



Press Brief on
STRATEGIC TRADE POLICY FRAMEWORK
2012-15

GOVERNMENT OF PAKISTAN
MINISTRY OF COMMERCE
ISLAMABAD

Ministry of Commerce presented its Strategic Trade Policy Framework 2012-15 to the Cabinet on Wednesday, 30.01.2013 for approval. Ministry of commerce had made two presentations on STPF 2012-15 to the Prime Minister over the last few months. Pakistan used to announce Annual Trade Policy till 2008. The present government started the three year policy cycle and presented its first Strategic Trade Policy Framework 2009-12 in September 2009. The three year policy cycle was appreciated by the Industry as it allowed the medium term development projects to be implemented properly. STPF 2009-12 achieved its export targets at the end of 2010-2011. In spite of various challenges faced by economy, our trade has shown consistent improvement. Our exports increased by 27 percent in the year 2010-11 and touched a record level of US \$ 24.8 billion. There was a slight fall of 4.7 percent in exports during 2011-12, due to external factors like shrinkage in global demand in wake of the global financial crisis and lower prices of cotton in the international market.

The second Strategic Trade Policy Framework (STPF) for next three-year period, 2012-15 essentially builds on the STPF 2009-12 and seeks to identify those aspects of Pakistan's export competitiveness, which have been relatively less attended to till date. The Principles of STPF 2012-15 as approved by the Cabinet today are as follows:

- i. Focus on Regional Trade
- ii. Create Regulatory Efficiencies
- iii. Promote Agro-processed exports
- iv. Increase Exports from less developed Regions of Pakistan
- v. Promote exports of Services Sector
- vi. Enhance access to export financing and credit guarantees
- vii. Revamp Export Promotion Agencies
- viii. Mobilize new investment in export oriented industries
- ix. Facilitate Exporting industry overcome energy crisis
- x. Enhance Product and Market Development and Diversification
- xi. Undertake effective Trade Diplomacy
- xii. Increasing Green Exports

- xiii. Rationalize the Tariff Protection Policy
- xiv. Enhance Role of Women in Exports
- xv. Reform and Develop Domestic Commerce

With the help of development interventions enunciated in STPF 2012-15, the government hopes to take Pakistan's cumulative exports from \$ 65 Billion to \$ 95 Billion.

The STPF 2012-15 has three major parts. The first part consists of the interventions aimed at strengthening the existing trade related institutions and seeking to establish the 'missing' institutions. The second part consists of the export development initiatives to overcome the competitiveness

deficit identified in the form of the fifteen principles given above. The Cabinet today approved Rs. 5 Billion for these initiatives for 2012-13 and Rs 26 billion for the whole policy cycles.

The third part of STPF 2012-15 consists of the regulatory amendments to Import Policy Order and Export Policy Order with a view to enhance the ease of doing business and streamlining of procedures and strengthens the regulations related to public safety and security.

The details of the three kinds of interventions are given below:

Category I:

Institutional Interventions.

Domestic Commerce Reform and Development

Development of Domestic commerce is important from the point of view of economic development, consumer welfare as well as meeting benchmarks that are important to make our products acceptable in international market. Traditionally, Trade Development Authority of Pakistan (TDAP) takes care of the supply side and domestic commerce issues impacting upon Pakistan's international trade. However, with the 18th Amendment, role of the provincial governments in this respect has also become important. Recognizing these linkages and the lack of any institutional arrangement to pursue the objective of promoting domestic commerce, it has been decided to:-

- i. Make appropriate amendment in Rules of Business, 1973 to specifically mandate Ministry of Commerce to promote Domestic Commerce in collaboration with other Ministries, provincial and local government:
- ii. Create a Domestic Commerce Wing in the Ministry of Commerce comprising of two units i.e., Domestic Commerce Unit and Trade in Services Unit.

The new set up will

- a. Establish necessary institutional mechanism and business processes
- b. Introduce or leverage the introduction of necessary Domestic Commerce regulations such as the wholesale/retail market
- c. framework, insolvency/bankruptcy regulations, framework for construction services and framework of interface of government agencies with business community, framework for coordination between different tiers of government in post 18th Amendment scenario etc.
- d. Bring out annual State of Domestic Commerce Report.

