



Government of Pakistan

Trade Policy Initiatives 2007-08

Ministry of Commerce
Islamabad

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FOREWORD

It is the policy of the Ministry of Commerce to involve all stakeholders in the formulation as well as the implementation process of the Trade Policy. In coordination with other Ministries and Organizations of the Government; the Ministry of Commerce has been carrying out its assigned role of creating market access and enhancing the country's exports. This responsibility is the cornerstone of the export-led growth strategy that our Government is pursuing.

2. Pakistan's trade policy initiatives are crucial to building and enhancing its capacity to garner a greater share for itself in international trade; which has a direct correlation with greater economic development. An effective trade policy should look to identification of new opportunities for trade; improving capacity to negotiate greater market access; meaningful implementation of domestic trade reforms; a more attractive environment for domestic and foreign investment; lower costs for local traders and exporting businesses; thereby making them more competitive in local and international markets

3. As implementation of trade policy measures involves many public institutions and agencies with a variety of economic, social and regulatory mandates; they all need to work together effectively to achieve the end result of enhanced Economic activity in the country.

4. The Ministry of Commerce works on the premise that consultations and consensus building among Ministries and agencies involved in trade policymaking and negotiations is essential to good economic governance. On the contrary, poor coordination among government agencies can impact development adversely and undermine policies intended to expand trade and competitiveness.

5. In order to accelerate export growth; a **Rapid Export Growth Strategy (REGS)** was announced in 2005-06. The strategy was based on the following pillars:

- (i) Trade diplomacy to increase market access;
- (ii) Diversification of export markets;
- (iii) Strengthening of trade promotion infrastructure;
- (iv) Skill development; and
- (v) Early provision of modern infrastructure.

6. For 2006-07, we decided to continue with REGS in a targeted manner, and identified selected sectors like engineering goods, pharmaceuticals and chemicals, towels, denim, and leather & leather products to take their exports to the U.S. \$ 1(b) mark in the next 3 years. We have made significant progress in trying to achieve these aims. For example, while following an ambitious and aggressive stance at the WTO for a successful conclusion of the Doha Round; we have also been actively negotiating for increased market access through FTAs, and PTAs. We have strengthened our commercial offices abroad and have replaced the Export Promotion Bureau (EPB) with the Trade Development Authority of Pakistan (TDAP); a state of the art new organization, to improve our trade promotion infrastructure, and provide a modern autonomous organization to work holistically for boosting Pakistan's exports.

7. We must now have a long-term vision to sustain our Export Growth Strategy. Under the directions of the Prime Minister, the Deputy Chairman Planning Commission, after rigorous and in-depth consultations with stakeholders in both the public and private sectors has drawn up a long-term export plan, which provides for broad-based targets in terms of specific sectors; investment requirements in those sectors; and recommends specific actions to achieve exports of US\$ 45 billion by 2013; and increase the export to GDP ratio to almost 16% given an average annual economic growth of 7% to 8%.

8. This booklet incorporates all the thrusts and initiatives of Pakistan's Trade Policy for 2007-08 on the Export and Import sides; and will, I am hopeful, enable importers, exporters; Pakistan's Trade Missions abroad, Foreign Trade Missions in Pakistan and Government Ministries and Departments to glean this information from one readable document. This will also facilitate the stakeholders, and in particular our trading community to easily and quickly access these initiatives and comprehend the underlying ethos and rationale of Pakistan's Trade Policy for 2007-08.

(Syed Asif Shah)
Secretary Commerce

Islamabad, the 2007.

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2006-07 TRADE - OVERVIEW

Export	2005-06	US\$ 16.5 billion
Export Target	2006-07	US\$ 18.6 billion
Export realized	2006-07	US\$ 17.0 billion Growth 3.4%
Imports	2005-06	US\$ 28.6 billion
Imports	2006-07	US\$ 30.5 billion Growth 6.9%

The US\$ 560.1 million increment in exports in 2006-07 was contributed by following sectors

TEXTILE	US\$ 538.8 m	96.2 % of increase
FOOD ITEMS	US\$ 24.8 m	4.4 % of increase
PETROLEUM PRODUCTS	US\$ 12.5 m	2.2 % of increase
OTHERS	US\$ -16.0 m	-2.8 % of increase

MAJOR INCREMENT IN IMPORTS

POL	US\$ 665.1 million	33.9 %
Machinery	US\$ 535.2 million	27.3 %
Others	US\$ 758.9 million	38.8 %

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EXPORT INITIATIVES FOR 2007-08

Enhancing Competitiveness, Productivity & Export Capacity.

