

## **TRADE POLICY SPEECH 2008-09**

Ladies and Gentlemen Assalam o Alaikum

It is a privilege for me to present before you the trade policy for the year 2008-09; the first by a democratic government after a period of nine years. This is your government and it carries the hopes and aspirations of all of you who have given us a very important mandate. Even though your Government has been in office for less than 4 months, our endeavor has been to draw up a trade policy that has a new direction and vision, and will have an impact on the lives of those who are the most needy. In the recently announced Budget for 2008-09 and in this Trade Policy, the Government's focus is to take the benefits of development to the common man. Our aim is to encourage our businessmen, entrepreneurs, manufacturers and investors to continue striving to do more in their respective fields; and we are also striving to ensure that the fruits of any development trickle down to the people at the grass roots level.

We have inherited a very difficult economic situation where the public is facing more hardships than it has in recent history. This was due to external and internal factors of the past year. On the external front the most difficult issues were;

- The doubling of international oil prices from around \$ 68 per barrel to \$ 145 per barrel during the year.
- The increase in international prices of food items that Pakistan needed to import during the year, especially wheat and edible oil.
- The slow down in the US economy and turmoil in the international financial markets thereby reducing external demand for our exports.

On the internal front also we had more than our share of difficulties. This was a year of constant political instability sparked off by the judicial crisis in March 2007. The law and order situation also assumed dangerous proportions in the form of the Lal Masjid affair, the increase in frequency and lethality of terrorist bomb blasts and of course the state of militancy and insurgency in FATA and the NWFP. The saddest occurrence in this regard was the martyrdom of Mohtarma Benazir Bhutto on 27<sup>th</sup> December 2007 which cast a long and dark shadow on the economic and political health of the country. It is estimated that due to disturbances in the five days following this tragic event the loss of our export revenues was of the order of \$200 million.

Other challenges on the internal front that made it difficult for exporters to fulfill their export orders on time and at a competitive price during the year included:-

- Power shortages and resultant load shedding of electricity and natural gas.
- Impact of monetary and exchange rate policies, plus supply side constraints.
- Rising costs of salary bills and raw material, particularly raw cotton.
- Increasing competition in export markets,

- Travel advisories of foreign governments discouraged importers to continue sourcing from Pakistan.
- Long term structural issues such as labour skills deficiency and poor infrastructure.

Not surprisingly and as a result of these multiple negative factors our economic growth rate dropped to 5.8% as compared to 6.8% last year. This slow down was particularly evident in the commodity producing sectors such as agriculture and manufacturing with serious implications for exports. In fact agriculture overall grew by only 1.5% as against 3.7% last year and in the two major crops i.e. cotton and wheat there was a negative growth of 9.3% and 6.6% respectively. The manufacturing sector also saw the weakest growth in a decade, since overall it grew by 5.4% as compared to 8.1% last year. Large scale manufacturing was even more dismal since it registered a growth of only 4.8% as compared to 8.6% last year.

What is remarkable however is that despite this gloomy picture on the production and supply side, and contrary to most other economic trends in the country, the export sector has performed well and registered a growth of 13.23% during the year 2007-08. This is indeed an amazing achievement by our business community who faced the sea of challenges enumerated earlier. Our exporters therefore deserve the gratitude and admiration of the nation for their dedication, resilience, patriotism, perseverance and contribution to the cause of the nation and the economy. Credit is also due to the personnel of the Ministry of Commerce and its attached organizations for extending their full support to the private sector to facilitate them in achieving this national objective.

### **Export Performance**

Last year the Ministry of Commerce was assigned an export target of US \$ 19.2 billion, which was indeed ambitious since it was pitched U.S. \$ 2.2 billion higher than the US \$ 17 billion achieved in 2006-07. I am happy to inform you that the total merchandise exports for the year 2007-08 were \$ 19.22 billion, with a net increase between 2006-07 and 2007-08 of \$ 2.246 billion which is a record. In addition during the year the export of services to the extent that they have been disaggregated in the national accounts were \$ 2.9 billion and defence related exports amounted to \$ 63.9 million.

Looking at the performance of various export sectors while comparing the available detailed figures for 11 months i.e for July to May 2007-08 with the same period of the previous year we see an overall increase of \$1.755 billion.