- e. Will anchor the re-organized Export facilitation Committees of TDAP at the federal level.
- iii. Set up an Inter-governmental Domestic Commerce Reform and Development Committee, including senior level representation from the provincial governments, in consultation with all the stakeholders. The newly created Domestic Commerce Wing would act as a Secretariat to the Committee.
- iv. The major responsibilities of the Committee would be to oversee the introduction of necessary laws and regulations and institutional arrangements to develop Domestic Commerce in Pakistan and strengthen the linkages of Domestic Commerce with Pakistan's international trade.

Rationalizing Tariff Protection Policy (TPP):

High tariff protection maintained over a period of time tends to erode competitiveness and affects consumer welfare. Ministry of Commerce will adopt following guiding principles to create a competitive environment that caters for dual aspects of providing a level playing field for the domestic industry as well as consumer welfare:-

- i. Promote competitive markets in Pakistan.
- ii. Ensure conformity to international agreements and practices.
- iii. Promote domestic and foreign investment.
- iv. Create level playing field for Pakistani firms in international as well as domestic markets.
- v. Due consideration to consumer welfare.
- vi. Cater to the changing needs of Pakistan's economy.
- vii. Create an enabling environment to pursue the legitimate goal of Industrialization in Pakistan.

Establishment of Pakistan Land Port Authority (PLPA) to Strengthen Regional Trade

Trade integration with South Asia, China and the ECO countries is being accorded high priority with the objectives to develop mutually beneficial regional production and trade networks. Our border land ports lack world class trade facilities. In order to transform our land ports into efficient facilitators of trade while simultaneously being responsive to security issues, smuggling, human trafficking etc. it is proposed to establish a Pakistan Land Port Authority of (PLPA) with the mandate to function as a statutory body, under the administrative control of the Ministry of Interior

with representation from relevant federal entities as well as representation from the respective provincial governments.

With establishment of Pakistan Land Port Authority, land port entry points would be transformed into Integrated Check Points to enable smooth cross-border movement of individuals, vehicles and goods by providing immigration, customs, security, quarantine, facilities at the port. To enable this, the present infrastructural facilities would be up-graded wherever needed. The spadework to establish PLPA would be carried out by a 'Set up Committee' to be headed by Secretary Ministry of Commerce with representation from other relevant Ministries and provincial governments.

Setting Up of EXIM Bank

Availability of capital to meet an export order is the most important element of the export business cycle as it directly impacts an exporter's competitiveness. Therefore, governments both in developed and developing countries, endeavor to ensure that adequate, cheap and timely trade financing is made available to exporters. Trade financing facilities are extended by the governments through EXIM Bank and Export Credit Guarantees institutions. Pakistan's exporters also need legitimate trade financing support in the wake of challenges of high interest rates and limited availability of financing for export or investment in export oriented manufacturing as well inadequate incentives to import from Pakistan as compared to our competitors. It has therefore been decided to establish an EXIM bank. The EXIM Bank, with the help of provincial governments, would not only provide export credit, it would also provide supplier's credit and export credit guarantees. A committee has been constituted under the chairmanship of Governor State Bank to work out detailed modalities for establishing the EXIM Bank.

Promotion of Services Sector Exports

Services sector contributes 54 percent to the GDP but export of services from Pakistan has not been reflective of its true potential. Our services exports stood at US \$5 Billion in 2011-12 whereas the global trade in services was \$18.2 Trillion. To tap the enormous potential of export of services, especially to Asia, it has been decided to establish a Services Trade Development Council in collaboration with the relevant sector. A special task force is also proposed to be constituted for facilitating the development of E-Commerce

Creating Regulatory Efficiencies

A framework of lesser but smarter regulations is necessary for promotion of international trade. Therefore, it has been decided to

- i. Strengthen National Tariff Commission so that it can play its role more effectively and efficiently.
- ii. Create a Resource Management Unit in the Ministry of Commerce by strengthening of International Trade Organization Wing (ITO).
- iii. Furthermore to revamp the existing system of international trade dispute resolution. It has been decided to constitute a committee in the Ministry of Commerce with membership from the public and private sectors as well as Karachi Dispute Resolution Centre (KDRC) to propose an action plan for setting up an International Trade Dispute Arbitration Council and revamp the existing Commercial Courts to give the country a more efficient, time saving, relatively inexpensive mechanism for trade dispute resolution. The committee would be required to give their recommendation within three months which will be placed before the Cabinet, for its approval.

