Commission (NTC):

In view of the emerging global scenario, NTC will be re-energized and revamped with a view to highlighting its primary mission. Other measures will include steps to professionalise this important institution.

20. Trade Competitiveness Indicators

For better design of trade policy, **competitiveness indicators** will be developed and thereafter kept under constant review. They will quantify and internationally benchmark the cost of doing business in Pakistan, based on the following factors:

- (a) Financial (interest / exchange rate)
- (b) Regulatory (burden imposed by regulation)
- (c) Public service provision (infrastructure, legal framework set up costs etc)
- (d) Business environment (law and order / social and economic amenities).

21. Internal Commerce

Internal Commerce, though the responsibility of Ministry of Commerce, has not been focused upon so far. However, Internal Commerce is the key to economic growth and development of high value added products.

Therefore, systematic data / information will be collected on internal markets i.e. retail, wholesale, construction, storage, transport, agricultural, etc. Studies will then be carried out to assess growth impediments in these markets and recommendations for corrective policy measures will be framed. This will help in removal of **supply side constraints** to export growth.

IMPORT INITIATIVES FOR 2005-06

1. Import of Pharmaceutical Raw Material and Packing Material

Import of these products was allowed in Trade Policy through inclusion of SROs issued by CBR which have now been rescinded. The import policy has been amended accordingly so that import of pharmaceutical raw materials and packing materials may continue from India.

2. Removal of Anomaly under Schemes meant for Manufacture cum Re-export:

Imported inputs, whether banned or produced locally, are allowed under manufacturing for exports schemes (e.g. DTRE, etc). In case of India, even the permissible goods are not importable under these schemes, if they are produced locally.

To facilitate the import of raw materials by industrial sector, this anomaly has now been removed to allow import of items from India, whether locally manufactured or not, under the above-mentioned schemes as in the case of other countries.

3. Prior recommendation from the Regulatory Authority not required:

To liberalize import of machinery / equipment / specialized vehicles etc on import-cum-export basis by Oil / Gas, Mining companies and their contractors / sub-contractors, the recommendation of the Chief Executive of a company of the respective sector will be sufficient. The requirement of prior recommendation from the Regulatory Authority has been dispensed with.

4. Shelf life of food items

Previously, edible products were importable subject to the condition of having at least 9 months or 75% of the remaining shelf life. It was too high as compared to prevalent international requirements causing problems to importers of edible products, particularly food chains.

To harmonize conditionality of import with the prevalent international practices, the remaining shelf life of edible products has been reduced to 50% to be calculated from the date of filing of Import General Manifest.

5. Import of Vehicles under Gift, Personal Baggage, and TR Schemes:

To facilitate Overseas Pakistanis, the conditions for import of vehicles under Gift, Personal Baggage, and Transfer of Residence Schemes have been relaxed as under:

(A) *Gift scheme:*

- (a) Vehicles upto three years old (instead of previous two years) are allowed to be gifted to family members.
- (b) Presently, the family includes parents, husband, wife, and children excluding under 18 years of age. Brothers and sisters have also been added to the definition of family for the purpose of gifting vehicle under the scheme.

(B) *Personal Baggage:*

- (a) Vehicles upto three years old (instead of previous two years) are now allowed.
- (b) The requirement of registration of vehicle in the name of Pakistani national has been dispensed with.

(C) *Transfer of Residence (TR):*

- (a) Condition of one year registration of the vehicle in the name of Overseas Pakistani has been dispensed with.

Apart from the above relaxations, Overseas Pakistanis holding Pakistan Origin Card have also been made eligible for import under the above schemes.

6. Import of 2/3 wheelers:

As per existing policy 2/3 wheelers auto vehicles are allowed without any condition of standardization. These will now be allowed subject to one-time certification of each model by Pakistan Standards and Quality Control Authority (PSQCA) to the effect that it conforms to the specifications laid down in the Pakistan Standards 4707 and 4708.

7. Ban on import of Pressure Horns' Parts:

Pressure horns were banned for import due to environmental concerns. However, their parts remained importable. In order to remove the anomaly and discourage local manufacturing / assembling of pressure horns, the import of parts of pressure horns has also been banned.

8. Import of Precursors (Chemicals):

In compliance with UN Convention, the import of controlled substances by the concerned industrial consumers has been made subject to NOC from the Ministry of Narcotics Control.

