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TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

PAKISTAN

This report, prepared for the fourth Trade Policy Review of Pakistan, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Pakistan on its trade policies and practices.

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SUMMARY

1. Pakistan's economy has exhibited resilience in a difficult environment. Real GDP growth averaged nearly 3.2% annually during the period under review, and is projected to be in excess of 4% in 2014/15. Pakistan's economy was able to post growth despite adversities such as a tight security environment, the global economic crisis, and a host of natural disasters. However, serious challenges remain; these include power shortages, a weak fiscal position and lack of investment.

2. Pakistan has been running persistent fiscal deficits during the review period. The deficit exceeded 8% of GDP in both 2011/12 and 2012/13, but fell to 5.3% in 2013/14. During the period under review, total fiscal revenue as a proportion of GDP declined to under 13% in 2012/13, while tax revenue as a proportion of GDP declined to under 10%, which is among the lowest in the world. The decline in revenue can be attributed to a number of factors, most notably widespread tax evasion, a wide array of tax exemptions, and failure to widen the tax base. Furthermore, the prevalence of Statutory Regulatory Orders (SROs), which are discretionary measures providing tax and tariff exemptions and relief to vested interests, are a significant drain on fiscal revenue.

3. Expenditures have been in excess of 21% of GDP in both 2011/12 and 2012/13. Expenditures have grown on the back of increasing debt service payments, which are due to perpetual fiscal deficits and their financing. A significant amount of the expenditure covers losses of state-owned enterprises such as Pakistan International Airlines, Pakistan Railways and Pakistan Steel Mills. The Government also provides a substantial subsidy to the power sector. Consequently, Pakistan is now in a position where revenues cannot meet even current expenditures and the Government has to borrow just to function. The authorities realize the precarious fiscal position and have initiated a programme of fiscal consolidation and the restructuring or privatization of state-owned enterprises.

4. The objectives of monetary policy are to maintain monetary stability and promote economic growth. Recent monetary policy has been driven by efforts to keep the exchange rate stable and accumulation of foreign exchange reserves. The pursuit of these objectives is hampered by the lack of central bank autonomy, which in recent years has led to considerable borrowing by the Government to finance the fiscal deficit and borrowing by public sector enterprises. Inflation as measured by the consumer price index (CPI) peaked at 17% in 2008/09; it has since declined to 8.6% in 2013/14 due to a fall in world prices for primary commodities and a reduction in some domestic administered prices.

5. Pakistan's current account deficit decreased from nearly US$14 billion in 2007/08 (8.2% of GDP) to around US$3 billion in 2013/14 (1.2% of GDP). The improvement in the current account deficit can be attributed to a more than halving of the services deficit and a considerable increase in workers remittances. Furthermore, in 2013/14 the financial and capital account rebounded.

6. Pakistan's exports continue to be heavily concentrated, with agriculture, textiles and clothing accounting for over three fourths of total exports in 2013. The largest single import category continues to be fuels. The share of manufactures in total imports has fallen. The decline can be attributed to a subdued investment environment. Pakistan's largest export markets continue to be the EU(28), followed by the United States and China; Pakistan's largest import supplier is the United Arab Emirates, followed by China and the EU(28).

7. In April 2010, both houses of parliament passed the 18th constitutional Amendment. The Amendment decentralizes political power and reduces the powers of the President, while at the same time rebalancing power between the judiciary, government and the opposition. As a result, the responsibilities of 17 federal ministries have already been transferred to the provinces.

8. Under Vision 2025, launched in 2014, the Government aims to make Pakistan an upper-middle income country by 2025 and a top ten economy by 2047. In January 2013, the Government announced its three-year Strategic Trade Policy Framework 2012-15. Under the framework, the Government envisages increasing exports to US$95 billion during the three-year period. To achieve its target, the Government has identified seven areas of focus. These are: regional trade; strengthening of the institutional framework for promotion of exports; creation of regulatory efficiencies; export development initiatives; increasing exports from less-developed

regions of Pakistan; promotion of domestic commerce; and strengthening the monitoring and evaluation network.

9. Pakistan provides at least MFN treatment to all except two WTO Members, India and Israel. Since 2012, imports from India are conducted on the basis of a negative list of about 1,200 products that cannot be imported. This change from a previously existing and more restrictive positive list has resulted in a significant boost to bilateral trade. Trade with Israel is prohibited. There are a number of outstanding notifications in areas such as SPS, TBT and domestic support in agriculture.

10. During the period under review, Pakistan has been a respondent in one dispute settlement case initiated by Indonesia, concerning anti-dumping and countervailing duties imposed by Pakistan on certain paper products from Indonesia. In 2014, Pakistan also notified the WTO of a request for consultations with the European Union regarding the imposition of countervailing measures by the EU on imports of certain polyethylene terephthalate (PET) from Pakistan.

11. Pakistan considers the multilateral trading system to be the cornerstone of its trade policy. It also believes that preferential trade agreements (PTAs) are complementary to the multilateral trading system. Pakistan is a signatory to the South Asia Free Trade Agreement. It also has bilateral free-trade agreements with China, Indonesia, Iran, Malaysia, Mauritius and Sri Lanka.

12. Under Pakistan's investment regime, 100% FDI is permitted in most industries. FDI is prohibited in arms and ammunitions; high explosives; radioactive substances; security printing; currency and mint; and consumable alcohol. The share of foreign equity is limited in the airline, banking and print and electronic media sectors. Coupled with a strategic location, natural resources and a pool of skilled labour, the liberal FDI regime makes Pakistan an attractive investment destination. However, FDI has remained tepid during the review period. This can be attributed to the precarious security situation, chronic power and gas shortages, and the high cost of doing business.

13. The objectives of the Government's investment policy are to achieve a progressive increase in net FDI inflows to reach US$5.5 billion in 2018. The Foreign Direct Investment Strategy 2013-17 stipulates improved facilitation procedures and project-focused FDI promotion. The latter implies that the Government will concentrate on target sectors such as: infrastructure and communications; manufacturing; energy; mining and exploration; construction and real estate; automotive and the agricultural sector. Both the strategy and the policy seek to achieve their goals through Special Economic Zones (SEZs), which are the bedrock of the Government's current investment strategy.