Long term, Fixed Rate, Export Oriented Projects Financing Scheme In order to enhance production capacity, the scope of the scheme will be enlarged to cover: -

- (i) Export oriented, core and developmental sectors (Annexure-I).
- (ii) Purchase of locally manufactured machinery.
- (iii) Compact spinning.

Export Oriented Units (EOUs)

2. To encourage investment and facilitate exports, a scheme of Export Oriented Units (EOUs) will be introduced with the following salient features:

- (i) The scheme will essentially have the same incentives as are available to units in the EPZ's.
- (ii) Existing units exporting at least 80% of their production shall be eligible for registration with FBR under the scheme.
- (iii) New units, so registered, will be required to export 100% of their production.

Equity Fund

3. An equity fund will be established through pooling the resources of private and public sector organizations for:

- (a) Acquisition of overseas brands and/or the brand holding companies in the following manner:
 - (i) If the acquirer is a wholly owned Pakistani company or a wholly owned subsidiary of a Pakistani company, upto 50% of equity capital.

- (ii) If the acquirer is a joint venture involving a Pakistani and a foreign company, upto 50% of the equity capital of the share of Pakistani Company.
 - (iii) Equity capital participation by the fund will not exceed US\$ 5 million per acquisition.
- (b) To encourage setting up of sanitary & phyto sanitary facilities and testing laboratories.
4. The fund will divest within 5 years from the date of investment by offloading to;
- I. Pakistani sponsors.
 - II. Other interested Pakistani companies.
 - III. Stock Exchange.
 - IV. Others deemed suitable by the Fund.

Sectoral Investment Incentives

5. To encourage new investments particularly in hi-tech, Core and Developmental products, First Year Allowance (FYA) on investment in plant, machinery and equipment (PME) will be allowed. The FYA can be set off against statutory income in the year of assessment. Any unutilized allowance can be carried forward to subsequent years until the whole amount is used up. The FYA will be allowed at the following rates:—

- (i) Exporting units or value added or Hi-tech industries (Annexure-II) @ 90% of the cost of the plant, machinery and equipment.
- (ii) Other Core and Developmental categories @ 75% of the cost of the plant, machinery and equipment (Annexure-I).
- (iii) Re-investment allowance at the same rate as mentioned in para (i) above may be applicable on capital expenditures/ investment in case of BMR & expansion
- (iv) Exporting units, value added and high-tech industries may be exempted from payment of customs duty and taxes on the import of plant, machinery and equipment.

Export Credit Risk Management

6. According to various estimations, 15% to 20% of total export transactions are on terms of payments, which are other than secure transaction terms (i.e. without L/C or advance payment). This practice of Non-L/C transaction is growing and various countries, which compete with Pakistan in export markets, provide the facility of Export Credit Agencies (ECA). Pakistani exporters are facing difficulty in extending credit to buyers. Pakistan is thus loosing those contracts which have commercial risk or country risk. It is, therefore, proposed to restructure Pakistan Export Finance Guarantee Authority (PEFGA) to:

- a. Include insurance of the exporters' credit risk; and
- b. Restructure Board of PEFGA.

Social, Environment & Security Compliance

7. Buyers in Developed countries/regions particularly in EU & USA, require Pakistani exporters to comply with social, security and health standards.

8. A Social, Environmental & Security Compliance Board will be set up in TDAP to educate, coordinate and monitor implementation of local laws relating to these standards with all relevant government agencies in Pakistan and to interact with the buyers abroad.