However, the quantity for the Industrial Consumers will be determined by CBR whereas for the Pharmaceutical Units, by the Ministry of Health.

9. Import of palm stearin:

Palm stearin was importable subject to distinct coloration. Frequent disputes arose between the importers and the Customs Authorities on the definition of distinct coloration.

To resolve the issue, and to ensure that palm stearin is not misused for production of edible oil by removing colour subsequently, its import has been made subject to addition of "fat soluble distinct blue colour".

10. Import of plastic waste:

Presently plastic waste, parings and scrap of styrene, poly vinyl chloride and other plastics are importable subject to certification from exporting countries to the effect that it does not contain hazardous substance as defined under the Basel Convention.

To further ensure that hazardous plastic scrap is not imported, the import consignment has been made subject to certification by the exporting country's authorized agency or an ISO-17025 accredited laboratory to the effect that no hazardous substance, as defined under the Basel Convention, is included in the consignment.

11. Allow import of re-cycled plastic granules:

Plastic granules are importable provided they are made from basic raw material. Whereas granules made by the recycling of plastic waste are not importable. On the other hand, recycled granules have cost advantage of 30-35% vis-à-vis granules made from the basic raw material.

To provide low-cost raw material to local producers, import of granules made by recycling of plastic waste has been allowed. Nevertheless, in order to ensure that they are free from hazardous material, their import will be subject to certification from the exporting country's authorized agency or an ISO-17025 accredited laboratory to the effect that the exported plastic granules are free from any hazardous substance as defined under the Basel Convention.

12. Import of Used Fork-lifters:

Previously, secondhand / used fork-lifters above five tons were permissible for import. To facilitate industrial units for loading and unloading of goods, fork lifters of three tons and above have been allowed for import in secondhand / used condition.

13. Import of Secondhand / Used machinery:

In consultation with the Engineering Development Board, Ministry of Commerce has drawn the following list of secondhand / used machinery / equipment which has been allowed for import. This will help to reduce cost of doing business.

S. No.	H.S. Code	Description
1.	8423.9010	Weighing machines, weights and parts of weighing machines.
2.	8427.1000	Fork-lift trucks self propelled powered by an electric motor.
3.	8455.3010	Rolls for Rolling Mills - Cast iron rolls of diameter not exceeding 91.44 cm (36").
4.	8455.3090	Other Rolls for Rolling Mills.
5.	8455.9000	Parts of rolls for rolling mills.
6.	8470.0000	Calculating machines and pocket-size data recording, reproducing and displaying machines with calculating functions; accounting machines, postage-franking machines, ticket-issuing machines and similar machines, incorporating a calculating device; cash registers.
7.	8472.0000	Other office machines (for example, hectograph or stencil duplicating machines, addressing machines, automatic banknote dispensers, coin-sorting machines,

S. No.	H.S. Code	Description
		coin-counting or wrapping machines, pencil-sharpening machines, perforating or stapling machines).
8.	9017.0000	Drawing, marking-out or mathematical calculating instruments (for example, drafting machines, pantographs, protractors, drawing sets, slide rules, disc calculators); instruments for measuring length, for use in the hand (for example, measuring rods and tapes, micrometers, calipers).
9.	9019.0000	Mechano-therapy appliances; massage apparatus; psychological aptitude-testing apparatus; ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus.

14. Permission to import Machinery Parts:

Presently there is an anomaly in certain cases where import of machinery is allowed from India but its spare parts are banned. The spare parts of those machinery items which are allowed for import from India, have also been permitted for import from India.

15. Widening the scope of temporary import facility:

To facilitate professional and cultural activities in the fields of media, theatre and circus, temporary import facility in favour of Pakistani nationals, theatre and circus companies has been allowed to meet their requirements of temporary import without recourse to Ministry of Commerce.

16. Removal of Anomaly Regarding Import of Used Goods:

Import status as applicable to the items of chapter 1-97 of the Customs Tariff given in the Import Policy Order shall *mutatis mutandis* apply on chapter 99.

17. Attestation of Form 7 (batch certificate) by the Health Authority:

The condition of attestation of Form 7 (batch certificate) by the Health Authority, required in connection with the import of pharmaceutical raw materials for determining the shelf life has been done away with.