**Food Group** items accounted for \$561 million of this increase included rice [\$480m], sugar [\$72m], fruits [\$32m] and fish products [\$15m].

**Textile group** performed poorly since the cumulative exports were \$9591.9 million i.e. \$245.8 million or 2.5% less than last year. There was a decline in cotton cloth [\$128m], cotton yarn [\$124m], bed wear [\$94m] and ready made garments [\$39m]. Some

textile items registered growth and they were art silk and synthetic textiles [\$81m] and knitwear [\$31m].

The 2.5% decrease in the textile group which constitutes a major chunk of about 57% of our total exports has significantly impacted our overall exports growth. Some reasons for this poor performance are that

- Bed wear a major item declined in the US market due to stiff competition from India and China, as well as preferential tariffs available to our other competitors under arrangements such as NAFTA, CAFTA and AGOA etc.
- In the European Union our bed linen exports suffered due to an average anti dumping duty of 5.7%. Moreover our competitors such as Bangladesh, Cambodia and Sri Lanka have duty free access whereas our textiles attract on average a duty of 17-23%. The happy news is that the anti dumping duty will run its course by January-February 2009 and our bed linen exports should pick up after that.
- Towels exports have decreased due to higher cotton and yarn prices.
- The marketing of our textiles is hampered by visa restrictions for our businessmen and travel advisories preventing buyers coming to Pakistan.
- Less emphasis on quality and compliance issues is also hurting our textile exports.

### **Diversification**

Our export growth is hampered due to lack of diversification in export products as well as export markets. In terms of products our exports are concentrated in a few categories such as cotton manufactures and synthetic textiles, leather, rice and sports goods. In the first eleven months of 2007-08, they collectively accounted for around 72.4% of our total exports. In terms of markets also, traditionally 50% of our exports are to only seven countries namely USA, Germany, Japan, UK, Hong Kong, Dubai and Saudi Arabia. Thus past trade policies have consistently tried to promote diversification on both counts through a variety of measures and we are now beginning to see significant progress in this regard.

From the global perspective, Pakistan's top 200 exported products account for 91% of its exports but these products have only 19% share in the world market. This means that Pakistan does not figure at all in 81% of products traded in the world. In 2006, 5085 products were traded worldwide of which Pakistan only traded in 1365 products. It is encouraging however that the markets in which Pakistan does figure, it is ranked very high in world market shares. For example, in cotton yarn and woven cotton fabrics it is No. 1, while in cotton bed linen, toilet & kitchen linen and cotton knitted shirts it is No. 2 and in rice it is No. 3 in terms of world market shares.

A good trend is the growth in the non traditional category of exports. Some of the non textile items whose export has increased include the petroleum group [\$286m], cement [\$226m], chemicals and pharmaceuticals [\$210m], jewelry [\$140m], Leather products [\$188m], surgical and medical instruments [\$57m]. In the category of "others" the increase in exports during this period was US \$ 337 million. Some of the items included in this category are marble, matches, plastic items, wood items, ceramics, tiles

and sanitary fixtures and various household commodities. Increase in this category is good evidence of progress in diversification and movement towards export of value added items.

In terms of market diversification in 1998-99 the seven markets I had mentioned earlier accounted for 53.4% of our exports whereas in 2007-08 this share has reduced to around 44.4%. The three regional groupings that are significant from our growth point of view are

- Latin American countries such as Brazil, Chile, Colombia, Mexico and Nicaragua
- African countries including South Africa, Kenya, Madagascar and Mozambique
- Non traditional European markets including those belonging to the former Soviet bloc such as Scandinavian countries, Poland and Greece

If one looks at the trend from 2003-04 to 2006-07 one sees that the growth of exports during this period was around 114% in Latin America, 81% in Africa and 60% in this European group of countries.

This diversification trend is healthy and needs to be sustained, but in the immediate future we cannot afford not to shift our focus from textile exports since they constitute around 57% of our total exports. It is noteworthy however that the share of textile and clothing exports in global trade is 4.5% and Pakistan's share in global exports of this sector is a mere 2.15%. This indicates that Pakistan is facing fierce competition in this sector from a number of countries. On the other hand new opportunities are emerging since some of our competitors like China are losing their competitive edge due to higher input costs. Therefore our textile producers need to exploit this opportunity by entering into joint ventures with Chinese companies and setting up production facilities in the China Specific Industrial Zones being established in Pakistan.