Strengthening of Training and Product Development Institutes

The training and product development Institutes, running under Ministry of Commerce and TDAP will be strengthened after carrying out a detailed 'entity improvement diagnostic and audit'. This would help these institutions produce better quality human resource and designs for our industry.

Revamping Export Promotion Agencies & Trade Monitoring Committee

Export promotion needs strong support by a country's Export Promotion Agencies [EPAs]. EPAs in Pakistan are under-resourced and not tuned to modern challenges of export promotion. It has been decided to:-

- i. Overhaul Trade Offices Abroad by providing both financial and improved human resource after carrying out a performance analysis.

- ii. Realizing that Trade offices abroad do not work in isolation as their performance also depends on the performance of the institutions like TDAP, Pakistan Horticulture Development and Export Company (PHDEC). It has been decided to develop and implement an Entity improvement plan for both the organizations.
- iii. Trade Committee, it has been decided to constitute a high level 'Trade Committee under the chairmanship of Commerce Minister, with membership from relevant government Ministries/departments, provincial governments, business and academia. The Committee would be mandated to evaluate our trade performance at least on a quarterly basis and address specific issues hampering Pakistan's foreign trade and competitiveness.

On basis of the principal elements of the Policy Framework identified many sector specific export development initiatives have been introduced. A brief overview of these initiatives is given below:

CATEGORY II: EXPORT DEVELOPMENT INITIATIVES:

Mark-up support of 2% on prevailing LTFF for future import/purchase of machinery.

Long Term Financing Facility (LTFF) of State Bank of Pakistan is aimed at providing relatively concessional financing to manufacturer cum exporters to increase their production capacity. However, investment in export oriented manufacturing activities has still been dwindling in the recent past due to multiple supply side constraints.

In order to encourage fresh investments in export oriented industries in a tough economic environment, it is proposed to provide mark up support to selected sectors by making available LTFF at 2 % lower than the prevailing rates. The eligible sectors would be as follows: Leather, Engineering, Horticulture, Processed Food, Marble & Granite, Sports Goods and Computer related services.

Mark-up Rate support of 1.5% on Export Finance Scheme (EFS) to selected export sectors

Export Finance Scheme (EFS) is a major scheme by the State Bank of Pakistan for the exporters for provision of running finance. It aims at boosting exports of the country by promoting the value added sector by providing somewhat concessional financing to the exporters. The current markup rates under Export Finance Scheme for the borrower stands at 11% (banks get re-finance from State Bank of Pakistan at 10% and are permitted a maximum spread of 1%).

To ease the constraints on running capital, it is proposed to provide a further markup reduction of 1.5 points from the prevailing rates to the following focus sectors: fish and fish preparation, processed

foods, meat and meat preparations, sports goods, footwear, leather products, surgical goods, cutlery, onyx products, pharmaceuticals, electric fans, transport equipment and electrical machinery.

Ad-Hoc relief @ 3% of FOB to offset the impact of higher cost of utilities for Pakistani exporters in selected sectors

Small exporters in Pakistan have to face the challenge of energy crisis with limited resource. While the bigger exporters may have alternate sources of energy such as captive power plants, the smaller ones have to bear the brunt of load shedding of energy and gas shortages. This significantly adds to their costs and reduces their competitiveness.

To offset the increasing cost of utilities, it is proposed that selected non-textile exporting sectors may be provided a ad-hoc relief 3% of FOB, in order to stay in the export business. The proposed sectors are Fish and Fish Preparations, Processed Foods, Meat and meat preparation, , Sports goods, Footwear, Surgical goods/medical instruments, Cutlery, Electric Fans, Auto Parts and Furniture.

