



Trade Policy Initiatives 2006-07

Ministry of Commerce
Government of Pakistan

TABLE OF CONTENTS

1. Foreword	1-3
2. Trade Performance Overview 2005-06	5
3. Export Initiatives for 2006-07	7-11
4. Imports Initiatives for 2006-07	13-18

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 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 (2005-06), 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 2006-07, the following elements of the Rapid Economic Growth Strategy (REGS) announced last year will be continued:—

- (i) Increased market access through trade diplomacy.
- (ii) Focus on trade with neglected regions of the world.
- (iii) Strengthening of trade promotion Infrastructure including EPB/TDAP and trade missions abroad.

- (iv) Emphasis on Skill Development in export oriented industry
- (v) Fast track development of State of the Art Infrastructure by the government.

Current Focus under REGS

7. To bring a sharper focus on implementing the strategy, measures for coordination of industrial, agriculture & service base expansion and diversification will be undertaken through the following measures:—

- (i) Holistic Export Promotion Strategy by synchronizing all related policies for major break through in exports.
- (ii) Improving Competitiveness and Productivity of Pakistan's exports and with specific focus on Domestic Commerce
- (iii) Better Market Access through accelerated multilateral, regional and bilateral trade diplomacy.
- (iv) Product Focused REGS will be pursued for enhancing identified / prioritized sectors' exports to over US\$ 1 billion each within 3 years. The focus will be on leather products, engineering goods, chemical & pharmaceutical, towel, denim and service sector for enhancing exports to US\$ 1 billion each within three years.
- (v) This will be attempted through:
 - (a) Sectoral prioritization and measures for quantum leap in exports.
 - (b) Promoting sectoral exports particularly of SMEs.
 - (c) Harnessing full potential of agri & value added products.
- (vi) Import Policy will be used as a tool for cost efficient export inputs.
- (vii) These targets will be achieved for these priority products by:
 - (a) Intensive marketing plan; creating niches in new markets and increased market share.

- (b) Coordinating with stakeholders for supply chain management; increased capacity and Skill Development.
- (viii) Creation of modern export marketing & facilitation organization for synchronizing its services with stakeholders' need (TDAP).

8. This booklet incorporates all the thrusts and initiatives, which make up the Trade Policy on the Export and Import sides; and will enable importers, exporters; Pakistan's Trade Mission abroad, Foreign Trade Missions in Pakistan and Government Ministries and Departments to glean this information from one readable document.

9. This will in turn facilitate all stakeholders and especially our trading community to easily and quickly access these complete initiatives, and comprehend the underlying ethos and rationale of Pakistan's Trade Policy for 2006-07.

(Syed Asif Shah)
Secretary Commerce

Islamabad, the 26th November 2006.

2005-06 TRADE – OVERVIEW

Exports	2004-05	US\$ 14.4 billion
Export Target	2005-06	US\$ 17.0 billion
Exports realized	2005-06	US\$ 16.5 billion Growth 15%
Imports	2004-05	US\$ 20.6 billion
Imports Target	2005-06	US\$ 21.8 billion
Imports realized	2005-06	US\$ 28.6 billion Growth 39%

The US\$ 2.1 billion increase in exports in 2005-06 was contributed by following sectors

TEXTILE	US\$ 1422	17% of increase
PETROLEUM PRODUCTS	US\$ 295 m	74% of increase
LEATHER	US\$ 148	18% of increase
FOOD ITEMS	US\$ 219	16% of increase
OTHERS	US\$ 24 m	2% of increase

MAJOR INCREASE IN IMPORTS

POL	67%
Machinery	34%

EXPORT INITIATIVES FOR 2006-07.

R & D Support for the Textile Sector

Given the particular needs of the textile garments sector last year, the Government decided to allow a 6% compensatory rebate to ready made garments and knit wear as research and development support, and this scheme continued upto end of June this year. It has now been decided to continue this support till end June 2008 at the rate of 3%. In addition Dyed/Printed Fabrics and white home textiles, both woven as well as knit will be eligible for R&D support at the rate of 3% whereas Dyed/Printed home textiles, woven and knit, will avail similar support at the rate of 5%.