### **Annual Imports and Trade Gap**

While the Ministry of Commerce works constantly to enhance exports and sets ambitious targets in this regard, the import projection mentioned in the annual trade policy is more of an educated guesstimate based on foreseeable trends. Moreover the Ministry of Commerce cannot actively try to manage the volume of imports since these happen due to circumstances and government requirements arising outside its area of jurisdiction. That notwithstanding the total imports during the year 2007-08 amounted to \$ 39.97 billion giving rise to a trade deficit of \$ 20.7 billion. The underlying causes for this year's trade deficit were

- Increase in **oil** prices raising its import bill to over \$ 11.3 billion as against \$7.3 billion last year
- Import of wheat at higher than previous prices adding \$ 820 million to the import bill to cope with the wheat crisis
- The increase in price of palm oil from \$502.7 PMT to \$839.3 PMT added another \$ 558 million to the import bill
- **Raw cotton** imports due to crop shortfall increased by \$ 687 million
- Increase in import of machinery by \$ 493 million and within that **power generating machinery** registered a growth of \$ 315 million.

- Import of fertilizers increased by \$ 491 million and chemicals by \$577million.

In other words around 86% of our import basket consists of machinery, raw material and other essential products such as petroleum and food items making it inelastic. Remaining 14% is made up of transport [6%] and others [8%]. It is noteworthy that import of tea, mobile phones, textile machinery and automobiles [both CBU and CKD] has shown negative growth during the last 11 months.

If one looks at the trend since 2003-04 we see for the first two years exports rising by around \$2 billion each year, then in 2006-07 by only around half a billion dollars. Imports on the other hand increased by around \$5 billion in 2004-05, by \$ 8 billion in 2005-06 and then dipped to register an increase of only \$ 2 billion in 2006-07. Thus the year 2006-07 saw a decrease of growth of both imports and exports hence confirming a correlation between higher imports and exports.

This year again the imports compared to last year have increased by \$ 9.428 billion whereas exports have also increased by \$ 2.246 billion.

### **Structural Challenges**

Our proposed export strategy needs to cope with the current challenges that I have indicated in my introductory remarks, as well as work on minimizing the longer term structural handicaps that we are faced with. Some of these structural challenges relating to both the demand and supply side are:-

- a) Our low ranking on the competitiveness scale due to our internal inefficiencies thus making the cost of doing business in Pakistan relatively higher.
- b) Poor governance coupled with excessive red tape results in extra costs for producers and exporters.
- c) Power supplies are inadequate and a costly input for producers.
- d) Infrastructure especially relating to transportation is substandard resulting in extra costs for exporters.
- e) High cost of capital.
- f) Low reliability of the legal dispute resolution system inhibiting investment and increase in commercial activity.
- g) Low productivity of our human resource due to lack of education and skills deficit.
- h) Lack of emphasis on quality in production and service provision.
- i) Lack of diversification of our export portfolio and over reliance on textiles.

### **OBJECTIVES**

After enumerating some of the constant structural challenges to our exports, I would now like to share with you the objectives we had before us while formulating our trade policy and export strategy. These objectives are:-

- Trade Policy should be people centric i.e. help in poverty alleviation. This is achieved by facilitating increased exports leading to increased production of exportable surpluses thereby creating more employment.

- Focus should be on increased export earnings by encouraging and supporting exports of higher unit value products. This implies stress on better quality, value addition and compliance with international standards.
- Emphasis should be on improving competitiveness via reduction in cost of doing business, and supporting appropriate capacity building and vertical integration.
- Assistance in marketing through trade promotion activities and increasing market access.
- Diversification of export products and markets.