14. Since its last Review in 2008, Pakistan has taken some cautious steps of trade liberalization. Its average applied MFN tariff is 14.3% in 2014/15, slightly down from 14.8% in 2008. All but 45 tariff lines are *ad valorem*. Since July 2014, Pakistan no longer has duty free tariff lines. The tariff displays a significantly positive escalation. Some 98% of tariff lines are bound; the average bound rate is 61.5%. Regulatory exemptions and concessions provided for various industries under SRO regimes remain an important source of deviation from MFN rates.

15. Pakistan has bound other duties and charges at zero, but "regulatory import charges" of 5% apply on some 284 mostly agricultural products. Since Pakistan's last Review, the Government has been implementing a programme to modernize customs procedures. In addition to tariffs, imports are subject to sales tax.

16. Despite cautious liberalization, overall tariff levels remain high, which weakens productivity growth and constitutes an impediment to efficient resource allocation and the integration of Pakistan into global value chains. In addition, the use of ad hoc trade policy instruments under SROs remains common and severely undermines the predictability of the trade regime; it also supports a culture of rent-seeking. The elimination of tariff and tax-related SROs, planned for end-2015, will significantly increase transparency of the trade regime.

17. Since its last Review, Pakistan has initiated 58 anti-dumping investigations, which led to the imposition of 31 definitive measures. It has not taken any safeguard or countervailing measures. Import prohibitions and restrictions are maintained for health, safety, security, moral, and

environmental reasons. Pakistan's standards are mostly based on international standards. A National Food Safety, Animal, and Plant Health Regulatory Authority is currently being established. No SPS notifications have been submitted since January 2000.

18. Production and exports are assisted by a wide range of general and sectoral programmes that offer tax exemptions or concessions, subsidies, concessionary credit, duty drawbacks, and agricultural price and other domestic support. Exports are subject to an export development charge of 0.25%. In addition, numerous agricultural goods are subject to "regulatory duties" of 5% when exported.

19. State intervention and ownership remain considerable. In October 2013, the Government published a new list of 32 companies to be privatized. Although, the restructuring and subsequent privatization of some of these entities was initiated in the 1990s, there has been little progress over the last six years. In particular, privatization of the three most important loss-carrying companies has been repeatedly postponed. A National Procurement Strategy was launched in 2013 which aims to make public procurement processes more efficient and transparent. Competition policy has been considerably strengthened through the adoption of a Competition Act in 2010. Pakistan has also undertaken efforts to advance enforcement of intellectual property rights.

20. The agriculture sector contributes about 21% to GDP and is central to employment and livelihoods. The Government's overall policy objectives for the agriculture sector are achieving food security and increasing the sector's growth rate. Pakistan's main cash crops are wheat, rice, maize, cotton, and sugar cane. However, over the last 20 years the crop subsector has been gradually declining while the share of livestock in agricultural value-added has significantly increased. Pakistan has traditionally been a net food importer, but for the first time in many years it incurred a trade surplus in food products in 2013. Rice is the single most important export product, while palm oil has been the main agricultural import.

21. Pakistan's main agricultural policy measures include tariffs, input subsidies and support prices. Since the adoption of the 18^{th} constitutional Amendment, many responsibilities in agricultural policy-making have shifted to the Provinces. Numerous agricultural and food products have been subject to *ad hoc* measures under SROs; certain agricultural products have also been subject to export prohibitions. Support prices are maintained for wheat. Pakistan has submitted no notifications about domestic support to the WTO since 2008.

22. Chronic electricity shortages and high electricity prices are a serious problem for Pakistan's economy. Power generation, transmission and distribution are generally inefficient. Electricity prices are usually insufficient to cover production costs; tariffs are designed in a manner that effectively subsidizes the middle class. The Government's policy in the power sector aims to increase energy supply, decrease reliance on fossil fuels for electricity production, and reduce price distortions and theft.

23. Pakistan's manufacturing activities are dominated by food processing and textiles. Textile production is concentrated in the preliminary processing stages and dominated by cotton textiles, clothing, and synthetic fibres. Textiles and clothing make up more than 50% of Pakistan's merchandise exports. Under its new Textile Policy, the Government aims to further promote high value-added activities and improve productivity in the subsector. Protection in manufacturing is particularly high in the automotive subsector, with tariffs of up to 100%. Coupled with limited local competition among just a few assemblers, this leads to prices for passenger cars in Pakistan that are significantly higher than in other countries.

24. Services contribute about 58% to Pakistan's GDP. Pakistan is a participant in the negotiations on a trade in services agreement (TISA). It is a net importer of services, although the deficit has been declining over the past years. Strong state involvement persists in nearly all service subsectors. The financial services subsector has shown resilience in a challenging macroeconomic environment, and the stock market has performed remarkably well. The telecom sector has grown strongly since 2008, mainly driven by mobile subscriptions. Pakistan's port infrastructure has improved considerably since its last Review. The Government is trying to revitalize the largely dysfunctional railway system. Air fares are deregulated. Pakistan's tourism sector suffers from security concerns, but has considerable long-term potential.

1 ECONOMIC ENVIRONMENT

1.1 Recent Economic Developments

1.1. Pakistan's economy has proved to be resilient in a difficult environment. Real GDP growth averaged nearly 3.2% annually between 2007/08 and 2013/14 (Table 1.1) and is projected to be around 4% in 2014/15.[1] Pakistan's economy was able to grow despite facing adversities such as a tight security environment, the global economic crisis, a massive earthquake in 2008, and annual floods since 2010.

