

STRATEGIC TRADE POLICY FRAMEWORK 2012-2015

**Ministry of Commerce
Government of Pakistan**

BACKGROUND

Improving upon the practice of formulating Trade Policy on annual basis, the present government adopted a three (03) years (2009-12) integrated Strategic Trade Policy Framework (2009-12) to enhance Pakistan's export competitiveness over the medium term, which still remains relevant. STPF 2009-12 had two major parts i.e., regulatory amendments and export development initiatives. All regulatory amendments were implemented during 2009-12. However, export development initiatives could be implemented only partially due to inadequate allocation of funds.

Performance of export sector of Pakistan during outgoing policy cycle of Strategic Trade Policy Framework 2009-12 has been satisfactory. Our exports which stood at US\$ 17.69 Billion in 2008-09, at the time of adoption of STPF 2009-12, grew to US\$ 23.64 Billion in 2011-12.

Strategic Trade Policy Framework 2012-15 has been prepared after consultations with all the stakeholders, spread over six months. Ministry of Commerce made a presentation on STPF 2012-15 to the Prime Minister on 28th August 2012. While appreciating the Ministry of Commerce efforts to increase exports, the Prime Minister advised to fine tune the proposals with the Finance Division and Planning Commission.

In pursuance of Prime Minister's directive, detailed discussions were held with the Finance Division and Planning Commission, and, as suggested by them, the focus on development of Domestic Commerce has been introduced and the resource requirement for Export Development Initiatives has been significantly reduced. A revised presentation on STPF 2012-15 was given to the Prime Minister on 21-12-2012 in the presence of representatives of all the relevant stakeholders. The Prime Minister gave in principle approval of the STPF 2012-15 and the allocation of Rs. 4.995 billion for the first year (2012-13) and Rs. 26.108 billion for three years (2012-15) and directed the Ministry of Commerce for submission of summary on STPF (2012-15) to the Federal Cabinet for formal approval.

TRADE REVIEW

Exports rose by 27% to US\$ 24.8 Billion in 2010-11. However, they fell by 4.7% in 2011-12 due to:

- a. Exogenous factors – global demand shrinkage, reduced cotton prices and global financial crisis
- b. Domestic Factors – Power shortages/outages, high financing cost, security situation and erosion of competitiveness.

In 2011-12, textile accounted for value US\$ 12.4 Billion as compared to US\$ 13.8 Billion in 2010-11. In 2010-11 it was 55.6% of total exports. It may therefore be seen that lower exports in 2011-12 were due to reduced level of exports of textiles while the non-textile sector exports experienced a slight increase.

Pakistan's imports grew from US\$ 34.7 Billion in 2009-10 to US\$ 44.9 Billion in 2011-12. Increase in world oil prices impacted Pakistan's import bill and there is no way escaping it unless our power generation shifts to alternate energy sources. Petroleum remained the single largest import group and constituted 34% of total imports in 2011-12. Increase in value of imports reflects higher Oil prices in the international market and importation of higher volumes of oil were made due to shortage of gas. Similarly, import of palm oil increased by 17.5% in 2011-12 and reached at US\$ 2.4 Billion against US\$ 2.0 Billion imported in 2010-11. Higher prices of food commodities have also contributed to higher food import bill.

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In view of the prevalent challenges, Ministry of Commerce has completed the work on STPF 2012-2015 and presented to the Cabinet. Its successful implementation would build upon the foundations provided by STPF 2009-12; its prime objective is to enable Pakistani firms to produce and export a more sophisticated and diversified range of products to existing as well as new markets and helps reduce unemployment and poverty in Pakistan.