R&D Support For Footwear Sector

2. Leather footwear has significant export potential with high value addition component but its export faces stiff competition from China, Vietnam and Brazil. Recently antidumping duty has been imposed on Chinese and Vietnamese footwear by the EU, which would help our exporters to enhance their exports to the EU. 6% R&D Support will also be available to leather footwear on the same lines as is available to textile garments sector.

Cool chain and cold storage for horticulture products

3. To facilitate the setting up of cool chains and cold storages it was announced in Trade Policy 2004-05 that the first 6% of mark up rate on loans obtained by export oriented companies would be picked up by the Export Development Fund (EDF). This facility will now be available to all users, whether the unit is export oriented or not as the facility once established would also be used by exporters.

Agri-Business Exports

4. MINFAL with the assistance of Asian Development Bank is executing various agri business projects for development of livestock, dairy, poultry and horticulture sectors in all the provinces. To export the surpluses created by these projects, it has been decided that :—

- (i) Halal Meat Export Zones will be set up at Karachi, Lahore, Peshawar and Quetta.

- (ii) Poultry Export Zones at Karachi, Faisalabad and Abbotabad.
- (iii) Mango Export Zone at Multan, Kinnow Export Zone at Sargodha, Apple Export Zone at Swat / Pishin, Dates Export Zone at Turbat, Chilli Export Zone at Kunri and Onion Export Zone at Jafarabad.
- (iv) Disease free zone with a radius of 50 km around the Mango Export Zone (MEZ) ensuring compliance with international health safety requirements.
- (v) Export Development Fund (EDF) will pickup the first 6% of the markup rate for setting up of meat cool chain facilities. Subsidy will also be provided for refrigerated transportation of such meat to export markets.

SME Sector

5. Pakistan has a large SME base, but these enterprises lack the capacity to export. To help them increase exports, it has been decided to explore establishing a specialized SME export-house as a corporate entity with a public/private partnership to be run by professional management. This will be a strong catalyst to boost SME exports.

Modified Freight Subsidy Scheme

6. Freight Subsidy Scheme announced in 2002-03 remained in force upto 30-09-2005. The scheme has been modified with the following features:

- (i) Export of all items (except those on the negative list) to Africa, Eastern Europe, Pacific Islands and CAR's may be given 25% freight subsidy.
- (ii) Export of developmental products to top 20 export destinations may also be given 25% freight subsidy.
- (iii) No individual exporter / firm / company will be entitled to freight subsidy exceeding Rs.5 million in a year.

Skill Development in Textile Sector

7. Presently Ministry of Commerce is assisting in training of skilled manpower in textile garment sectors through Textile Skill Development Board established

under Ministry of Textile Industry. This facility will now be extended to terry towels and bed linen.

Re-Export of Imported Goods in Original and Un-Processed Form

8. At present imported goods in their original and unprocessed form can be re-exported provided that re-export is made against “sight letter of credit” or advance payment. It is felt that these conditions are acting as a restraint on re-export of imported goods.

9. To remove this restraint and bring parity between exports and re-exports, it has been decided that that re-export of imported goods in original and unprocessed form will be allowed against issuance letter of credit, Document Acceptance (DA) or Deferred Payment (DP). Re-exports will be against “E” Form and subject to procedure prescribed by CBR for re-export of imported goods stored in Bonded Warehouses and of imported goods already cleared for home consumption. This measure will further liberalize our trade regime.

Dazzle Park

10. Given the right enabling environment, gems and jewellery sector has good export potential. Accordingly, an integrated facility to be known as the “Dazzle Park” is being established on 16 acres of land next to the Karachi airport, so as to minimize security costs associated with this high value trade. This one window type facility will have all the required state of the art processing facilities for this sector. Additionally it will contain training facilities for workers. It will also be declared as an export-processing zone so that the facilities located in the Park can enjoy the standard tax and procedural relaxations associated with such zones.

Expo Centers

11. To facilitate and promote exports to Afghanistan, Iran and Central Asian States, expo centers / warehouses at Islamabad, Peshawar and Quetta will be established.

Expo Centre Islamabad

12. To provide show casing of Pakistani products to foreign buyers and especially to the diplomatic community in the Federal Capital, Expo Center at Islamabad and Expo Center Lahore model will be set up. It would be a joint venture of CDA and EPB / TDAP.

Warehousing City

13. Given the vast opportunities and scope and in response to demands from exporters, a modern warehouse will be set up in Karachi by a corporate entity with public-private partnership to be run by professional management.