### **Export Strategy**

The Export Strategy for 2008-09 has been designed keeping in view the aforementioned objectives and its salient features are

- **Intensification of market intelligence** gathering by Ministry of Commerce and TDAP regarding market opportunities, consumer preferences, quality and other standards, best practices by other countries; and disseminate this information to our stakeholders .
- **Trade promotion** by TDAP through activities such as organizing exhibitions, participation in trade fairs and trade delegations. Also supplemental efforts by Ministry of Commerce through trade diplomacy for additional market access opportunities, and to minimize any non tariff barriers facing our exporters in other countries. We will also leverage the advantages currently available from the Free Trade Agreements signed with China, Malaysia and Sri Lanka etc.
- **Enhancing competitiveness** of our exports by helping reduce costs of doing business. Hence various measures are being proposed to simplify procedural requirements including relief through comprehensive zero rating of various export sectors.
- **Coordinating with other government departments** to support and facilitate the private sector to achieve increased production of exportable surpluses. For this a high powered coordinating mechanism will be reactivated since a number of problems facing exporters have to be remedied by other departments.
- **Improvement of physical infrastructure** through coordination with concerned Government agencies since poor condition of the infrastructure imposes extra costs on our exporters.
- **Instead of providing cash incentives or subsidies** to exporters, especially in view of current financial constraints, emphasis would be to support capacity building efforts of the exporters like productivity enhancement programmes such as training facilities to upgrade human resource skills.
- **Diversification** will be encouraged by proposals geared specifically to promote more trade in agricultural products. In the manufacturing sector this diversification policy will also facilitate SMEs. The advantage of this approach is that SMEs create more employment with less investment and they can pioneer the production of higher value added, innovative and knowledge based products.

- **Exporters would be encouraged to improve quality**, cater to latest consumer preferences, comply with international standards and obtain the relevant certification in this regard.
- **We will continue with past trade policy measures** that are proving valuable for increasing exports.

We are also facing stress in this current year due to the large trade gap of US \$ 20.77 billion, and our strategy to enhance exports is the best method to address this problem.

### **Export Measures**

In accordance with the strategy that I have just outlined, a number of new policy measures have been formulated to implement the strategy. These measures are as follows:-

#### **Temporary Importation for Exports**

In order to reduce cost of manufacturing and to make our exports more competitive, it has been decided that:

- Plant, machinery and equipment imported to setup a unit in DTRE scheme will be exempt from duty and taxes.
- Inputs in DTRE will also be allowed to be imported from India, even if these are not included in the importable items from India, or manufactured locally.
- The period of retention of raw material and components for export under temporary importation scheme (SRO 1065) may be increased from current 12 months to 18 months i.e. at par with DTRE.

#### **Zero Rating of Exports**

- The Government is committed to provide complete 'zero rating' to exports by refunding of indirect taxes on input cost incurred on manufacturing of merchandise, which is exported.
- A study will be conducted jointly by the FBR and the Ministry of Commerce to quantify the extent of refund, which will become due on this account.
- Initially, however, and in order to encourage export of Value Added Products and in particular those products manufactured by SMEs, it has been decided to increase the draw back rate by 1% of FOB value on this account for 14 products i.e. (i) Tents, Canvas & Tarpaulin, (ii) Electric machinery, (iii) Carpets, Rugs, & Mats, (iv) Sports Goods, (v) Footwear, (vi) Surgical Goods/Medical Instruments, (vii) Cutlery, (viii) Onyx manufactured, (ix) Electric Fans, (x) Furniture, (xi) Auto Parts, (xii) Handicrafts, (xiii) Jewelry and (xiv) Pharmaceuticals .

## **New Scheme for Further Facilitation of Exports**

- All schemes of zero-rated imports for export sector like DTRE and temporary importation schemes (SRO-1065) have excessive documentation. In order to facilitate the exports, the Government has decided to introduce a new scheme where by a notified percentage of inputs may be allowed to be imported at zero duties against fob value of exports with flexibility to import any product among the notified list in any quantity within the overall entitlement of the exporter.

### **DTRE Export of Regenerated PSF**

- There is a potential to manufacture and export regenerated Polyester Staple Fiber (PSF) by using PET bottle scrap, the import of which is allowed subject to non hazardous certification.
- There is an anomaly in the DTRE scheme where in temporary importation of the same is not allowed.
- It is proposed to allow the temporary import of PET bottle scrap for manufacture and export of PSF in the DTRE scheme, subject to non hazardous certification.

## **Pharmaceuticals**

In view of the good export prospects of pharmaceutical exports it has been decided to support the setting up of new Pharmaceutical Plants by providing it with the incentive of having an accelerated depreciation allowance facility of 90% in the first year on investment in Plant Machinery and Equipment.

It has also been decided that Ministry of Health will draw up a proposal for establishing bio-availability and bio-equivalence laboratories in the National Institute of Health.