Goals of STPF 2012-15

Main goals of STPF 2012-15 are:-

- i. Make export sector as an engine of growth
- ii. Enhance Pakistan's export competitiveness in short as well as long term
- iii. Increase Pakistan's cumulative exports to \$ 95 billion during 2012-15

Principal Elements of STPF 2012-2015

Elements of STPF 2012-15 purport to strengthen different aspects of Pakistan's export competitiveness directly or indirectly. These elements have been identified on the basis of an evaluation of STPF 2009-2012 and an analysis of emerging global trade scenario after extensive consultations with the private sector and other government departments. The following are the principal elements of STPF 2012-2015:-

- 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

TRADE POLICY INITIATIVE 2012-15

The measures/initiatives to achieve STPF 2012-15 goals are divided into four categories:

- a. Institutional Strengthening and Governance
- b. Measures to enhance Export competitiveness
- c. Regulatory amendments in the trade regulations
- d. Payment of Outstanding EDF dues and streamlining EDF releases in future

INSTITUTIONAL STRENGTHENING AND GOVERNANCE

Rationalizing Tariff Protection Policy (TPP):

Unhindered tariff protections, maintained over a period of time can create dependencies and distortions sacrificing competitiveness and consumer welfare. Ministry of Commerce, would adopt the following guiding principles, to create a competitive environment that caters for the dual aspects of providing a level playing field for the domestic industry as well as consumer welfare:-

- i. Promoting competitive markets in Pakistan.
- ii. Ensuring 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. Catering to the changing needs of Pakistan's economy.
- vii. Create an enabling environment to pursue the legitimate goal of Industrialization in Pakistan.

Domestic Commerce Reform and Development

In Pakistan, domestic commerce is not very well connected to international trade. Traditionally, Trade Development Authority of Pakistan (TDAP) staffed by the officers of Commerce & Trade Group, takes care of the supply side and domestic commerce issues impacting upon Pakistan's international trade. TDAP used to have functioning Export Facilitation Committees dealing with trade related Federal and Provincial authorities, which is no more the case now. With the devolution of Ministries after 18th Amendment, weak linkages between Domestic Commerce and International trade can seriously undermine Pakistan's export competitiveness in the coming years. Recognizing this linkage and lack of any institutional arrangement to pursue the objective of promoting domestic commerce, Ministry of Commerce will:-

- i. Make the following insertion in Rules of Business 1973 as one of the functions of Ministry of Commerce ‘Domestic Commerce Reform and Development in collaboration with other Ministries, provincial and local government’; and
- ii. Create a Domestic Commerce set up in the Ministry of Commerce comprising of two wings i.e., Domestic Commerce Wing and Trade in Services Wing. This will be headed by a BS-21 officer and assisted by two BS-20 officers, four BS-19 officers and eight BS-18 officers and all these posts shall be encadred for Commerce and Trade Group, given the technical nature of the challenge.
- iii. The Ministry of Commerce would ensure that the officers concerned establish a strong base of domestic commerce reform with the help of extended stay at the Ministry.

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.
- iv. 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.
- v. 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.

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

Trade integration with South Asia, China and the ECO countries would be accorded high priority with the objective 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 be responsive to risks such as security issues, smuggling, human trafficking etc. Pakistan Land Port Authority of (PLPA) will be established with the following mandate:

- a) It is envisaged to function as a statutory body, under the administrative control of the Ministry of Interior with representation from the FBR, M/o Foreign Affairs, M/o Commerce, M/o Communications, M/o Railways, M/o Planning & Development Division, M/o Food Security & Livestock, M/o Science & Technology and M/o Anti Narcotics as well as representation from the respective provincial government.
- b) It will be responsible for cohesive management of cross-border movement of goods & people. It would be vested with powers on the lines of similar bodies like existing Port Authorities and Civil Aviation
- c) With the coming into being of Pakistan Land Port Authority, the land port entry points would be transformed into Integrated Check Points to enable smooth cross-border movement of individuals, vehicles and goods under an integrated complex. This would facilitate the processes of immigration, customs, security, quarantine, etc. To enable this, the present infrastructural facilities would be up-graded wherever needed. The spadework to establish PLPA will be carried out by a 'Set up Committee' to be headed by Secretary Ministry of Commerce in close collaboration of other Ministries.