Table 1.1 Selected macroeconomic indicators, 2007-14

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
National account	% change, unless otherwise indicated						
Real GDP	1.7	2.8	1.6	2.7	3.5	4.4	5.4
Consumption	3.1	0.9	1.9	4.0	5.3	3.4	6.8
Private	3.6	-0.5	2.2	4.6	5.0	2.5	5.9
Government	-0.9	12.7	-0.6	0.0	7.3	10.2	12.7
Gross fixed capital formation	4.6	-5.0	-7.3	-7.7	2.4	0.2	0.5
Exports of goods and non-factor services	-4.6	-3.4	15.7	2.4	-15.0	13.6	-1.4
Imports of goods and non-factor services	5.9	-15.9	4.3	-0.1	-3.1	1.6	3.7
XGS/GDP (%) (current prices)	12.4	12.4	13.5	14.0	12.4	13.2	12.3
MGS/GDP (%) (current prices)	23.2	19.7	19.4	19.0	20.4	19.9	18.8
Unemployment rate (%)	5.2	5.5	5.6	6.0	6.0	6.2	..
Exchange rate							
Rupee/US$ (financial year - annual average)	62.55	78.50	83.80	85.50	89.24	96.73	102.86
Real effective exchange rate (end period)	-2.3	-4.7	-0.5	5.8	3.1	-1.3	..
Nominal effective exchange rate (end period)	-8.8	-16.7	-8.4	-4.1	-4.3	-6.1	..
Prices and interest rates							
Inflation (CPI, % change)	12.0	17.0	10.1	13.7	11.0	7.4	8.6
Lending rate (end period)[a]	12.5	14.3	13.6	13.5	12.8	11.7	..
Deposit rate (end period)[b]	4.1	4.4	4.3	4.5	4.6	4.4	..
Treasury bills (end period)[c]	11.8	12.0	12.3	13.7	11.9	8.9	..
	% of GDP, unless otherwise indicated						
Fiscal policy							
Government revenue and grants	14.9	14.7	14.3	12.6	13.1	13.0	14.9
Tax revenue	10.6	10.5	10.1	9.5	10.3	9.7	10.4
Custom duties	1.5	1.2	1.1	1.0	1.1	1.0	1.1
Expenditure (incl. stat. discrep.)	22.2	19.9	20.2	19.5	21.5	21.0	20.2
Current	18.1	16.4	16.7	16.5	17.8	16.3	17.1
Interest	4.8	5.0	4.3	3.8	4.4	4.3	4.7
Subsidies	..	1.9	1.5	2.7	2.8	1.3	1.9
Grants	..	1.1	2.4	1.4	1.4	1.6	1.6
Development (incl. net lending)	4.1	3.2	3.8	2.6	3.4	4.6	3.1
Primary balance (incl. grants)	-2.5	-0.4	-1.6	-3.1	-4.0	-3.7	-0.6
Overall fiscal balance (incl. grants)	-7.3	-5.2	-5.9	-6.9	-8.4	-8.0	-5.3
Total public debt (including obligation to the IMF)	59.3	60.7	61.5	59.5	63.8	63.1	64.0
Domestic debt	31.8	30.3	31.3	32.9	38.0	41.6	40.7

[1] IMF (2014a). According to the authorities, real GDP growth in 2014/15 is expected to be above 5%.

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Savings and investment							
Gross national savings	13.1	12.0	13.6	14.2	12.9	14.0	..
Gross domestic savings	11.1	9.4	9.8	9.7	7.7	9.2	..
Gross fixed investment	19.7	15.9	14.2	12.5	13.3	12.9	..
Savings investment gap	-6.6	-3.9	-0.6	1.7	-0.4	1.2	..
External sector							
Terms of trade (% change)	-11.5	2.8	0.0	2.8	-5.9	-2.4	..
Goods exports (% change)[d]	18.2	-6.4	2.9	28.9	-2.5	0.3	1.5
Goods imports (% change)[d]	31.2	-10.3	-1.7	14.9	12.5	-0.5	3.8
Service exports (% change)[d]	-13.3	14.4	27.4	10.3	-13.1	34.1	-21.8
Service imports (% change)[d]	20.9	-25.5	-7.6	11.4	7.9	-0.4	-4.6
Foreign exchange reserve (US$ million)	8,591	9,114	12,958	14,784	10,799	6,008	9,096
Total external debt (US$ million, end period)	46,161	52,331	61,567	66,366	65,478	59,779	..

.. Not available.

a Weighted average rates of return on advances.
b Weighted average rates of return on deposits.
c Six months treasury bill weighted average rate.
d Growth rate based on trade figures in US$.

Source: State Bank of Pakistan and Pakistan Bureau of Statistics online information; and IMF.

1.2. Recent growth has been driven by construction and services (finance and insurance, public administration and defence). Electricity, gas and water also posted robust growth between 2009 and 2011. GDP per capita also registered modest growth (Table 1.2) to reach over US$1,300 in 2013/14. Furthermore, the authorities stated that it is estimated that over 40% of the economy is not documented, implying that GDP and GDP per capita are grossly underestimated.

Table 1.2 Basic economic indicators, 2007-14

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Real GDP, basic prices (PRs billion, 2005/06)	8,759.8	9,007.8	9,152.6	9,404.1	9,733.9	10,163.0	10,713.1
Real GDP, basic prices (US$ billion, 2005/06)	140.1	114.8	109.2	110.0	109.1	105.1	104.2
Current GDP (PRs billion)	10,637.8	13,199.7	14,867.0	18,276.4	20,046.5	22,489.1	25,401.9
Current GDP (US$ billion)	170.1	168.2	177.4	213.8	224.6	232.5	247.0
GDP per capita (US$)	1,022.0	989.4	1,022.5	1,207.0	1,243.1	1,261.2	1,313.5
GDP by economic activities, real 2005/06 basic prices (annual % change)							
Agriculture, forestry and fishing	1.8	3.5	0.2	2.0	3.6	2.9	2.1
Mining and quarrying	3.2	-2.5	2.8	-4.4	5.2	3.8	4.4
Manufacturing	6.1	-4.2	1.4	2.5	2.1	4.5	5.5
Electricity, gas and water	37.2	-12.1	16.7	63.9	1.4	-16.3	3.7
Construction	15.4	-9.9	8.3	-8.6	3.1	-1.7	11.3
Services	4.9	1.3	3.2	3.9	4.4	4.9	4.3
Wholesale and retail trade	5.7	-3.0	1.8	2.1	1.7	3.4	5.2
Transport, storage, and communication	5.5	5.0	3.0	2.4	4.6	2.9	3.0
Finance and insurance	6.3	-9.6	-3.3	-4.2	1.6	9.0	5.2
Ownership of dwellings	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Public administration and defence	0.2	5.6	8.0	14.1	11.1	11.3	2.2
Community, social and personal services	5.4	6.5	5.8	6.6	6.4	5.2	5.8
Share of main sectors in current GDP, basic prices (%)							
Agriculture, forestry and fishing	23.1	23.9	24.3	26.0	24.5	25.1	25.1
Mining and quarrying	3.1	3.3	3.3	2.8	3.3	3.2	3.2
Manufacturing	15.2	13.4	13.6	14.3	14.5	14.0	14.1
Electricity, gas and water	1.4	1.2	1.5	2.3	2.3	1.9	2.0