Carpet Cities

14. In order to institutionalize production of carpets, increase output, and making our carpets more competitive in terms of price as well as quality and other standards, setting up of carpet cities in Karachi and Lahore will be explored.

Cement and Clinker Terminal in Karachi

15. Presently the cement industry is undergoing major expansion and we expect to have an exportable surplus in cement by end 2007 of around 10 million tones. In order to facilitate the export of cement, a specialized coal, clinker and cement terminal is planned to be set up in Port Qasim Karachi.

Assistance for Quality Standards Certification

16. In the preceding two years, Government announced 50% subsidy for various quality, environmental and social certifications. Exporters are availing these incentives. This facility has been extended for the following additional quality certificates:—

- (i) CE (Conformity Europea)
- (ii) Eco-Labeling
- (iii) ISO 22000
- (iv) Certification for organic food products.

Exhibitions – Business Delegations

17. To gain maximum benefits from official visit of Pakistan's VVIPs abroad, a single country exhibition will be held in pre-identified countries with export prospects for Pakistan to coincide with the visits. Small business delegations of core exporters may accompany VVIPs on such visits.

Temporary export for participations in fairs / exhibitions and for testing / processing abroad and its re-import

18. To facilitate temporary export-*cum*-import of products for participation in foreign exhibitions / fairs and also for carrying out tests / certain processes, for which facilities are not available in the country, such as export-*cum*-re-import will be allowed against submission of indemnity bond / undertaking to Customs without recourse to Ministry of Commerce.

Long Term Financing for Export Oriented Project

19. In order to encourage the rapid establishment of export oriented projects, the Ministry of Commerce proposed the setting up of a special Long Term Financing facility on concessionary terms with fixed interest rates. After consultation with the State Bank of Pakistan this scheme has been revamped as follows:—

- (i) The banks will be entitled to a maximum spread of 2% instead of 3% thereby reducing the cost of borrowing by 1%.
- (ii) Banks will be allocated separate limits aligned to their demand rather than linking them with disbursement under the Export Refinance Scheme.
- (iii) Allocation of separate amounts for SMEs and non-SMEs has been dispensed with. However banks will give preference to the needs of SMEs.
- (iv) SME borrowers have been allowed to purchase plant, machinery, equipment and accessories through commercial importers.
- (v) The borrowers can import plant and machinery required for their projects under the scheme irrespective of whether it is being locally manufactured or not.
- (vi) The Banks and DFIs have been authorized to sanction and disburse loans without prior approval of the State Bank of Pakistan.

IMPORT INITIATIVES 2006-07.

Import of used machinery for Construction and Petroleum Sector

Construction activities are growing rapidly in the country due to enhanced economic activities, and rehabilitation efforts in the earthquake affected areas. As a result construction companies are facing shortage of construction machinery. While most of the new and used machinery is importable, a few items are banned. Since new machines are high priced, which inhibits their imports, there is a need to expand the list of used machinery importable by construction companies. Now construction and petroleum sector companies have been allowed to import the following machinery subject to the condition that these are not older than ten years:—

- (i) Machinery/plant for screening, sorting separating or washing;
- (ii) Machinery/Plant for crushing or grinding;
- (iii) Mixing machine/concrete batching plant;
- (iv) Concrete transit mixers;
- (v) Machines for mixing mineral substances with bitumen irrespective of capacity; and
- (vi) Asphalt plant, irrespective of capacity.

Import of used machinery parts by construction and petroleum sector companies

2. Construction, mining and petroleum sector companies are allowed to import secondhand/used machinery actually required for their projects in Pakistan. They are, however, not allowed to import secondhand/reconditioned parts of the said machinery. As a result they face difficulty in the maintenance and operation of such machinery. In order to alleviate the problem of stakeholders, import of used parts of machinery by construction, mining and petroleum sector companies has also been allowed.

Import of ground handling equipment

3. Presently, airlines operating in Pakistan, airport authorities, approved ground handling agencies, seaport authorities, dry port authorities, agencies operating border crossing infrastructure at Customs stations and operators of inland container depots are allowed to import some used ground handling equipment subject to the condition that their remaining life is not less than ten years.