Skill Development

9. Productivity of our skilled labour including management systems at production floor is low, both in terms of quantity and quality, as compared to our competitors. This leads to high cost of production and low quality. Although the Ministry of Commerce & TDAP took a lead in early 1990's and established training institutes for various export industries with funding from EDF, but without much success. On the other hand, there is a mismatch between the existing training programmes and the demand of industries.

10. To better align current training programmes to skill required in export sectors, an Export Skills Development Council will be established in TDAP

and the existing institutes will be converted into Technological & Skill Development Resource Centers.

Agri –Marketing Integrated Centers (AMIC)

11. AMICs will be established to have close linkages with selected and enlightened farmers to obtain their produce for storage and sales on their behalf. AMICs will provide common facilities such as grading, packaging, fumigation, testing, certification, etc.

12. Export linkages will be established with international and local buyers. TDAP will establish a private limited company to be managed by specialists in this field.

Export Facilitation and Marketing Supports Assistance in Reaching International Standards

13. To introduce best practices, international consultants will be hired for selected companies on cost sharing basis. The consultants would:

- (i) Benchmark the companies' characteristics including production technology, skills, accounting procedures, marketing and business practices relative to international levels.
- (ii) Identify the deficiencies and assist the firms in removing them.

14. The scheme will initially include textiles and apparel, surgical instruments, leather products and sports goods. The companies, which do not follow the advice of the consultants, will be required to refund the money contributed by the Government. For each sector, there will be a list of approved consultants. Criteria for selection of companies will be prescribed.

Support for Compliance Certifications

15. In the previous three years Government announced 50% subsidy for various quality, environmental and social certifications. To encourage further, the subsidy will be increased to 100% of the cost of certification if a manufacturing units gets four of the certificates including (i) ISO 9000 (ii) ISO 140001 (iii) OHSAS 18001 (iv) SA 8000 (v) WRAP (vi) EKOTEX (vii) BSCI (viii) BRC in the following manner;

- (a) 1st certification 50%
- (b) 2nd certification 66%
- (c) 3rd certification 82%
- (d) 4th certification 100%

Assistance for opening of exporters' offices abroad

16. In this highly competitive world, unless exporting companies make one to one contact in the target markets, sales cannot be promoted. Exporter's own presence abroad is vital in view of changing trading scenario, i.e. middle man's elimination, duty paid deliveries, globalization of supply chain, importance of timely delivery and servicing transactions. It is, therefore, necessary for exporting establishments to set up business offices in their principal export markets to help in business development, marketing/sales and operational activities. However, setting up of offices abroad entails sizable expenditures in rents and operational cost.

17. Government will provide 50% subsidy in rentals and 50% subsidy in salaries for three employees for three years with a suitable cap to only Socially and Environmentally Compliant and ISO certified exporters. Eligible countries would be Malaysia, Japan, China, UAE, Russia, USA, EU and Africa. Eligibility conditions with respect to minimum export would be prescribed by the TDAP.

Support for Marketing of Branded Products

18. Brands fetch premiums but brand promotion is difficult and expensive. Pakistani companies are, therefore, constrained in promoting their brands in potential markets. There is a need to facilitate them.

19. Government will provide 50% cost sharing in their media promotion plan and 50% cost of shelf space for promoting their branded products in leading retail outlets.

Retail Sales Outlets

20. Trade Policy 2005-06 provided the sharing of rental costs of outlets, established in potential markets abroad by exporters having their own brand

names. Such retail outlets were to be provided financial support to the extent of 50%, 25% and 10% respectively, for a period of three years. The upper limit for the rental share was determined by the EDF Board as \$ 50,000/-, \$ 25,000/- and \$ 10,000/- per annum respectively, for the three years. Only a few applications were received. End users were of the view that apart from rent, setting up of a retail outlets entailed many other costs, such as furniture & fixtures, décor, utilities, salaries of staff and advertising cost. The rents in principal export markets (EU, USA etc) were very high and existing caps needed to be enhanced.

21. The scheme is being modified to raise the cost sharing of rentals and the support period to 75%, 50%, 25%, and 10% per annum, respectively for four years, on case to case basis.

Overseas Business Support Units (OBSUs)

22. There is a need to set up Overseas Business Support Units in our principal export markets so as to enhance our market share in each of these countries through providing marketing support to individual exporters.