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Construction	2.6	2.3	2.1	1.8	2.0	1.9	2.1
Services	54.6	55.9	55.1	52.7	53.4	53.8	53.6
Wholesale and retail trade	21.3	19.8	19.8	20.2	20.7	20.2	20.2
Transport, storage, and communication	10.3	13.5	12.9	10.9	9.8	10.6	10.0
Finance and insurance	3.9	3.8	3.3	3.0	2.9	2.4	2.5
Ownership of dwellings	6.2	5.6	5.5	5.0	5.1	5.1	5.1
Public administration and defence	5.1	5.2	5.5	5.7	6.4	6.9	6.9
Community, social and personal services	7.9	7.9	8.1	7.8	8.4	8.6	8.8
Share of sectors in total employment (%)							
Agriculture, forestry and fishing	44.7	45.1	44.8	45.1	..	43.7	..
Manufacturing	13.0	13.0	13.2	13.7	..	14.1	..
Construction	6.3	6.6	6.7	7.0	..	7.4	..
Services	35.3	31.6	31.6	31.0	..	31.1	..
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal household goods	..	15.2	15.2	14.8	..	14.4	..
Transport, storage, and communication	5.5	5.2	5.2	5.1	..	5.5	..
Community, social and personal services	13.7	11.2	11.2	11.0	..	11.3	..

.. Not available.

Source: Pakistan Bureau of Statistics online information.

1.3. Trade continues to play an important role. Trade in goods and non-factor services as a proportion of GDP declined from over 35% in 2007/08 to approximately 31% in 2013/14. The decline can be explained to some extent by weak domestic demand and the composition of Pakistan's trade. Exports are heavily concentrated; textiles, clothing and agriculture account for over 70% of exports, while fuels account for over 35% of imports. Slight changes in global factors concerning these products would in all likelihood have serious repercussions on Pakistan's trade.

1.4. Pakistan has a population of around 186 million, which is growing at 2% per annum. Nearly 70% of the population is below the age of 30 years. The size of the labour force was about 60 million in 2012/13 and the unemployment rate was 6.2%. Pakistan also has one of the lowest female labour force participation rates in the region. Over 43% of the labour force is employed in the agricultural sector. Other important sources of employment are the manufacturing sector, wholesale and retail sector, and community/social and personal service sector. During the period under review, literacy rates improved from 56% in 2007/08 to 60% in 2012/13; however, these are still low in comparison to other countries in the region. The low literacy rates pose an impediment to poverty alleviation and sustained growth. Poverty gains of over the past decade have been impressive but may be difficult to sustain. Pakistan saw a decline in poverty trends, with the poverty rate falling from 34.5% in 2001/02 to an estimated 17.2% in 2007/08. Over the past few years there have been signs that poverty levels may have further decreased. Pakistan would need its young population to be productively employed, increase literacy rates and improve female labour force participation, if it is to achieve its poverty reduction and growth objectives.

1.5. Despite the above-mentioned improvement, serious challenges remain; these include *inter alia*: power shortages, a weak fiscal position and lack of investment (both foreign and domestic).

1.6. The authorities are cognizant of the above issues and have taken some remedial measures. Furthermore, some structural changes have been incorporated as performance criteria under the IMF's current Extended Arrangement with Pakistan.[2] Initiatives undertaken include fiscal consolidation measures coupled with public sector enterprises' (PSEs) reform, tariff reform and improving the business climate, and reform and restructuring of the energy and power sectors.

[2] IMF (2014a).

1.7. In August 2014, the Government launched the Pakistan Vision 2025 (Section 2.2.1). The goal of Vision 2025 is to make Pakistan an upper-middle income country by 2025 and a top ten economy by 2047. To achieve this goal it is imperative that the structural reforms embarked on by the Government are successful. Significant fiscal space would need to be created to enable the Government to pursue development projects. Creating fiscal space requires expanding the tax base, restructuring PSEs and reducing subsidies. Private sector investment (both domestic and foreign) is also an important ingredient in realizing the above goals. To this end, attracting investment would involve creating an enabling environment by reducing the cost of doing business in Pakistan, ensuring adequate power supply and improving the security situation.

1.2 Monetary and Exchange Rate Policy

1.8. Under the provisions of the State Bank of Pakistan (SBP) Act, it is responsible for conducting monetary and exchange rate policies. The objectives of monetary policy are to maintain monetary stability thereby leading to stability in domestic prices, and promoting economic growth.[3] The SBP targets monetary aggregates (broad money supply as an intermediate target and reserve money as an operational target) to meet real GDP and inflation targets, which are set by the Government. According to the authorities, recent monetary policy has been driven by efforts to keep the exchange rate stable and accumulation of foreign exchange reserves.

1.9. However, the pursuit of the above objectives is hampered by the lack of central bank autonomy, which in recent years has led to considerable borrowing by the Government to finance the fiscal deficit and borrowing by public sector enterprises.[4] There is currently a bill in parliament, which seeks to enhance central bank autonomy. However, it is not clear when the bill will be enacted.

1.10. With the backdrop of a relatively benign inflationary environment, and with the objective of spurring growth, the SBP pursued an accommodative monetary policy in 2012/13. Rising prices in 2013/14 resulted in the SBP tightening monetary policy which may have a detrimental effect on real GDP growth.

1.11. Under the provisions of the Foreign Exchange Act 1947 and the State Bank of Pakistan Act, 1956, the SBP is responsible for the maintenance of external value of the currency. In this regard, the SBP is required to *inter alia*: regulate foreign exchange reserves of the country; purchase and sell gold, silver or approved foreign exchange and transactions of Special Drawing Rights with the International Monetary Fund; and to prevent wide exchange rate fluctuations in order to maintain competitiveness of the country's exports and maintain stability in the foreign exchange market. Currently Pakistan has a floating exchange rate.

1.12. In this respect, the challenge that the SBP faces is rebuilding foreign exchange reserves. Favorable foreign exchange market conditions have allowed the SBP to continue buying in the spot foreign exchange market, while at the same time sterilizing foreign exchange inflows. These measures have led to a slight bolstering of reserves.

1.13. Continual current account deficits, SBP purchases of foreign exchange in the spot market and sterilization of foreign exchange inflows have resulted in the rupee depreciating against the US$ during the review period (Table 1.1).

1.14. Inflation as measured by the consumer price index (CPI) peaked at 17% in 2008/09; it has since declined to 8.6% in 2013/14. CPI declined due to a fall in world prices for primary commodities, a reduction in administered prices for gas and a relatively lower depreciation of the rupee, which stabilized prices of imported products.