Export of free samples up to 5% of quantity is allowed against exports in the preceding year to pharmaceutical exporters. In order to further facilitate exports in this sector it has now been decided to allow exporting companies to send free samples to the extent of 10% of the commercial quantity exported in the preceding year. In addition this sector would also be allowed to retain 15% of their export proceeds.

Biotech drugs is a high tech value added sub sector of Pharmaceuticals which needs to be encouraged. It would be desirable to accord pioneer industry status to this sub sector and also allow it tax incentives. A committee comprising Ministries of Commerce, Health, Finance and FBR will work out a detailed proposal for a decision in this regard by the Government.

## **Seafood**

- It has been decided to undertake following measures to support the sea food sector:
  - Consultancy services will be arranged through FAO / INFOFISH for aquaculture;

- Peeling shed at Karachi Fish Harbor will be set up in coordination with TDAP and Sindh government. Funding will be arranged through the Public Sector Development Programme
- Training programme for fishermen in catching of fish will be arranged by the Sindh government. Initial programme of Training for Trainers will be arranged in collaboration with TDAP.

### **Gems & Jewelry**

- To increase the exports of the sector, and to encourage investment and remove all anti export biases, gold, silver, platinum, palladium, diamond and precious stones be exempted from levy of customs duties & sales tax.

### **Export of Minerals**

- Mining industry has serious problems of availability of good quality stones for further processing due to blasting which creates wastage of precious resources. To remedy this it has been decided that import of machinery / equipment for mining / quarrying and grinding of minerals (along with spares) would be allowed from India.

### **Leather**

- In order to assist exporters to comply with environmental standards, a 6% mark up subsidy on loans to setup in-house effluent treatment plants was provided. To further encourage this, it has been decided that the subsidy given from EDF would be increased to 8% or 50% of the mark up, whichever is lower.
- Initiative of hiring of consultants for benchmarking studies of leather garments exporting units will also be continued on a cost sharing basis.

### **Furniture**

- Export potential of furniture is constrained due to lack of wood seasoning plant and skilled labour. Ministry of Industries would set up a wood seasoning plant and NAVTEC will set up a couple of vocational training centres on modern lines to meet these deficiencies.

### **Horticulture**

- To promote floricultural exports it has been decided that a Flora Common Facility Centre would be set up in collaboration with Punjab Government near Lahore; depending on its success the project will be replicated in other provinces.
- An irradiation facility based on the latest E-Beam technology would also be set up in Karachi in collaboration with Sindh Government to facilitate export of horticultural products.
- It has also been decided that the existing facility of picking up the first 6% markup rate on loans obtained for cool chain and cold storages for horticulture will be revised

to 8% or 50% of the prevailing mark up rate which ever is lower. The umbrella National Trade Corridor Programme is also making provision for development of a cool chain infrastructure.

- It has been decided that the horticulture export would be declared as industry to qualify it for industrial credit, relief in taxation, etc. thus facilitating much needed modernization and infrastructure development in this sector.

### **Rice**

Area under rice cultivation is under pressure from other crops and the yield is decreasing as no high yielding basmati variety after “Super Basmati” has been introduced. The cumulative effect of these two factors could erode the exportable surplus. It is therefore proposed that:-

- Ministry of Food and Agriculture may focus on evolving new varieties & increasing area under cultivation
- Paddy harvesters & Paddy dryers may be provided on matching grant basis in rice growing areas; Ministry of Food and Agriculture will explore the possibility of using Agribusiness Support Fund for this purpose. Initially for demonstration purposes four dryers and harvesters will be provided from the Export Development Fund to Ministry of Food and Agriculture. Furthermore rice farm machinery namely paddy harvesters and dryers will be importable from India through Wahga by road
- Unhindered import of rice seeds increase disease risks therefore all such imports shall undergo strict quarantine measures. For this purpose the “Seed Act” and other related laws will be amended accordingly.

### **Herbal Health Supplements**

- To promote export of Herbal Medicine, 50% of the cost of registration of herbal medicinal products abroad shall be picked up by the Government as is done in the case of export of pharmaceutical products.