23. Three OBSUs will be established in USA, EU and China in the first phase; and in Africa, ASEAN, and East Europe in the second phase. The OBSU will comprise a Director-OBSU, assisted by a market analyst, a secretary and three marketing executives, all locally employed.

E- Marketing

24. A large number of SMEs are unable to use the latest tools of ICT (Information and Communication Technology) for managing their businesses more efficiently for a number of reasons including lack of IT knowledge, development cost, hardware cost, and technical support. Role of “Internet” is growing in international trade. The concept is to promote Pakistani products on the internet and establish commerce channels to facilitate the exports using established tools of Internet Marketing and also establish commerce channels enabling small and medium entrepreneurs to export directly to the end consumers globally.

25. TDAP will establish online presence (web portal of exporters) and undertake Internet Marketing for web portal. TDAP will also hire an IT

Company to assist the exporters in web development and train in internet marketing.

British Retail Consortium (BRC) Certification

26. The British Retail Consortium is the lead trade association representing the whole range of retailers. It has introduced the BRC Food Technical Standard to be used to evaluate manufacturers or retailers own brand food products.

27. In order to promote export of branded rice and food products to U.K, exporters who have already established their brand will be offered 50% cost of BRC certificate.

SMEs Facilitation For Exports

28. In order to facilitate SMEs exporters, the FBR will announce a new scheme for temporary importation of raw materials including fabrics to be used as inputs for export products.

Export to ISAF/DLA

29. According to the existing Export Policy Order, exports to Afghanistan in convertible currency are eligible for zero rating of sales tax, federal excise duty, rebate and customs duty drawback provided the exporters submit proof that the goods have reached Afghanistan which are verified on the basis of copy of import clearance document by Afghan Authorities. Since exporters of goods to International Security Assistance Force (ISAF) and Defence Logistic Agency (DLA) are not issued clearance documents by Afghan authorities, they are unable to claim zero rating, rebates and duty drawback available to other exporters.

30. To resolve this problem, zero rating of sales tax or duty drawbacks as well as federal excise duty refund against goods exported to ISAF and DLA will be allowed on production of receipts issued by the aforementioned agencies confirming that they have received the goods. The receipts will be reconfirmed by the representatives of these agencies located in Pakistan.

Sectoral Initiatives

Export Diversification

31. At present textiles and apparel account for more than 60% of total exports of our country. There is a need to strengthen non-textile sectors with a view to increase their share in the overall exports of the country and identify new items. International consultants will be engaged to:

- (a) Identify Industrial, Agricultural and Service sectors where Pakistan may have some competitive advantage internationally;
- (b) Prepare short, medium and long-term plans for such sectors so that in future policy making, the Government can focus on such identified sectors.

(To avoid duplication, Ministries/Divisions concerned will coordinate)

Export of Gems and Jewellery

32. The Import and Export of Gold, Gold Jewellery and Gemstones Order 2001 allows an exporter to import gold, gemstone and a few raw materials against his export performance. However, certain essential tools and equipment were not permissible for import under the Order.

33. Now the tools and equipment, which are either not available in Pakistan or have substandard production level, will also be allowed for import to improve product quality.

Export of Gold and Jewellery

34. Export of gold jewellery manufactured from imported gold under the Import and Export of Gold, Gold Jewellery and Gemstones Order 2001 was allowed subject to the value addition as under;

- a. For stone studded gold jewellery, 15%.
- b. For plain gold jewellery, 10%.
- c. For plain gold bangles, 5%.

35. Due to sharp increase in the gold prices during the recent years, the value addition requirements have been revised as under:

- a. For stone studded gold jewellery, 9%.
- b. For plain gold jewellery, 6%.
- c. For plain gold bangles, 4%.