[3] Monetary stability is defined as price stability and confidence in currency.
[4] The Secretary of the Ministry of Finance is an ex-officio member of the Board of Governors of the State Bank of Pakistan.

1.3 Fiscal Policy and Public Debt

1.15. Pakistan has been running persistent fiscal deficits during the review period. The deficit exceeded 8% of GDP in both 2011/12 and 2012/13 but was expected to fall to below 6% of GDP in 2013/14.

1.16. During the period under review, total fiscal revenue as a proportion of GDP declined to under 13% in 2012/13, while tax revenue as a proportion of GDP declined to under 10%, which is among the lowest in the world. The decline in revenue can be attributed to a number of factors. There continues to be widespread tax evasion and the tax base remains narrow; for example the agricultural sector is exempt from income tax. The existing tax structure also contains a wide array of tax exemptions. Furthermore, within the tax base the share of direct taxes has continued to fall, while indirect taxes have risen modestly. The Government introduced several tax relief measures such as reducing the rate of General Sales Tax (GST) by 1%, reducing or eliminating withholding tax on certain categories and providing import tax relief through Special Regulatory Order (SRO) (Chapters 2 and 3).[5] Furthermore, revenues have also been hurt by lower than expected payments. For example, the Government's realization from the sale of 3G telecommunications licences was lower than expected. The above factors, coupled with weak domestic demand, have resulted in further depressing revenues.

1.17. On the other hand, expenditures have been in excess of 21% of GDP in both 2011/12 and 2012/13. Expenditures have grown on the back of increasing debt service payments, which have come about due to perpetual fiscal deficits and their financing. A large but one-off payment in lieu of settling the power sector circular debt also bloated the expenditure account in 2012/13. Additionally, a significant amount of the expenditures goes as subsidies to loss-making PSEs, such as Pakistan International Airlines, Pakistan Railways and Pakistan Steel Mills. The Government also provides a substantial subsidy to the power sector in the form of inter-distribution company tariff differential.

1.18. Consequently Pakistan is now in a position, where revenues cannot meet even current expenditures and the Government has to borrow just to function. As a result, total government debt as a proportion of GDP has continued to rise and stood at over 63% in 2012/13.

1.19. As already mentioned, to be able to sustain growth and meet its long-term growth objectives, the fiscal situation needs to be resolved. Tinkering with tax rates is not the answer. Rather a considerable expansion of the tax base is needed but it appears that there is the lack of political will to do this.[6] According to the authorities, the lack of enforcement also poses a significant impediment to raising revenues.

1.20. The authorities realize the precarious fiscal position and have initiated a programme of fiscal consolidation and the restructuring/privatization of PSEs (Section 1.4.1).

1.4 Other Issues

1.4.1 Fiscal consolidation and public sector enterprises

1.21. The authorities are targeting a fiscal deficit of 3.5% of GDP by 2016/17. In this regard, the Government plans to eliminate most SROs; these include income tax SROs that grant concessions on government subsidies, services, construction contracts outside Pakistan, large trading houses, advertising agencies and foreign news agencies. Certain sales tax SROs, which grant concessions on imported plant and machinery as well as reducing concessions granted to certain sectors are also to be eliminated. In addition, customs SROs are also to be withdrawn, implying that 30 industries and 133 HS codes would be charged the normal tariff and, tariff concessions for 138 industries would also be withdrawn. The cumulative impact of eliminating the above SROs would be 1% of GDP by 2016/17. Furthermore, by 2015 the remaining SROs would be incorporated into the tax law, while the authority to issue new SROs, which grant concessions or exemptions, would also be eliminated.

[5] SROs are statutory instruments/directives issued by ministries and departments on an ad-hoc basis, they provide a mechanism whereby laws and regulations including tariffs and taxes can be altered without recourse to the parliament.

[6] IMF (2014b).

1.22. The authorities envisage introducing a new tax on capital gains. They also plan higher income tax income through *inter alia*: higher taxes on interest and dividends, increasing withholding tax on motor vehicles and on services for non-filers, reducing exemptions for mutual funds and increasing the tax rate for banks.

1.23. Other planned revenue-enhancing measures include: increasing the sales tax on steel smelters, ship breakers and beverages; increased excise tax on cigarettes, sugar, cement and air travel; increasing import duty on certain items to 1% or 5%; and increasing the Gas Infrastructure Development Cess by 0.2% of GDP.

1.24. Measures to increase the tax base include expanding income tax compliance. In this regard the authorities have already issued more than 80,000 income tax notices to individuals with large apparent assets or income who have not filed tax returns. As a result 8,000 additional people have filed tax returns. The authorities are also incorporating data from urban property transactions and vehicle purchases into the database of potential taxpayers.

1.25. Compliance issues pertaining to other taxes are also to be addressed through various control measures. This includes electronic volume-tracking of production, undertaking field surveys, and the implementation of an electronic risk-based evaluation of sales taxes to high risk discrepancies.

1.26. A tax amnesty scheme was also announced in November 2013. However, only 4,500 taxpayers took advantage of the scheme and collections have been less than PRs 150 million. However, the component of the scheme designed to promote investment by granting immunity from investigation regarding the source of funds to finance certain investments remains in place.

1.27. On the expenditure side, electricity subsidies are to be eliminated, and government ministries' non-wage expenditures are also to be cut by 30%.

1.28. PSEs remain a large drain on the exchequer. To address this issue the Government has identified 32 entities for divestment/privatization and is aiming to offer one transaction each quarter over the next year. The authorities are also in the process of developing medium-term action plans to restructure loss-carrying Pakistan International Airlines, Pakistan Steel Mills, and Pakistan Railways. However, the restructuring and subsequent privatization of these entities was initiated in the 1990s and has hardly progressed since.

1.29. The above measures tend to tinker with tax rates and remove exemptions. However, they do not go far enough to expand the tax base meaningfully; for example there is no initiative for taxing agricultural incomes (the sector is responsible for over 20% of Pakistan's GDP).

1.4.2 Energy sector

1.30. With a view to improving monitoring and enforcement in the electricity sector, the Government has signed performance contracts with the distribution companies as well as power purchase agreements with the generating companies. The penal code has also been altered to improve enforcement with regard to non-payment of dues and theft.