### **Export of Handicrafts**

- Handicrafts represent the cultural heritage of a country and fetch high prices the world over. In order to develop this sector and make it a viable industry it has been decided that:
  - Consultants of international repute would be engaged to suggest improvements in the development of handicrafts with a view to achieving a quantum jump in their export.
  - Arrangements will be made to expose master craftsmen to international designs and trends.
  - In this regard there will be a special focus on promotion of various activities related to the Prime Minister’s Programme of “ One Village- One Product”

### **Export of HALAL Food Products**

- Substantial Halal food is imported in the Middle East. Muslim consumers in other countries are also conscious about Halal method of slaughtering and Halal ingredients

in other processed food products for which Halal Certification is essential. It has therefore been decided to establish a Halal Certification Board, under the Ministry of Science and Technology, to devise and enforce Halal Standards and certification mechanism for export of Halal food products.

- Currently exporters setting up slaughter houses are facilitated by the Export Development Fund picking up the first 6% of the mark up on investment financing. It has now been decided to enhance this facility and the EDF will therefore pick up the first 8% or 50 % of the mark up which ever is lesser.

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### **Automobile Sector**

Exporters are allowed to send US\$ 25,000 worth of samples to foreign buyers. Since automobiles have higher unit value therefore it has now been decided to increase the limit to \$ 50,000 in the case of automobiles.

### **Development of Export Clusters**

The world over development of industrial clusters helps tremendously in boosting production and exports. It has therefore been decided that TDAP will establish the following new clusters.

- Surgical Instruments, Sialkot
- Gloves and Personal Protective Equipment, Sialkot
- Sports Wear, Sialkot
- Leather & Leather Products Sialkot and Charsadda
- Sports Goods, Sialkot
- Weaving and textile processing sector, Faisalabad
- Light Engineering Sector, Gujranwala
- Auto parts, Lahore
- Ceramics, Multan and Halla
- Ajrak and Bangles in Hyderabad/Halla
- Embroidery in Balochistan

### **Export Quality & Standards**

It has been decided that a system of voluntary pre-shipment inspection and sampling of agro-products for exports will be introduced. In this regard lists of concerned products, corresponding standards and accredited labs shall be notified by Ministry of Commerce after consultation with Ministry of Food and Agriculture & Ministry of Science and Technology.

### **Federal Export Promotion Board**

Since as I have already mentioned exports can only increase significantly if all government policies are well coordinated towards this objective. Therefore it has been decided that the Federal Export Promotion Board chaired by the Prime Minister will be

activated and reconstituted to provide the effective and high level coordination required for this purpose.

### **Trade Dispute Settlement**

- An effective trade dispute settlement mechanism increases confidence of Foreign buyers to purchase from Pakistan and the present system is ineffective. Therefore it has been decided that a Trade Dispute Settlement Organization, under the administrative control of Ministry of Commerce, will be set up to deal with trade disputes arising from exports.

### **Trade Development Authority of Pakistan (TDAP)**

It has been decided to revisit the working and structure of TDAP so as to make it more responsive to the exporter's needs. In the near future necessary changes including warranted amendments in the TDAP Act will be undertaken for this purpose.

### **Management Efficiency**

- Inefficiencies in exporting industries are leading to low competitiveness and they need technical assistance to improve production efficiencies. National Productivity Organization (NPO) is conducting efficiency audits of industrial units in collaboration with Asian Productivity Organization and German Cooperation Agency (GTZ) but its outreach is low. It has now been decided to expand the outreach of the NPO by funding 'Training of Trainers' for auditors from EDF in production, energy and labour productivity audits.

### **Northern Areas**

- In order to realize the full export potential of Northern Areas and to facilitate local exporters, it has been decided that Trade Development Authority of Pakistan would open an office in the Northern Areas.
- Furthermore Ministry of Food and Agriculture will also arrange for SPS controls at Pak-China border for certification of cherry and other fruit products exports since they are in great demand in the Chinese market.

### **Export Facilitation**

- To facilitate exports to the Afghanistan provinces of Paktia (Gardez) and Khost, it has been decided that a customs station at Pak-Afghan border would be setup at an appropriate location. This will reduce transportation cost & delivery time to this area from Pakistan.