Export of Jewellery

36. Presently the scope of the Import and Export of Gold, Gold Jewellery and Gemstones Order 2001 is restricted to import and export of gold and gold jewellery. Import of silver and platinum for the manufacture and export of jewellery has now been allowed for the following reasons:—

- a. Growing international demand/trends.
- b. Industry has the capacity to manufacture jewellery of alternate precious metals as the process is same as gold jewellery;
- c. Low cost of raw material (for silver) as compared to gold will encourage SMEs to trade in jewellery made from alternate materials;
- d. People, under changing trend, prefer to buy jewellery made of metals other than gold as fashion-wear and costume jewellery.

Value-addition in Carpet Export

37. To arrest decline in the export of carpets, the import of semi-finished carpets on temporary basis for processing for exports under Customs SRO 1065 has been allowed.

Promoting Engineering Goods Export

38. Engineering goods consist mostly of bulky items. As a result, their transportation cost is quite high. Inland freight subsidy for the transportation of goods destined for exports will be allowed under a procedure to be notified by the Ministry of Commerce.

Export of Meat

39. To develop export quality slaughterhouses, financial assistance will be provided to investors from EDF. A scheme will be drawn in this regard in consultation with the MINFAL.

Development of Women Entrepreneurship in Exports

40. Women entrepreneurs are gradually coming up in export business. TDAP has been engaged in various promotional activities. These include holding annual Wexnet Exhibitions in Pakistan, provision of training facilities and subsidized participation in international trade fairs and delegations. TDAP has also prepared a data base of women entrepreneurs to offer services to active women entrepreneurs.

41. To provide women entrepreneurs with a more organized environment, Women Entrepreneurs Cities will be established in Karachi and Lahore where infrastructure and other facilities will be provided like industrial plots, common facility centres, business centres, technical workshops, child care centres, training centres, etc.

Facilitation for Export of Pharmaceuticals

42. Trade Policies 2004-05 & 2005-06 announced schemes whereby 50% subsidy was allowed to pharmaceutical companies for registration of their products in foreign countries for export purposes. They were also provided a facility to hire upto three medical representatives for a period of 2 years @ US\$ 500 per medical representative per month. For designated high cost countries, this support was 30% higher.

43. In order to further exploit the export potential of pharma sector, the TDAP will provide the following support:—

- (a) 50% cost of audit/accreditations by international health regulatory bodies;
- (b) 50% cost of bio-equivalence and similar testing in WHO accredited labs.

Support for Enhanced Production of Japonica-type Rice

44. Japonica rice, a variety highly glutinous, has a high and ready market in countries of East Asia, Japan, Korea, etc., which import sizeable quantities of this type of rice and fetches high prices. The demand will increase once Japan and Korea further open their markets.

45. MINFAL is already working on production of Japonica-type rice in Swat. This effort will be reinforced through the following:

- (a) Engage an international consultant to review the Japonica-type rice opportunities from an international perspective, and develop the concept for increasing production of the right variety, which can compete in world market.
- (b) Undertake export promotion once substantial quantity becomes available.

Fruits and Vegetables

46. Under National Trade Corridor Improvement Programme (NTCIP), Ministry of Commerce in consultation with Pakistan Horticulture Export & Development Board (PHDEB), prepared proposals for enhancing annual export of fruit and vegetables from existing \$ 150 to \$ 400 million in the next 5 years. For this purpose it was envisaged to establish a cold chain system including pack houses, cold stores and refrigerated containers.

47. Following initiatives will be taken:

- a. 39 most modern pack houses, completely automated and equipped with advanced electronic devices for packing/grading and storage plants will be set up at 31 fruits and vegetable growing areas throughout the country;
- b. 23 facilities for cold storage and controlled atmosphere storage will be established at the fruit production areas, airports and seaports in the country;
- c. Two container yards in Karachi and Lahore with a pool of 200 refrigerated containers and 50 controlled atmosphere refrigerated

containers at each location will be established. Karachi pool will serve the requirements of Sindh and Balochistan provinces while Lahore pool will serve the requirement of Punjab and NWFP.

Procedural/Others Export procedure

48. Imported items could be exported for the purpose of repair or replacement or refilling etc, subject to submission of indemnity bond to the Customs Authorities undertaking that goods being exported will be re-imported after repair, replacement or refilling. However, there is no provision in the Export Policy Order for the return of defective goods for which replacement has already been received by the importers. At times due to urgency and nature of the requirement, the replacement components/goods are imported prior to export of the defective goods.