1.5 Balance of Payments

1.31. During the period under review, Pakistan's current account deficit decreased from nearly US$14 billion in 2007/08 (8.2% of GDP) to around US$3 billion in 2013/14 (1.2% of GDP) (Table 1.3).

Table 1.3 Balance of payments, 2007-14

(US$ million)

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Current account	-13,874	-9,261	-3,946	214	-4,658	-2,496	-2,925
Goods and services balance	-21,427	-16,007	-13,226	-12,456	-18,958	-16,919	-19,158
Goods balance	-14,970	-12,626	-11,536	-10,516	-15,653	-15,355	-16,516
Exports	20,427	19,121	19,673	25,356	24,718	24,802	25,169
Imports	35,397	31,747	31,209	35,872	40,371	40,157	41,685
Services balance	-6,457	-3,381	-1,690	-1,940	-3,305	-1,564	-2,642
Receipts	3,589	4,106	5,229	5,768	5,013	6,724	5,261
Payments	10,046	7,487	6,919	7,708	8,318	8,288	7,903
Income	-3,923	-4,407	-3,282	-3,017	-3,245	-3,669	-3,921
Credit	1,613	874	561	716	826	488	501
Debit	5,536	5,281	3,843	3,733	4,071	4,157	4,422
Current transfers	11,476	11,154	12,562	15,687	17,544	18,092	20,154
Credit	11,618	11,256	12,672	15,863	17,686	18,183	20,294
Worker remittances	6,449	7,811	8,905	11,201	13,186	13,922	15,832
Debit	142	102	110	176	142	91	140
Capital account	121	455	175	161	183	264	1,833
Financial account	8,131	5,632	5,097	2,103	1,275	549	5,235
Foreign direct investment	5,335	3,695	2,075	1,592	744	1,258	1,483
Abroad	-75	-25	-76	-44	-77	-198	-148
In Pakistan	5,410	3,720	2,151	1,636	821	1,456	1,631
Portfolio investment	32	-1,073	-65	339	-149	26	2,768
Other investment	2,764	3,010	3,087	172	680	-735	984
Assets	32	560	-11	-920	9	-314	300
Liabilities	2,732	2,450	3,098	1,092	671	-421	684
Net errors and omissions	257	118	-60	14	-81	-309	-300
Overall balance	-5,365	-3,056	1,266	2,492	-3,281	-1,992	3,843
Reserve assets	5,538	-635	-4,063	-2,225	4,430	4,530	-3,271
Use of fund credit and loans	-173	3,691	2,174	-267	-1,155	-2,538	-572

Source: State Bank of Pakistan Annual Report (various issues) and Statistical Bulletin (2014), August.

1.32. The improvement in the current account deficit can be attributed to a more than halving of the services deficit and a very considerable increase in workers remittances. Within services the improvement was due to coalition support fund payments, which are essentially reimbursements for services provided to NATO countries in Afghanistan by Pakistani armed forces and to a lesser extent lower overall service imports. Workers remittances rose starkly, mainly due to increased inflows from certain Gulf countries, the United States and the United Kingdom. Conversely, the deficit in the goods balance increased during the review period.

1.33. The capital and financial account has traditionally financed the current account deficit. However, for most of the period under review capital and financial inflows remained subdued. FDI had decreased considerably due to the security and power situation, while loans from IFIs and loans and grants from friendly countries were not forthcoming. Furthermore, Pakistan continued to make repayments on account of both amortization and interest on loans that it had secured in the past. As such Pakistan had to draw down its foreign exchange reserves to finance the current account deficit. Consequently foreign exchange reserves declined to US$6 billion at the end of 2012/13, which provided 1.4 months of import cover.

1.34. However, in 2013/14 the financial and capital account rebounded thanks to US$1.5 billion in grants from the Kingdom of Saudi Arabia, US$1.6 billion in loan disbursements from the World Bank and the ADB, and a US$2 billion Eurobond placement. As a result the overall balance of payments has improved from a deficit of US$5.4 billion in 2007/08, to a surplus of nearly US$4 billion in 2013/14.

1.6 Developments in Trade

1.35. During the period under review, the ratio of total merchandise trade and non-factor services to GDP declined from over 35% in 2007/08 to around 31% in 2013/14. The share of exports remained almost static during this period whereas, in contrast, the share of imports fell. The decline in imports was mainly in capital goods, which reflects the weak investment climate in the country.

1.6.1 Composition of merchandise trade

1.36. Pakistan's exports continue to be heavily concentrated, with agriculture, textiles and clothing accounting for over three-fourths of total exports in 2013 (Chart 1.1 and Table A1.1). The combined share of these product groups was approximately the same in 2007. However, within these product groups there have been changes; for example the share of agriculture has risen mainly due to an increase in crops. In contrast the share of fuels has declined considerably during the review period. On the other hand, the share of manufactures (including textiles and clothing) has declined during the review period. However, within manufactures, the shares of chemicals, semi-manufactures including cement and jewellery, have risen.

1.37. As in most countries, the structure of Pakistan's imports is less concentrated than exports. The largest single import category continues to be fuels, and its share has increased during the review period (Chart 1.1 and Table A1.2), which in turn has led to an increase in the share of primary products in the total import bill. Consequently, the share of manufactures in total imports has fallen. Within manufactures, the decline is mainly due to a fall in the share of machinery and transport equipment and, to a lesser extent, chemicals. In both cases the decline can be attributed to a subdued investment environment as the goods are mainly capital goods or industrial raw materials.

1.6.2 Direction of merchandise trade

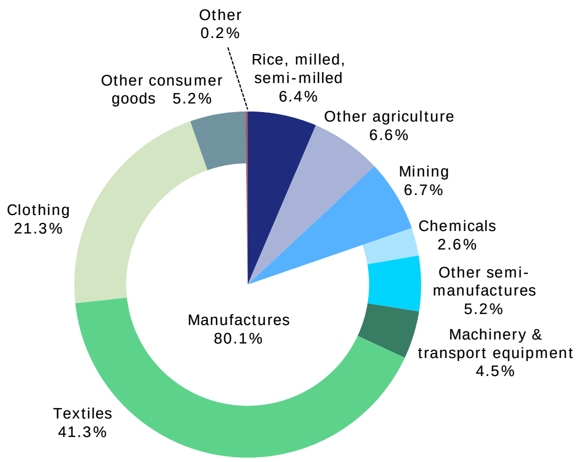
1.38. Pakistan's largest export markets continue to be the EU(28), followed by the United States and China (Chart 1.2 and Table A1.3). The shares of both the EU(28) and the United States have declined during the period under review as have those of the Middle East. On the other hand, the share of Asia, particularly China and Afghanistan, has risen significantly since 2007. The increase in the share of exports to China can be explained partly by the signing of the PTA between the two countries.