## **Trade Diplomacy**

- Free Trade Agreement with China, especially the Investment Chapter of the Agreement was renegotiated. The objectives of these negotiations were to provide facilitation and relief in taxes for setting up of industrial units in China Specific Zones in Pakistan with at least 40% FDI from China. China has undertaken to provide duty free access of goods manufactured in such Zones and manufactured anywhere in Pakistan when exported to China by enlarging the ambit of existing coverage of goods in the bilateral FTA. The renegotiated Agreement will be enforced through a Protocol which will be signed during the Prime Minister's visit to China this year.
- In order to enlarge the ambit of our trade policy it has been decided that Pakistan will participate in re-negotiating the list of SAFTA and the Regional Agreement on Trade in Services among the SAARC countries.
- Also our thrust in ASEAN countries will continue to create a level playing field and market access for our exports.

## **Import Strategy**

This year our import strategy besides addressing the problem of the large trade gap is also designed to facilitate those imports that will serve to increase the competitiveness of our exports and therefore increase their over all quantum and value. Those imports will also need to be facilitated that are people centric and ensure sufficient supply of essential commodities such as foodstuffs to the common man at affordable prices.

## **Import Measures**

In keeping with this import strategy the following new import measures will be implemented during the year.

### **Import of Used Buses (TR Scheme)**

- At present, buses not older than 3 years are permissible for import under the TR scheme. It has now been decided to allow import of buses which are not more than 10 years old under the same scheme. This facility will help expatriate returning Pakistanis with limited means to create an economic opportunity for themselves as well as ease the shortage of such buses on inter city routes.

### **Used Cryogenic Containers**

In order to reduce the cost of manufacturing of liquefied gases etc, it has been decided to allow import of used cryogenic containers/cylinders by industrial consumers provided the Department of Explosives gives a prior NOC and the containers/cylinders are:-

- refurbished prior to shipment.

- Inspected by a duly notified independent international certifying body that such containers/cylinders are compliant with international safety standards.
- Such containers/cylinders are not older than 10 years.

### **Secondhand / used cement bulkers**

It has been decided to allow import of cement bulker semi trailers, without prime movers in secondhand / used condition to cement manufacturers for transportation of bulk cement subject to the condition that they will not be older than 10 years.

### **Import of Prime Movers**

□ In last year's trade policy, prime movers not older than 4 years, which were Euro-III compliant, were made importable for a period of one year. i.e. 2007-08. This facility was only available to registered transport companies and established fleet operators operating at least 25 prime movers in their name. Last year however this facility was not utilized. It has now been decided to extend this facility for 2008-09 and enhance it by relaxing the age limit to 5 years and reducing the minimum fleet requirement to 15 prime movers.

### **Reducing Cost of Doing Business**

In order to reduce cost of raw material imports and thereby make our export products more competitive the import of Job lot & Stock lots of raw material, which attracts duty up to 5%, would now be allowed

### **Waste disposal trucks**

- At present Municipal bodies /Corporations/ Cantonment Boards can import old / used waste disposal trucks provided they are not more than 15 years old, directly or through their nominated agents for their own use only. It has now been decided that the facility of importing old/used waste disposal trucks would also be extended to the "authorized contractors" of Municipal Bodies, etc. However in all cases the imported trucks shall not be older than 10 years.

### **Stainless Steel and Cotton Yarn**

- Stainless steel and cotton yarn is importable from India by train. In order to further reduce the cost of doing business, it has been decided to allow their import by trucks through Wahga as well.

### **Import of Vehicle for Disabled Persons**

- In order to facilitate physically handicapped persons, it has been decided that used motor cycles or tri wheeler vehicles especially designed/made or altered for the

handicapped would be allowed to be imported, subject to disability certification from the Ministry of Health.

### **Facilitation for Overseas Pakistanis**

- If Pakistani nationals importing a vehicle are unable to release their vehicle due to high tariff or other reasons, re-export of such vehicle would be allowed by FBR if there was no contravention of the Import Policy Order during import stage. It has also been decided to do away with the requirement of a driving license for the TR scheme.

### **Academic, Scientific and Professional Books**

- The prices of academic, scientific & reference books are quite competitive in India and technical and professional books are already importable from India. Now in order to give access to our people to cheaper books it has been decided that Import of academic, scientific & reference books may be allowed from India.

### **Chemical Precursors**

- In compliance with the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic substances 1988, import of Toluene, MEK, Potassium Permanganate would be allowed subject to NOC issued by the Ministry of Narcotics.

### **Explosives & Chemicals**

- It has been decided that import of explosives and chemicals would be allowed subject to approval of Ministry of Industries (Department of Explosives) which will be issued only after NOC from Ministry of Defence Production.