Setting Up of EXIM Bank

Availability of capital to meet an export order is the most important element of the export cycle as it directly impacts an exporter's competitiveness. Therefore, governments involve themselves in ensuring that adequate, cheap, timely trade financing is available to exporters. Trade financing facilities and support is given by the governments through EXIM Bank and Export Credit Guarantees institutions. Unfortunately, Pakistan is one of the rare countries, which has none of it. Pakistan's exporters desperately need legitimate trade financing support as they are facing serious challenges such as (i) Crowding out of private sector from debt market, (ii) High interest rates and limited availability of financing for export or investment in export oriented manufacturing. (iii) Very little credit risk coverage, (iv) Very little incentive to the importer to import from Pakistan as compared to other competitors. The EXIM Bank, with the help of provincial governments, will not only provide export credit, it will also provide supplier's credit and export credit guarantees. It will help reduce cost of borrowing for the export sector on long term basis and help reduce their risks.

Promotion of Services Sector Exports

Services sector contributes 54% to the economy but export of services of Pakistan is very low. Our services exports stood at \$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, we will:-

- i. create a Foreign Trade Wing for Services in the Ministry of Commerce
- ii. establish the Services Trade Development Council

- iii. set up a special task force for facilitating development of E-Commerce

Creating Regulatory Efficiencies

Lesser but smarter regulations are necessary for promotion of international trade therefore Ministry of Commerce will

- i. Strengthen National Tariff Commission so that it can play its role more effectively and efficiently.
- ii. Create a Resource Management Unit by strengthening of International Trade Organization Wing (ITO) at the Ministry of Commerce.
- iii. Ineffective mechanism for resolution of trade disputes has tarnished Pakistan's image amongst the international business circles and it discourages emergence of Pakistan both as a destination for investment as well as a reliable import source. In order to make the system effective, we will revamp the existing system of international trade dispute resolution. It will constitute a committee with Secretariat in Ministry of Commerce and members from TDAP, FPCCI/Chambers, Law Justice & Human Rights Division, Secretary Law and Justice Commission of Pakistan, representatives from 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 will 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 MOC/TDAP, will be strengthened after carrying out detailed 'entity improvement diagnostic'. This will help these institutions produce better quality human resource and designs for our industry.

Revamping Export Promotion Agencies & Trade Monitoring Committee

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

Ministry will:

- i. Overhaul Trade Offices Abroad by providing both financial and improved human resource after carrying out a performance analysis. This will be done in the following way:-

- a) Creation of Export Promotion Wing in the Ministry of Commerce within available resources to provide a mechanism to monitor the performance of Trade Officers and address their problems
 - b) Through the Export Promotion Wing, Ministry is instituting a system of annual performance evaluation, having both qualitative and quantitative aspects with the possibility of recalling 3 lowest performing Trade Officers.
 - c) Trade Officer and local based Trade Development Officer (TDO) will spend 15 days in Pakistan to work closely with supply side institutions and exporting firms.
 - d) Performance Evaluation Report of Trade Officer will be jointly initiated by the Ambassador and regional trade officer and countersigned by Secretary TDAP and second countersigning by Secretary Commerce. In countries where there is a single trade officer, the PER will be initiated by an overall regional trade office which is proposed to be established to complement the regional dimension.
 - e) Regional dimension would be added to the functions of Trade officers
 - f) The work place environment of Trade Officers would be improved
 - g) Trade Officers manual would be updated providing detailed job description and ToR's and complete work plan for Trade Officers including Annual Plan, Reporting requirements etc.
- 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) The Ministry will develop and implement an Entity improvement plan for both the organizations.

Trade Committee:

A high level 'Trade Committee' will be constituted under the chairmanship of Commerce Minister, with Export wing in the Ministry of Commerce as its secretariat, with the involvement of relevant government Ministries/departments, Senior Businessmen, and Academia etc

- ✿ TC would meet at least on a quarterly basis
- ✿ TC would monitor implementation of STPF 2012-15 to remove bottlenecks in achieving desired export targets
- ✿ TC would examine issues for promoting Pakistan's foreign trade and strengthen international competitiveness

EXPORT COMPETITIVENESS DEVELOPMENT MEASURES

Ministry of Commerce is presenting export development initiatives to address deficient areas in Pakistan's export competitiveness. It may be noted that in line with the suggestion of Ministry of Finance, Ministry of Commerce has revisited the proposed promotional schemes and has revised the resource requirement downwards to Rs. 26.108 Billion for the next three years and Rs. 4.995 Billion for the year 2012-13, as compared to the earlier demand for Rs. 60 Billion for three years and Rs. 16 Billion for the year 2012-13 respectively.