4. The following additional ground handling equipment in used condition have also been allowed provided the equipment is not older than ten years:

1.	Air start unit	2.	Ambu-lifter
3.	Baggage tractor	4.	Baggage trolley
5.	Cherry picker	6.	Conveyor belt
7.	Towing tractor	8.	Container dolly
9.	Coaster (AC)	10.	Hilift loader
11.	Lower lobe loader	12.	Main deck loader
13.	Passenger steps	14.	Tow bar
15.	Passenger bus	16.	Pallet dolly
17.	Pickup	18.	Push back tractors
19.	Transporter	20.	Toilet car
21.	Catering vans	.	

Import by licensed call centres

5. Call centers provided initial breakthrough in outsourcing services from developed to less developed countries, paving the way for future collaboration in various service sectors. In order to encourage the setting up of call centres and to enable them to compete with other countries, by reducing their cost of establishment and operation, import of complete call centers, their parts, spares and components has been allowed in secondhand/used condition under re-location scheme as already permissible to industrial projects.

Import of machinery by industrial users

6. Electro plating, electrolysis or electrophoresis are highly delicate processes, which need sophisticated machinery. Such machinery is not locally available. Therefore industrial units have been allowed to import electro plating, electrolysis or electrophoresis machines in used/secondhand condition provided they are not older than 10 years.

7. Industrial concerns need mobile cranes not only for construction of industrial units but also for their maintenance. This facility is already available to petroleum and construction sectors. New mobile cranes are very expensive and add to the cost of manufacturers. Moreover these are not locally made. Industrial units will now be able to import mobile cranes in used/secondhand condition provided they are not older than 10 years.

Import of used machinery parts by industries

8. There are quite a few industrial units with imported machinery installed, which is not manufactured any more, nor are their parts and components available. This is hampering proper maintenance and operation of these plants and adversely impacting their output. These industrial units have now been allowed to import secondhand/ reconditioned parts and components of such machineries.

Import of used mobile clinics and medical equipments

9. Used mobile clinics and medical equipments, with the exception of magnetic resonance imaging apparatus (MRI), electro-cardiographs, ultrasonic scanning apparatus, scintigraphic apparatus, other electro diagnostic apparatus and computed tomography apparatus equipments are not allowed for import. Mobile clinics are an effective tool to extend medical facilities to rural and far-flung areas as well as to provide emergency help. Medical and dental equipment in new form are quite expensive translating into higher cost of medical treatment in the country.

10. In order to extend medical facilities, the following used medical equipment and mobile clinics have been allowed subject to inspection certification from internationally recognized inspection agencies specializing in this field in the exporting countries to the effect that such equipment is free from bacteria and other material injurious to health:

- (i) X-Ray machines.
- (ii) Dialysis machine.
- (iii) Anesthesia apparatus.
- (iv) Reverse Osmosis equipment.
- (v) Ophthalmic instruments and appliances.

Import of Medical Equipment by returning doctors

11. In order to facilitate overseas returning doctors to establish their clinics and hospitals in Pakistan, import of the following medical equipment in secondhand/

used condition under the T.R Scheme has been allowed, subject to the inspection/certification from an internationally recognized inspection agency in the exporting countries to the effect that such equipment is free from bacteria and other material injurious to human health:—

- (i) X-Ray machines.
- (ii) Dialysis machine.
- (iii) Anesthesia apparatus
- (iv) Reverse Osmosis equipment.
- (v) Ophthalmic instruments and appliances.

Import of used refrigerated lorries

12. Refrigerated lorries are key ingredients of cool chain for production and preservation of edible items such as meat, vegetable, fruits, flowers etc. Due to dearth of refrigerated transport, large quantity of above items is wasted which discourages further production.

13. To overcome the shortage of refrigerated lorries, their import in used/secondhand condition has been allowed subject to the condition that these are not more than ten years old. This policy will be reviewed next year.

Import of Waste Disposal Trucks

14. Municipal bodies/Corporations/Cantonment Boards are in need of waste disposal trucks for sanitary purposes. They have therefore been allowed to import used waste disposal trucks directly or through their nominated agents for their use only or as donation and gifts directly to these organizations subject to the condition of not older than 15 years.