49. It has been decided that where defective goods have to be exported for which replacement has been received, the condition of indemnity bond will not be required provided there is no revenue implication.

Export of Ghee to Afghanistan

50. Consumers desire information about the ingredients used in edible products. In case of Afghanistan it was observed that all foreign brands contained product information in local language except those imported from Pakistan.

51. It has therefore, been decided that vegetable oils exported to Afghanistan shall have ingredients information printed in 'Dari' and 'Pushto' languages on the containers/packages.

Encouraging Local Footwear Industry

52. Exporters of footwear are allowed to import duty free footwear samples to meet their export commitments. This facility has been extended to manufacturers as well. This will help local manufacturers to improve the quality of their products and keep them abreast of the changing fashions and trends in the world market.

Export Control: Nuclear Weapons

53. In pursuance of the Export Control of Goods, Technologies, Material, and Equipment related to Nuclear and Biological Weapons and their Delivery Systems Act, 2004, a Strategic Export Control Division (SECDIV) has been created in Ministry of Foreign Affairs with the authority to implement and enforce provisions of the Act. The controls on export of above mentioned items will be as per procedures and NOC / Licence issued by SECDIV.

54. Export Policy Order has been amended to incorporate provisions of the “Export Control of Goods Technologies, Material and Equipment related to Nuclear and Biological Weapons and their Delivery systems Act, 2004”.

Domestic Commerce

55. A vibrant domestic commerce is pre-requisite for innovation, entrepreneurship, quality assurance and product development. It facilitates private sector–led growth and positions countries to effectively tap international markets and ensure sustained capital inflows.

56. The Ministry of Commerce has already created a Domestic Commerce Wing. The scope of the wing has been enhanced. The wing would engage additional core experts and consultants to prepare specific action plans for approval after coordination with all agencies concerned.

IMPORT INITIATIVES FOR 2007-08

Construction Industries

57. Construction, mining and petroleum sector companies themselves were allowed to import second hand plant, machinery and equipment including specialized vehicles not older than 10 years, actually required for their projects in Pakistan subject to pre-shipment inspection. Most of the construction companies may not have the expertise to import these items on competitive terms. At times their requirements may also not be large enough to provide economies of scale.

58. To enable the construction, mining and petroleum sector companies to meet their requirements of machinery and equipment, commercial importers have also been allowed to import machinery/equipment/specialized machinery excluding dumper trucks and mobile transit mixers, on behalf of only those construction companies which are registered with Pakistan Engineering Council. The imports will, however, be subject to pre-shipment inspection by the designated companies to certify that the machinery is in working condition and not older than 10 years.

Registration of construction companies with Pakistan Engineering Council

59. Under the Import Policy Order, construction companies were allowed to import secondhand plant, machinery and equipment not more than ten years old actually required for their projects in Pakistan. To ensure that only genuine construction companies can avail the above facility, only those construction companies which are registered with Pakistan Engineering Council will be allowed to import secondhand plant machinery and equipment.

Import of used (upto four years old) heavy-duty prime movers.

60. Pakistan Trucking Industry requires an infusion of EURO III compliant heavy-duty prime movers of 380 HP and above. This will not only increase operating efficiency but also result into better fuel efficiency and cleaner emission.

61. The import of used heavy duty prime movers i.e. 380 HP and above, not more than four years old which are EURO-III compliant has been allowed, subject to the following conditions;

- (a) Import permission will initially be for one year i.e. 2007-08;
- (b) Import will be allowed only from reputed OEMs;
- (c) Only registered transport companies and established fleet operators operating at least 25 prime movers in their name will be eligible to import such prime movers;
- (d) Each import order will include not less than 10 prime movers;
- (e) The importers will not be allowed to sell or transfer such prime movers to any other person or a company within 5 years of import.

62. The fleet operators placing large order of 100 or more units can start a dialogue with the OEMs to establish full services support in Pakistan leading to manufacturing and possible future exports from Pakistan.