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, we will 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, we will 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, selected non-textile exporting sectors will be provided ad-hoc relief 3% of FOB, in order to stay in the export business. The 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 will 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 will be very useful to educate our farmers on international demand trends and techniques to boost farm level productivity.

We will therefore 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 needed to bring their produce in conformity with the international standards.

Encouraging the Opening 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, we will provide subsidy on these outlets upto 75%, 50%, 25% 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% Cost of Plant and Machinery for Dates and Olive Processing

Pakistan is the 4th largest producer with excellent quality of dates in areas of Khairpur, Dhaki, D.I.Khan, D.G. Khan, Turbat, Pungor and Washak. But only 13% of the total produce is exported and that also as a low quality product. Lack of the necessary processing facilities results in the wastage of a large quantities, reducing the income of farmers that in turn cause rural poverty. Similarly, Pakistan can save precious foreign exchange which is now used on the import of edible oil by promoting the production and processing of Olive in KPK, Baluchistan and Gilgit-Baltistan areas.

To reduce the wastage of produce, increase income of the farmers and foreign exchange earnings, the government will provide 50% subsidy in the cost of plants and machinery for dates and olive processing.

Subsidizing 50% cost of plant and machinery for establishing processing plants for fruits and vegetables in Gilgit Baltistan (GB)

A large amount of fruits and vegetables from GB region is wasted due to lack of processing plants and facilities of fruits and vegetables. This wastage causes reduced income for the people of GB. Due to their long distance from major urban centers, investors shy away from investing in GB. With the expansion of KPK, the value addition of fruits and vegetables has become even a greater imperative.

To incentivize establishment of fruits processing plants in GB, the government will provide 50% subsidy in the cost of plant and machinery for establishing processing plants for fruits and vegetables in Gilgit Baltistan.

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. In order to ensure that only quality rice is exported, it is vital that Labs testing quality of Rice are well equipped and recognized. Currently, the relevant labs are being run and managed jointly by REAP and TDAP and are under equipped, under staffed and un-accredited. There is a need to up-grade these labs and get them accredited with international bodies. This will help establish a mechanism which is transparent, cheap and smooth for rice exports. It will ensure that only quality rice is exported and brand of Pakistan as a quality rice supplier remains intact.

Mark-up subsidy @ 50% of the prevailing mark-up rate, for setting up of Meat processing plants in bordering provinces

Livestock farming has emerged as a major contributor to GDP. Meat and Meat Preparations exports have grown in the last few years and stood at 175 Million USD in 2011-12. In order to increase processed meat exports from the bordering regions we will provide mark-up subsidy @ 50% of the prevailing mark-up rate, for setting up of Meat processing plants in KP,

Baluchistan and Gilgit, Baltistan. This initiative will go long way in increasing Meat Preparations exports from the under developed regions of Pakistan and will also create job opportunities in these areas.

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

Mining and quarrying sector represent an important activity in Pakistan's economy, contributing around 0.5% to Pakistan GDP since 1990. At present majority of marble and granite mining is done through primitive mining methods, most commonly by using excessive explosives, which results in huge wastage of this non-renewable resource of the country. It also causes serious environmental degradation. Our inability to modernize our mining methods by adopting machine enabled cutting is one of the major reasons for our lagging behind in the sector and enhancing export potential in this field.

To control un-scientific and explosive based orthodox mining, we will:-

- i. Provide mark-up subsidy @ 100% of the prevailing mark-up rate on the installation of wire saw cutting machines in KPK, GB and Baluchistan.
- ii. 50 % subsidy on the cost of wire saw cutting machinery.
- iii. All such mining concessioners which are not using controlled blasting and are not switching to scientific mining, their mining concessions may be reviewed by Mining and Mineral Departments 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 representation of Women in established Chambers of Commerce and Industry is very thin. The government has been encouraging the establishment of Women chambers in the recent past. These Chambers are expected to help them to become successful entrepreneurs. The capacity of these Chambers however is still very limited. There is an urgent need of government support for Women Chambers so that women participation can grow in international business. Ministry will support Women Chambers by strengthening their research and reach out capabilities.