Marketing Development Assistance for Regional countries

Pakistan's trade with regional countries is on the rise. China has become our largest trading partner. Afghanistan has become our second largest export market; Normalization of Trade relations with India is also a major initiative. These developments present both challenges and opportunities for Pakistani exporters. In order to up-scale our market development activities in neighboring markets, including China, India, Afghanistan and Iran this Ministry proposes to undertake different promotional initiatives including market research, support to non-traditional exports, support to marketing efforts of private sector etc. We also intend to encourage trade in Afghanistan against Letters of Credit by providing incentive which will be worked out in consultation with the State Bank of Pakistan.

Export Promotion campaigns for agro-processed products

In order to help our farmers align themselves better with the international market, it has been decided to launch export promotion campaigns with the help of graduates of Agriculture Universities of Faisalabad, Rawalpindi, Peshawar and Tando Jam. Selected students will be trained to reach out to the farmer community and train them in best agricultural practices

Encouraging the Opening of Retail Outlets

Opening retail sale outlets in major importing countries is the best tool for introducing and exporting high quality and branded exports of Pakistan. International presence of Pakistani firms at present is very low as compared to our competitors.

To support the initiative and to motivate exporters to introduce their finished products, it has been decided to provide subsidy on these outlets upto 75 percent, 50 percent, 25 percent per annum of the rental cost of retail outlets or ware houses in the first, second and third year respectively in the export markets in Asia, Africa and Australia.

Subsidizing 50 percent Cost of Plant and Machinery for establishing processing plants for Meat, Fruits, Vegetables, Dates and Olives in Baluchistan, Gilgit Baltistan , Khyber Pakhtun Khwa and FATA

A big quantity of Fruits and Vegetables produced in Gilgit Baltistan is wasted due to lack of processing plants and facilities and long distance from major urban centers. This adversely affects incomes of the farming community.

To encourage investment and value addition in this region, the government has decided to provide 50% subsidy on cost of processing-plants and machinery for Fruits and Vegetables in the Gilgit Baltistan.

Dates and Olives:

Pakistan is the 4th largest producer of dates with excellent quality of dates being grown in the areas of Khairpur, Dhakki, D.I.Khan, D.G. Khan, Turbat, Pungor and Washak. But only 13 percent of the total produce is exported and that also as a low quality product. Similarly growing and processing of Olives in Khyber Pakhtun Khwa, FATA and Baluchistan have great potential. However, lack of necessary processing facilities results in the wastage of large quantities of dates thus contributing to rural poverty.

To encourage investment and value addition in these areas, the government has decided to provide 50 percent subsidy on the cost of processing-plants and machinery for adding value to these products in Khyber Pakhtun Khwa, FATA and Baluchistan.

Meat and Meat Preparations:

Livestock farming has emerged as a major contributor to GDP. Meat and Meat Preparations exports have grown significantly in the last few years and stood at \$175 Million in 2011-12. However we have not been able to make any headway in establishing meat processing facilities in Khyber Pakhtun Khwa, FATA and Baluchistan, though a significant percent of people in these provinces depend on livestock for their livelihoods and there is potential of export of meat to adjoining countries.

In order to bridge this deficit, it has been decided to provide 50 percent subsidy on the cost of plants and machinery for processing of meat. This initiative will go a long way in encouraging exports of meat preparations from the under developed regions of Pakistan.

Up-gradation of Rice Inspection Labs

Rice is one of the major export items of Pakistan. Yet many of our shipments are rejected due to inferior quality of Rice. Currently, the relevant laboratories are under equipped and under staffed. There is a need to up-grade these labs and get them accredited with international bodies. It will ensure that only quality rice is exported and brand of Pakistan as a quality rice supplier remains intact.

Mark-up subsidy @ 100 percent of the prevailing mark-up rate and 50 percent subsidy for wire saw cutting machinery to reduce wastages for establishing mining and processing in KPK, FATA, GB and Baluchistan

Mining and quarrying sector represent an important activity in Pakistan's economy, contributing around 0.5 percent to Pakistan's GDP since 1990. At present majority of marble and granite mining is done through primitive mining methods, most commonly by using explosives, which results in huge wastage of this non-renewable resource of the country.

To control un-scientific and explosive based conventional mining, it has been decided to provide a mark-up subsidy at the rate of 100 percent on the prevailing mark-up rate for the installation of wire saw cutting machines in KPK, Gilgit Baltistan, FATA and Baluchistan and a 50 percent subsidy on the cost of wire saw cutting machinery.