Import of Fire Engines

15. Fire engines are importable in used and secondhand condition by Municipal Bodies/Corporations/Cantonment Boards if they are not more than five years old. Fire engines of five years old are not readily available. Moreover they are quite high priced. Municipal Bodies/Corporations/Cantonment Boards/Civil Aviation Authority have now been allowed to import fire fighting vehicle directly or through their nominated agents for their use only or as donations and gifts directly to these organizations, subject to the condition that there are not more than 15 years old.

Security Equipment

16. For improving security measures, import of security equipment including X-Ray machines for screening / scanning purposes, surveillance cameras and close circuit TV (CCTV) in secondhand / used condition have been allowed for installation at worship places, public parks and other recreational areas which are frequently visited by the public in large.

Import by Government agencies etc.

17. Till 2000, Ministries, Divisions, Provincial Governments, their departments and other Government agencies were eligible to meet their import requirements irrespective of import status of items; provided that they had their own foreign exchange allocated by the Ministry of Finance for this purpose and opened L/C directly. The relevant provisions were inadvertently left out from the policy while simplifying the import procedure. As a result, these Government agencies have been approaching Ministry of Commerce off and on for relaxation of the import of banned items. In order to simplify the procedure, Ministries, Divisions, Provincial Governments, their departments and other Government agencies have been allowed to import any item, irrespective of its import status, to meet their requirements subject to the condition that they have foreign exchange allocated by the Ministry of Finance for that purpose and they import directly.

Import of Air Guns and Pistols

18. Air guns/air pistols are used as sporting guns although they are classified as arms. Ministry of Commerce has been receiving requests from various sporting associations such as National Rifle Association, Pakistan Army Rifle Association, Islamabad Gun Club etc. for import of such weapons for practice and training purposes, and to prepare for participation in national and international competitions. Therefore, import of air guns/air pistols, their parts and slugs has been allowed to Pakistan Sports Board, Provincial Sport Boards, National Rifle Association, Army Rifle Association, Rifle Associations of other armed forces and recognized / specialized sporting clubs, subject to the procedure to be notified by the Ministry of Commerce.

Import of Aircraft

19. In the existing policy, aircraft, spacecraft, aircraft parts can be imported by public sector agencies, private sector airlines, private flying clubs, charter and aviation services and charitable foundations having valid licenses issued by the Ministry of Defence. Ministry of Commerce has been receiving requests from

public and private limited companies for the import of aircraft for use of their executives. Keeping in view their need, the public and private limited companies have also been allowed to import used as well as new aircraft and their parts subject to the condition that they have a valid licence from competent Authority.

Import of Chemicals

20. Import of acetone, hydrochloric acid, sulphuric acid etc. was allowed only to industrial concerns on NOC from Ministry of Narcotics Control. Research laboratories and educational institutions in need of these materials for their own use were not allowed this import. Now, the research laboratories both in public or private sector and educational institutions have also been allowed to import above chemicals after NOC from Ministry of Narcotics Control.

Import of CKD Kits

21. Only those recognized assemblers of vehicles, agricultural tractors and motorcycles could import CKD kits who had their deletion programmes approved by the Ministry of Industries for progressive local manufacturing. In order to comply with WTO Trade Related Investment Measures (TRIMs) agreement, Deletion Programmes have been eliminated and TRIMs compliant Tariff Based System (TBS) has been introduced through the budget 2006-07. Import of CKD kits will, however be regulated by the Ministry of Industries and restricted to those assemblers, which are registered with the Ministry of Industries.

Import of Pharmaceutical Raw Material

22. All pharmaceutical raw materials (allopathic) grade are importable if they are in accordance with the provisions of Drugs (Imports and Exports) Rules, 1976. Reflection of this provision in the trade policy will help check misuse of the facility.

Import of Palm Stearin

23. Palm stearin is a basic raw material for the manufacture of soap. Its appearance is similar to that of palm oil used in the manufacture of cooking oil/ghee. To avoid its use in manufacturing cooking oil and ghee, the import of palm stearin is subject to distinct colouration since long. However, disputes arose between Customs Authorities and importers about their perceptions of “distinct colour addition”. In consultation with the stakeholders, Ministry of Science and Technology and CBR, it has been decided to allow import of palm stearin in distinct fat soluble colour to conform to the lovibond color range of 10 red minimum on tintometer 5 ¼ “Cell” This testing facility is now available with Pakistan Customs”.