Establishment of Leather Export Promotion Council

Traditional trade bodies have not been very successful in promoting exports. Ministry of Commerce will establish a model project in leather sector to combine public and private sector in the management of sector specific trade organization to promote export of leather sector, which is the third largest export sector of Pakistan. In future, its success 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.

Establishment of Services Export Development Council

Services sector contributes more than 55% to GDP of Pakistan. However, our services exports were a paltry 5 Billion USD for the year 2011-12. There is hardly any concentrated effort to boost services exports from Pakistan. This Council will work as a nucleus for promoting services exports from Pakistan in the years to come. As the Services Sector in most of the cases is labour intensive, a boost in Service export has a great potential to create employment in large numbers.

REGULATORY AMENDMENTS IN TRADE REGULATIONS

The regulatory amendments being proposed to Import Policy and Export Policy Orders 2009 have been developed after extensive consultation with private sector and consensus development exercise in the form of inter-ministerial meetings. These amendments will further facilitate Pakistan's trade and contribute to the ease of doing business by simplifying the procedures and strengthening the regulatory processes.

Export Policy Order and Import Policy Order, 2013 have been issued vide SRO Nos. 192(I)/2013 and 193(I)/2013 dated 08-03-2013 and made available on the website of the Ministry of Commerce and the same has also been sent to FBR. Both the SROs are under printing in the Printing Corporation of Pakistan, Islamabad.

PAYMENT OF OUTSTANDING EDF DUES AND STREAMLINING EDF RELEASES IN FUTURE

In pursuance of the inter-Ministerial meetings at Secretary Level, Ministry of Commerce and Ministry of Finance have now reconciled EDF releases for the last few years. It was proposed that Ministry of Finance may now be directed to release outstanding EDF payments in favour of Ministry of Commerce amounting to Rs. 15 Billion (2005-06 to 2011-12) which was subsequently approved.

In addition to the above, it was also proposed and approved that in future, a mechanism will be devised to ensure that Export Development Surcharge is transferred directly to the Ministry of Commerce by making appropriate amendments in the existing arrangement.

REGULATORY AMENDMENTS IN TRADE REGULATIONS

Easing Import of Motorized Wheel Chairs

As per current Import Policy Order second hand/used wheel chairs can only be imported by disabled persons directly or through charitable institutions or hospitals when received as donations or gifts subject to submission of certification by numerous government/provincial departments.

In order to facilitate disabled persons, the import of second hand motorized wheel chairs is allowed freely by anyone for use by disabled persons.

Import of Ambulances

Currently import of second hand/used ambulances is allowed when donated by any organization/individual to a charitable or non-profit organization, trust or hospital provided they fulfill certifiable standards and have minimum ten years of useful life.

In order to facilitate much needed import of second hand/used ambulances for hospitals, charitable institutions or other large organizations such as universities etc., import of second hand / used ambulances is allowed 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, where the custom duty is zero while the raw material attracts duty upto 5%, are permissible for import.

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

Implementing Emission Standards

As per existing import policy order, specialized vehicle-mounted machinery and transport equipment is allowed in favour of construction, mining companies and petroleum sector

companies for use in the projects in Pakistan, subject to condition of Euro-III emission standards compliance. Moreover, vehicles like Prime Movers, Waste disposal trucks, fire fighting vehicles are also allowed subject to Euro-III emission standards compliance. This condition cannot be met as Euro-III compatible fuel is not available in the market. At present, Euro-II compatible fuel is available in the market. Therefore, it is logical to change this condition at import stage from Euro-III compliant vehicles to Euro-II compliant vehicles, up till the time that Euro-III compliant fuel is introduced in the country.

Therefore the condition of EURO-II is made applicable on import of all types of specialized vehicles.

Protecting Public Health

Currently non-sterilized surgical needles and syringes are importable by industrial units engaged in the further processing of these items into value added, final and finished products.

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

Safeguarding Health and Environment

Currently imports in violation of Import Policy Order are confiscated or in some cases released against redemption fine.