All such mining concessioners which are not using controlled blasting and are not switching to scientific mining, their mining concessions may be reviewed by Mines and Minerals Department

of the respective provinces in such a way that an ‘environmental degradation penalty’ is imposed on explosives blasting from 01.07.2015 and a complete ban on their mining is imposed with effect from 01.07.2017.

Strengthening Women Chamber of Commerce

The government has been encouraging the establishment of Women chambers in the recent past. The capacity of these Chambers however is still very limited. Ministry would support Women Chambers by strengthening their research and outreach capabilities to promote entrepreneurship amongst women.

Establishment of Leather Export Promotion Council

Traditional trade bodies have not been very successful in promoting exports. Ministry of Commerce proposes to establish a model project in leather sector under combined management of the public and private sectors in the management of sector specific trade organization to promote export of leather, which is the third largest export sector of Pakistan. In future, this model can be replicated in other sectors. It shall help in better and sustained communication between the Government and private sector for promotion of leather exports.

REGULATORY AMENDMENTS IN IN IMPORT/EXPORT POLICY ORDER

Government is aware that there is an urgent need to reduce the cost of doing business in Pakistan. The issue is being addressed in a systematic way under our Strategic Trade Policy Framework 2012-15. To demonstrate our resolve to reduce the cost of doing business in Pakistan significantly,

The following regulatory amendments are being proposed to Import and Export Policy Orders after extensive consultation with the private sector. These amendments would further facilitate Pakistan’s trade and contribute to the ease of doing business by simplifying the procedures and strengthening the regulatory processes. These measures include:-

Easing Import of Motorized Wheel Chairs

In order to facilitate disabled persons, it has been decided to allow import of second hand motorized wheel chairs freely by anyone for use by disabled persons.

Import of Ambulances

In order to facilitate much needed import of second hand/used ambulances for hospitals, charitable institutions or other large organizations such as universities etc., it has been decided to allow import of second hand / used ambulances subject to the following conditions:-

- i. Certification by the Original Equipment Manufacturers (OEM) that the vehicle was built as an ambulance;
- ii. Pre-Shipment inspection from recognized agencies certifying the condition as in (i);
- iii. The ambulance should not be older than five years;
- iv. Undertaking from the importing institution that the ambulance shall be registered in the name of that institution and shall not be used for any other purpose.

Banning Job Lot/Stock Lot Imports

Currently import of job lot and stock lot items in certain cases are allowed for import.

These imports not only hurt manufacturers in most cases but also deceive consumers. It is therefore decided to impose complete ban on import of job lot and stock lot goods.

Implementing Emission Standards

At present, only Euro-II compatible fuel is available in the market. Therefore, it is logical to change this condition at import stage from the existing condition of Euro-III compliant vehicles to Euro-II compliant vehicles, up till the time that Euro-III compliant fuel is introduced in the country.

It has therefore been decided that the condition of EURO-II may be made applicable on import of all types of specialized vehicles.

Protecting Public Health

In order to safeguard health of the general public and to ensure that no misuse takes place, it has been decided that only the industrial units registered with relevant public health agency may be allowed to import non-sterilized surgical needles and syringes.

Safeguarding Health and Environment

In order to ensure strict compliance with the provisions of the Import Policy Order and to discourage willful violation by importers, it has been decided that:-

- i. All goods of banned list imported in commercial quantity shall not be released under any circumstances. Such goods should be exported at importer/ shipping lines costs.
- ii. Goods on restrictive list which are of sub-standard quality affecting public health including short shelf life medicines/pharmaceutical raw materials/edible products imported in contravention of Import Policy Order should be destroyed within a period of six months without offering any release.

Protection to Local industry and Use of Tyre Scrap as Alternate Fuel

In order to save the local tyre industry and to encourage the use of tyre scrap as alternate fuel, it has been decided that:-

- i. Import of waste and second hand tyres shall be allowed only in maximum size of two inch pieces detached from each other. This import would only be allowed to industrial consumers subject to fulfillment of environmental requirements by Federal/Provincial Environmental Protection Agencies.
- ii. Other types of rubber waste and scrap may continue to be imported with the same above condition.