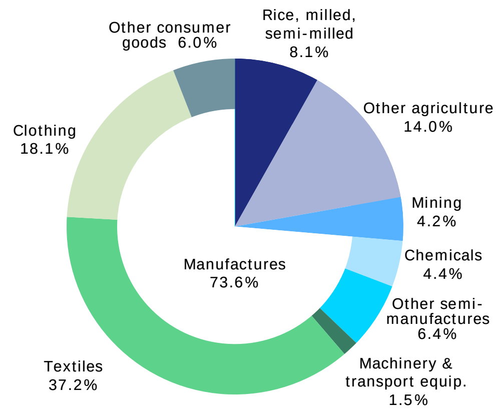
1.39. In 2013, Pakistan's largest import supplier was the United Arab Emirates followed by China and the EU(28) (Chart 1.2 and Table A1.4). The shares of the United Arab Emirates, China and the State of Kuwait have risen considerably since 2007, while the shares of EU(28), the United States and the Kingdom of Saudi Arabia have posted a decline since then. Furthermore, the share of the Middle East as a whole posted a sharp increase. The share of Asia also recorded an increase during the review period, albeit not as pronounced as that of the Middle East.

Chart 1.1 Product composition of merchandise trade, 2007 and 2013

2007 | **2013**

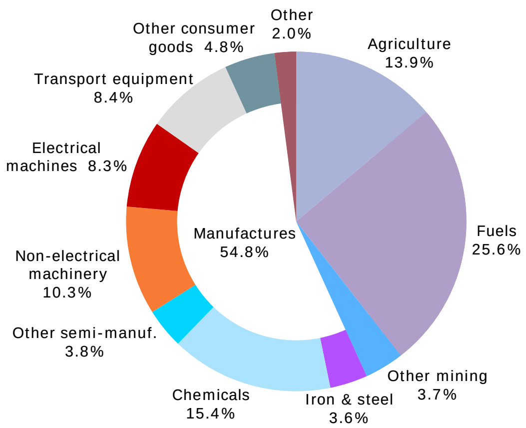
(a) Exports (f.o.b.)

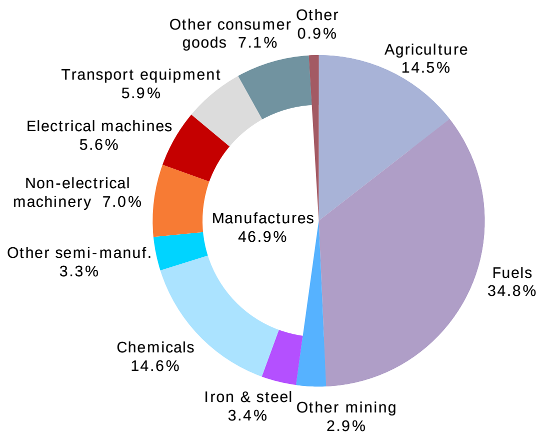




Total: US$17.8 billion | **Total: US$25.1 billion**

(b) Imports (c.i.f.)





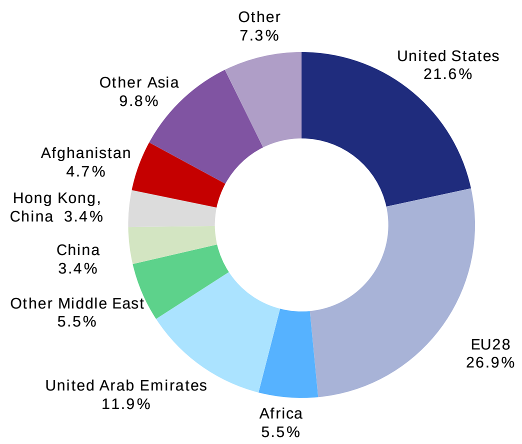
Total: US$32.6 billion | **Total: US$43.8 billion**

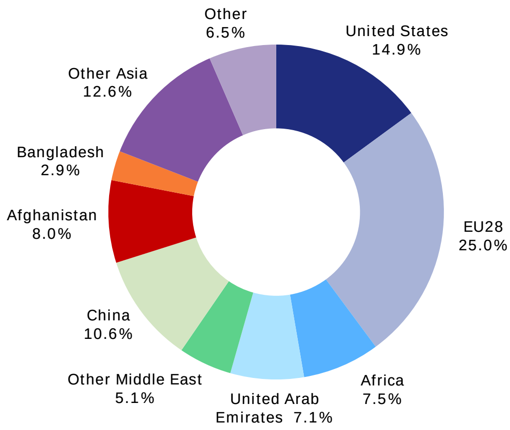
Source: UNSD, Comtrade database (SITC Rev.3).

Chart 1.2 Direction of merchandise trade, 2007 and 2013

2007	2013

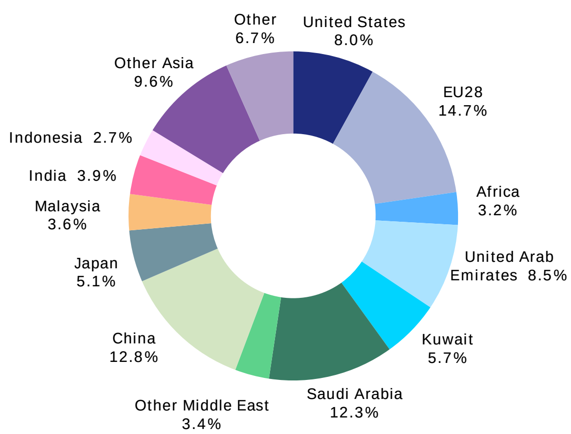
(a) Exports (f.o.b.)

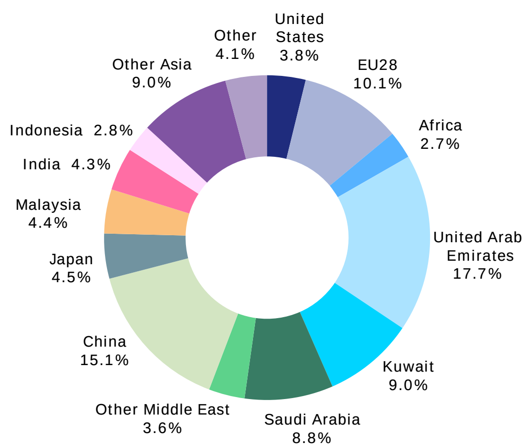




Total: US$17.8 billion | **Total: US$25.1 billion**

(b) Imports (c.i.f.)