In order to ensure strict compliance with the provisions of the Import Policy Order and to discourage willful violation by importers:-

- 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 effecting 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

Presently, anybody can import rubber scrap of various types subject to the condition that they are cut into pieces. The above facility is misused for import of second hand/used tyres, which is also a safety hazard.

In order to save the local tyre industry and to encourage the use of tyre scrap as alternate fuel:-

- i. Import of waste and second hand tyres may be allowed only in “at least two completely cut, detached from each other pieces form” to industrial consumers only subject to fulfillment of environmental requirements of using tyres as a fuel to be prescribed by Federal/Provincial Environmental Authorities.
- ii. Other types of rubber waste and scrap may continue to be imported with the same condition of completely cut into pieces.

Ban on Hazardous Plastic Waste / Scrap

Currently import of all types of plastic scrap is allowed in favour of manufacturers for their own use subject to submission of certificate from the relevant government agency in the exporting country that the scrap being imported are not hazardous and comply with the provisions of the Basel Convention.

In order to ensure that such consignments of plastic scrap do not contain any hazardous scrap, a complete ban is imposed 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 the plastic scrap/waste, other than the categories proposed to be banned in proposal at para 60, 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 concerned Federal/Provincial Environmental Protection Agency.
- ii. Inspection from technically qualified designated Pre-Shipment Inspection companies that the imported consignment does not contain any hazardous waste, as defined in the Basel Convention

Trade Facilitation

Currently export of vegetable and cooking oil upto 16KG packing is allowed.

In order to facilitate exporters and to encourage value addition, export of Vegetable Ghee & Cooking Oil in packaging of upto 25 KG will be allowed.

Ensuring Quality & Standards

Existing Import Policy Order provides that import of goods shall be subject to same quality standards as prescribed for domestically produced goods.

All domestic standards formulated by Pakistan Standard Quality Control Authority (PSQCA) will therefore be made part of Import Policy to ensure that imported goods conform to notified domestic standards.

Ensuring Public Health

As per Import Policy Order, Crude Palm Oil is importable only by the recognized manufacturers for further processing and refining.

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

Safeguarding National Security

The easy access to auto pilot kit is an extremely dangerous situation as it could afford an opportunity to the terrorists to intrude any sensitive location with precision using remotely piloted aerial vehicle. Availability of detailed instructions on internet regarding procurement, assembly and use of such kits indicate the possibility of its likely use in the terrorist activities.

In order to regulate import of Auto Pilot Kits and to avoid its misuse, its import will be restricted and 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 ensure that no bad name is associated with Pakistan, the goods stolen abroad will 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 should be confiscated.

Complying with International Conventions

At present, 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, the Ministry of Commerce also imposes ban on import of CFC based air conditioning equipment.

Putting Age Restriction on Sprinklers Lorries

At present, import of Spraying Lorries or Sprinklers is allowed irrespective of age limit in second hand/used condition subject to certification by a recognized pre-shipment company to the effect that said lorries (a) compliant with Euro-II standards (b) in accordance with original manufacturers specifications and (c) has a useful productive life.

To check import of ordinary lorries under the garb of sprinkle lorries, import of sprinkle lorries in second hand/used condition upto maximum of five years old will be restricted. The other conditions as above will continue to apply.

Facilitating Pakistani Construction Companies Working Abroad

As per current Export Policy Order, the temporary export and re-import of locally manufactured or imported machinery or equipment for the purpose of carrying out works awarded to local construction, engineering and electrical companies shall be allowed, on the submission of an undertaking, along with evidence of contract, that the machinery shall be imported back upon conclusion of the contract.

In order to facilitate 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, the local construction, engineering and electrical companies will be allowed to retain abroad the exported machinery 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

System of registration as importer and exporter with the former Export Promotion Bureau (now TDAP) had been dispensed w.e.f. August, 2002 as a part of government de-regulation.

With the sole objective of monitoring the possibility of abuse such as drug trafficking and for record purpose, all exporters of food products such as fresh fruits and vegetables, rice etc. should 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, 2% of the export proceeds to manufacturers cum exporters for duty free import of accessories will be allowed, to encourage value addition of leather garments and made ups by the same exporter.