Facilitation for exhibitors

63. The import of permissible products for display in exhibitions and fairs, officially organized by the Government or FPCCI or Chambers of Commerce and Industry, are allowed on import-cum-export basis. Trade Associations established on all Pakistan basis and individual companies also organize exhibitions and fairs. Therefore, the facility has also been extended to all Pakistan based Associations and individual companies subject to endorsement by TDAP.

Facilitation for Disabled Persons

64. To help physically disabled persons, import of motorized wheel chairs, whether new or in used condition, has been allowed as donations and gifts to charitable institutions and hospitals.

Facilitation for Mountaineering Expeditions

65. Presently mountaineering expeditions have to approach Ministry of Commerce for permission to import their equipment and materials on temporary basis. Import of the same by mountaineering expeditions on import-cum-export basis has been allowed without requiring recourse to Ministry of Commerce. In case the equipment and material are not re-exported, they may donate such equipment and materials to local mountaineering clubs and produce a certificate to the Customs from a mountaineering club to the effect that the equipment and material imported on import-cum-export basis has been donated to that club

Facilitation for Overseas Pakistanis

66. Presently only FBR allows release of goods sent by Overseas Pakistanis to a consignee without sales tax registration. This sometimes causes undue delay in the release of goods. Therefore, the authority to grant exemption from sales tax registration has been delegated to the Collector of Customs concerned.

Regulatory Measures: Quadrilateral Agreement

67. Quadrilateral agreement provides that the contracting parties have the right to apply all the prohibitions for the traffic and transit, deriving from their national legislation. The following provision has been provided in the Import Policy Order:—

“Import and export of goods for transit under the agreement for traffic in transit among the Governments of Peoples Republic of China, The Kyrgyz Republic, The Republic of Kazakhstan and the Islamic Republic of Pakistan shall be subject to all prohibitions and restrictions notified and reflected anywhere in the Import Policy Order”.

Drugs:

68. In order to prevent misuse of imported narcotic drugs and psychotropic substances, pharmaceutical units having valid drugs manufacturing licenses will be allowed to import these substances on the authorization of Ministry

of Health. Such imports will also be subject to meeting the conditions prescribed for import of pharmaceutical raw materials.

Chemicals:

69. Formaldehyde is a carcinogenic chemical. Import of formaldehyde has been allowed only to industrial consumers who have valid licences issued by the environmental agency/deptt. concerned under Pakistan Environmental Protection Act, 1979.

Security:

70. To prevent the import of raw materials used in the manufacture of bullet proof jackets by anti-state elements, it has been decided that such materials may be allowed for import only on the recommendation of Ministry of Interior.

Stolen Vehicles:

71. To discourage import of stolen and chassis tampered vehicles under the Personal Baggage, Gift and Transfer of Residence schemes, it has been decided that in addition to confiscation of the said vehicles, the importers will also be liable to such penalty as may be imposed by any other law for the time being in force. Re-export facility will also not be available for such vehicles.

72. Procedural Proposals

- (i) Pakistan has adopted HS 2007 version through the budgetary measures 2007-08. The transposition from HS 2002 to HS 2007 version has resulted into numerous changes affecting description and import status of certain items. The H.S code in the Trade Policy will be harmonized with the new system.
- (ii) In the trade policy there was no uniform indication of PCT codes, which in certain cases were at four, six and eight digit levels. This created problems at the automated customs computerized system. It has been decided that eight digit PCT codes on the basis of HS 2007 will be reflected in the Trade Policy to facilitate the automated clearances.

Facilitation for Mountaineering Expeditions

65. Presently mountaineering expeditions have to approach Ministry of Commerce for permission to import their equipment and materials on temporary basis. Import of the same by mountaineering expeditions on import-cum-export basis has been allowed without requiring recourse to Ministry of Commerce. In case the equipment and material are not re-exported, they may donate such equipment and materials to local mountaineering clubs and produce a certificate to the Customs from a mountaineering club to the effect that the equipment and material imported on import-cum-export basis has been donated to that club

Facilitation for Overseas Pakistanis

66. Presently only FBR allows release of goods sent by Overseas Pakistanis to a consignee without sales tax registration. This sometimes causes undue delay in the release of goods. Therefore, the authority to grant exemption from sales tax registration has been delegated to the Collector of Customs concerned.