### **Specialized Printers, Laminators and Rolls**

- In order to avoid any potential disruption to NADRA system and misuse, it has been decided that only NADRA would be allowed to import specialized printers, laminators and laminator rolls used for printing visa stickers and passports.

### **Wildlife species**

- It has been decided that no import of wildlife, including CITES appendix II species, would be allowed without NOC from National Council for Conservation of Wildlife (NCCW) and the respective provincial wildlife department.

### **Import of Palm Oil by Recognized Manufacturers**

- In order to prevent unscrupulous elements from selling unrefined palm oil in the market and endangering public health, it has been decided that only recognized manufacturers would be allowed to import crude palm oil for further processing and refining. Furthermore manufacturers who import palm oil in crude form will not be allowed to sell it to non manufacturers. However commercial importers who have invested in large bulk storages will be allowed to continue importing crude palm oil subject to a safeguard mechanism to be drawn up by FBR.

### **Import of mobile transit mixtures/ Dumpers**

- Construction companies or oil and gas companies are presently allowed to import mobile transit mixtures/Dumpers. In order to avoid misuse of this facility,
- Certification of the Chief Executive of a company of the respective sector, endorsing requirement of the contractor, sub-contractor or service companies shall be required.
- It will be mandatory to register the imported vehicles with the local Registration Authority.
- The vehicles shall be non-transferable.
- Vehicles shall be liable to confiscation in case these are found involved in violation of the above conditions to their importation.

### **Import of Used Dump Trucks**

- Presently used dump trucks without age limit and designed for off-highway uses with payload capacity exceeding 5 tons are importable by commercial importers. Construction companies however can not import these trucks if they are more than 10 years old. It has now been decided to remove this anomaly by restricting both categories of importers to the above conditions i.e. of not importing trucks more than 10 years old.

### **CFC Based Compressors**

- In compliance with the Montreal Protocol agreement, import of CFC gas based refrigerator and freezing equipments (falling under HS 84.18) are banned. In order to remove any possibility of misuse, it has been decided that import of CFC based compressors may also be banned.

### **Import of Static Road Rollers**

□ Used and old static road rollers which are not manufactured locally are importable without restriction of capacity and age by commercial importers. In case of a construction company, the limitation is that it should not be older than 10 years and the capacity should not exceed 12 tons.

It has now been decided to remove this anomaly by restricting both categories of importers to the above conditions i.e. these Rollers should not be more than 10 years old and the capacity should not exceed 12 tons.

## **Imports from India**

India is our neighbour and we are gradually liberalizing our bilateral trade. Composite Dialogue process, especially on economic and commercial cooperation has been instrumental in addressing the bilateral issues. We are announcing to enlarge the list of importable items from India, which is based on the requests of our stakeholders. Cheaper raw material sourced from India would make our exports more competitive in international market. Although the list is being issued separately, I may mention that we are allowing import of diesel and fuel oil from India, because it will be cheaper due to the difference in transportation cost. This will also help us to address our global trade deficit.

## **Import of CNG Buses from India**

- Customs Duty on the import CNG Buses was brought from 15% to zero in the Budget 2008-09.
- In case any Indian manufacturer of CNG buses makes a firm commitment to establish manufacturing of such buses in Pakistan, the Ministry of Commerce may provide special dispensation for import of 10 buses by road via Wahga from each possible investor as test consignments.

## **Export Target**

- The export target for 2008-09 has been fixed at **US\$ 22.10 Billion**. This represents a growth of 15% over our last year's exports.

## **Conclusion**

In conclusion let me say once again that we have economically been through a very difficult year and I have enumerated the various challenges our exporters have faced as a result. It is also true that these challenges are still with us in a large part due to developments in the global economy which continue to impact Pakistan as they do the rest of the world. On the other hand despite this difficult environment we also have some opportunities to which I have alluded earlier. Most importantly we have a very patriotic and resilient exporter community which gives us good grounds for optimism. As far as the Government it is fully resolved to do the utmost possible to facilitate our exporters and producers to come up to the expectations of the people of Pakistan. I am confident that during the coming year we will be able to work together to improve the state of our economy and contribute effectively to poverty alleviation so that our coming generations are assured a bright and prosperous future.

Thank You