Ban on Hazardous Plastic Waste / Scrap

In order to ensure that imported plastic scrap does not contain any hazardous scrap, it has been decided to impose complete ban on import of the following categories of plastic scrap:-

- i. hospital waste of all kind
- ii. used sewerage pipes
- iii. used chemical containers

Regulate Import of Non - hazardous Plastic Scrap

In order to regulate import of plastic scrap more efficiently it has been decided that plastic scrap/ waste, other than hospital waste of all kind, used sewerage pipes and used chemical containers, will be allowed to be imported by the industrial consumers as raw material for their industry subject to the following conditions:-

- i. Certification confirming appropriate manufacturing facility and determination of import quota from the concerned Federal/Provincial Environmental Protection Agency.
- ii. Inspection from technically qualified designated Pre-Shipment Inspection companies certifying that the imported consignment does not contain any hazardous waste, as defined in the Basel Convention

Trade Facilitation

In order to facilitate exporters and to encourage value addition, it is proposed to allow export of Vegetable Ghee & Cooking Oil in packaging of upto 25 kg /liters, respectively, as compared to the previous requirement of 16kg/ liters.

Ensuring Quality & Standards

In order to ensure uniformity between standards of locally produced & imported goods It has been decided that all domestic standards formulated by Pakistan Standard Quality Control Authority (PSQCA) will be made part of Import Policy Order to ensure that imported goods conform to notified domestic standards.

Ensuring Public Health

In order to check sale of inappropriately processed Palm oil, it has been decided that the condition of having valid License and Registration from PSQCA will be made mandatory for the manufacturers of Palm Oil.

Safeguarding National Security

In order to regulate import of Auto Pilot Kits and to avoid its misuse, it has been decided to restrict its import and will be allowed only to authorized agencies/ departments, subject to NOC from Ministry of Defense.

Checking Import of Stolen Goods

At present, there is no provision in the Import Policy Order to check import of stolen goods. In order to rectify this situation, it has been decided that goods stolen abroad may be banned for import. If any agency of the respective foreign country claims, it should be seized and exported at the cost of importer/shipping Company or the claimant agency. If no claim is filed, within 3 months of its landing, the same would be confiscated.

Complying with International Conventions

CFC gas based refrigerators, deep-freezers and other refrigerating cooling; chilling equipment and CFC based compressors of this equipment are already banned for import. To comply with the Montreal Protocol Agreement, it has been decided to impose ban on import of CFC based air conditioning equipment as well

Putting Age Restriction on Sprinklers Lorries

To check import of ordinary Lorries under the cover of sprinkle lorries, it has been decided to restrict import of sprinkle lorries in second hand/used condition upto maximum of five years old. The other conditions laid down in the import policy will continue to apply.

Facilitating Pakistani Construction Companies Working Abroad

In order to improve ease of doing business and to save freight cost in bringing the machinery used abroad back into Pakistan and then take it again out of the country, it has been decided that local construction, engineering and electrical companies may be allowed to retain the exported machinery abroad to carry out work on export cum import basis, for using the same machinery in some other project, subject to submission of a fresh indemnity bond to the concerned customs authority and issuance of NOC from the State Bank of Pakistan.

Registration as Edible Product Exporter

With the objective of monitoring the possibility of abuse, such as drug trafficking and to maintain appropriate record it has been decided that all exporters of food products such as fresh fruits and vegetables, rice etc. will be registered with their respective associations and in case of non-existence of such an association, mandatory registration of such exporters be made with TDAP.

Import of Accessories for Leather Garments Industry

To improve the quality of the leather garments and encourage value addition, it has been decided to allow 2 percent of the export proceeds to manufacturers cum exporters for duty free import of accessories.

While appreciating Ministry of Commerce efforts in presenting a credible Trade Policy document, the Prime Minister emphasized upon the Ministry of Commerce and other Ministries to efficiently implement the policies. The PM also instructed the Ministry of finance to release the outstanding dues accumulated with Ministry of Finance on account of Export Development surcharge and develop a seamless process for the future so that these funds are readily available for export development.