Regulatory Measures:

Quadrilateral Agreement

67. Quadrilateral agreement provides that the contracting parties have the right to apply all the prohibitions for the traffic and transit, deriving from their national legislation. The following provision has been provided in the Import Policy Order:—

“Import and export of goods for transit under the agreement for traffic in transit among the Governments of Peoples Republic of China, The Kyrgyz Republic, The Republic of Kazakhstan and the Islamic Republic of Pakistan shall be subject to all prohibitions and restrictions notified and reflected anywhere in the Import Policy Order”.

Drugs:

68. In order to prevent misuse of imported narcotic drugs and psychotropic substances, pharmaceutical units having valid drugs manufacturing licenses will be allowed to import these substances on the authorization of Ministry

of Health. Such imports will also be subject to meeting the conditions prescribed for import of pharmaceutical raw materials.

Chemicals:

69. Formaldehyde is a carcinogenic chemical. Import of formaldehyde has been allowed only to industrial consumers who have valid licences issued by the environmental agency/deptt. concerned under Pakistan Environmental Protection Act, 1979.

Security:

70. To prevent the import of raw materials used in the manufacture of bullet proof jackets by anti-state elements, it has been decided that such materials may be allowed for import only on the recommendation of Ministry of Interior.

Stolen Vehicles:

71. To discourage import of stolen and chassis tampered vehicles under the Personal Baggage, Gift and Transfer of Residence schemes, it has been decided that in addition to confiscation of the said vehicles, the importers will also be liable to such penalty as may be imposed by any other law for the time being in force. Re-export facility will also not be available for such vehicles.

72. Procedural Proposals

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- (iii) The list of items importable from India will be re-arranged in ascending order based on the new H.S. Code to make the list user-friendly.
- (iv) The definitions of the terms “Job-lot “ and “stock-lot” goods as given in CGO 12/2002 has been incorporated in the Import Policy Order.
- (v) The IPO does not define the “Rules of Origin” for the imports coming from countries with whom no Preferential Trade Agreement has been signed. Such rules of origin will be defined and made part of Import Policy Order. This step will help stop the items coming through transit from the countries wherefrom imports are banned.
- (vi) To make the policy transparent in respect of Ozone Depleting Substances, the Import Policy Order will clearly mention the name of Ministry of Environment responsible for allocating quota for Ozone Depleting Substances.
- (vii) Import of waste, parings and scrap of polyethylene (PE) and polypropylene (PP) was allowed to industrial consumers subject to certification from the exporting country and by PCSIR. The latter has expressed inability to certify the hazardous free nature of the imported scrap. The condition of certification by PCSIR in the Import Policy has, therefore, been substituted with mandatory certification by the Government of the exporting country or certification by a pre-shipment inspection company in the exporting country specialized in this field.

LIST OF CORE AND DEVELOPMENTAL CATEGORIES

Core Categories

1. **Textile & Garments**
 - a. Fabrics
 - b. Garments
 - c. Made ups
 - d. Towels
 - e. Art silk & synthetic textiles
2. Rice Processing
3. Leather & Leather products
4. Sports goods
5. Carpets & Wools
6. Surgical instruments

Developmental Categories

1. Fisheries
2. Poultry & Meat
3. Fruits/Vegetable & Processing, Cereals.
4. I.T- Software & Services
5. Marble & Granite
6. Gems & Jewellery
7. Engineering goods

CATEGORY (A): Value Added.

- Leather: Value Added
- Textile: Value Added.
- Footwear
- Surgical & Sports Goods.
- Carpets.
- Electronics
- Soft & Stuffed Toys.
- Frozen Concentrated Citrus Juices.

CATEGORY (B): Hi-Tech Industries.

- Process Control Equipment/Systems; Power Tools/Pneumatic Tools.
- Powder Metallurgical Industry and Manufacture of Alloys & Stainless Steel.
- Information Technology.
- Solar Technology/Solar Cell Industry.
- Aerospace.
- Defence Production.