Total: US$32.6 billion | **Total: US$43.8 billion**

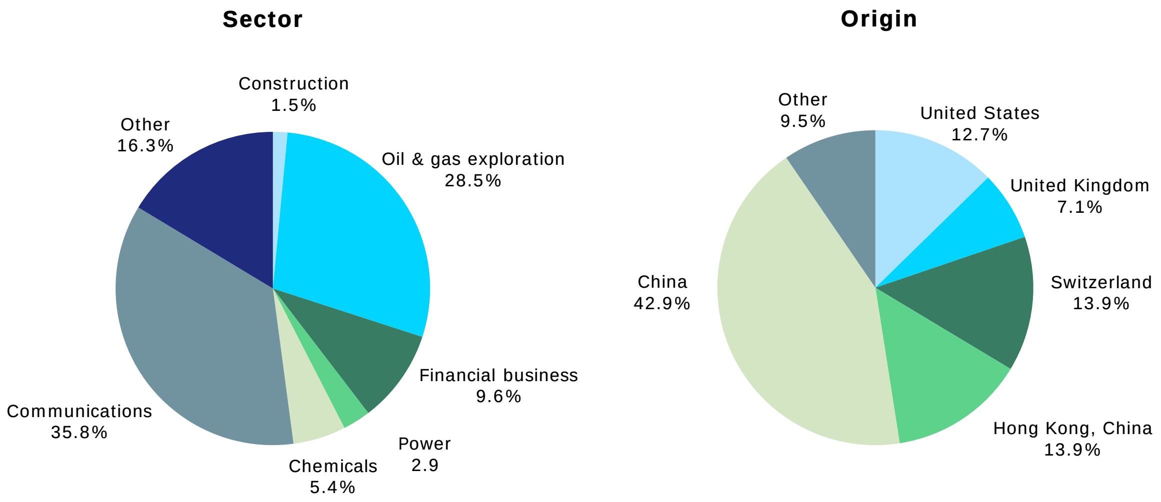
Source: UNSD, Comtrade database.

1.7 Foreign Direct Investment (FDI)

1.40. Pakistan has one of the most liberal foreign investment regimes in South Asia. Coupled with a strategic location, natural resources and a large skilled work force, this makes it an attractive investment destination. However, despite the positive features, FDI has remained tepid during the review period. This can be attributed to a number of factors, most notably a precarious security situation. Chronic power and gas shortages and the high cost of doing business have also discouraged investors in recent years.

1.41. FDI declined from over US$5 billion in 2007/08 to under US$1 billion in 2011/12, before recovering to US$1.6 billion in 2013/14 (Chart 1.3).

Chart 1.3 FDI inflows by sector and origin, 2013-14



Total: US$1,631.3 million

Source: Board of Investment, Government of Pakistan online information.

1.42. During the period under review, the financial sector has been the largest recipient of foreign investment followed by the telecommunications and the oil and gas sector. In 2013/14, nearly US$600 million were invested in the telecommunications sector due to the sale of 3G mobile licences.

1.43. Since 2007/08, the largest investors in Pakistan have been the United States, the United Kingdom and the United Arab Emirates. However, in 2013/14, China; Hong Kong, China; and Switzerland made considerable investments, mainly in the energy sector. As of 2013, the stock of FDI in Pakistan stood at US$28 billion.[7] Outward FDI, requires approval from the State Bank of Pakistan.

[7] UNCTAD (2014).

2 TRADE AND INVESTMENT REGIME

2.1 General Framework

2.1. During the period under review, the political landscape in Pakistan has undergone a considerable change. In 2013, for the first time in the country's history, a democratically-elected government completed its five-year term. In April 2010, both houses of parliament passed the 18^{th} constitutional Amendment. The Amendment decentralizes political power and reduces the powers of the President greatly, while at the same time rebalancing power between the judiciary, government and the opposition.

2.2. The Amendment takes away the powers of the President: to dismiss elected governments at both the national and provincial level; to appoint the head of the army; the ability to vet judges and to appoint the chief election commissioner; and to declare provisional states of emergency. The amendment prohibits the use of a secret ballot to elect the Prime Minister and the provincial chief ministers. These changes have modified the role of the President from being the main source of executive power to that of a titular head of state. Furthermore, under the 18^{th} Amendment, a judicial commission would have responsibility for judicial appointments. The Amendment also empowers the provinces by transferring federal level resources and responsibilities to the provincial governments. According to the authorities, the objective of decentralization is to bring services closer to the people, to promote more equitable governance, and remove the concerns about lack of accountability. In this regard, the responsibilities of 17 federal ministries targeted for devolution have already been transferred to the provinces. These include *inter alia*: food and agriculture, health, and tourism. The Prime Minister continues to be elected by the National Assembly of Pakistan, which comprises members elected through universal suffrage. Usually the leader of the most popular political party becomes the Prime Minister. The Prime Minister is responsible for appointing a cabinet as well as running government operations, taking and authorizing executive decisions, appointments and recommendations that require executive confirmation of the Prime Minister.

2.3. The federal government continues to be responsible for international and inter-provincial trade and taxation (except agricultural income tax). Discriminatory taxes and other restrictions can be introduced by parliament so as to ensure adequate supply across the country at reasonable prices. Furthermore, the federal government has the right to restrict inter-provincial movement of goods under certain conditions.

2.4. Corruption remains a serious problem. However, anti-corruption efforts launched by the National Accountability Bureau in the form of the National Anti-Corruption Strategy seemed to have borne fruit. According to Transparency International's Corruption Perceptions Index, Pakistan's ranking rose from 138 out of 179 countries in 2007 to 126 out of 175 countries in 2014.

2.2 Trade Policy Formulation and Implementation

2.2.1 Objectives and strategy

2.5. In August 2014, the Government launched the Pakistan Vision 2025. The goal of Vision 2025 is to make Pakistan an upper-middle income country by 2025 and a top ten economy by 2047. To achieve the above, the Government has identified five "enablers" and seven pillars of development. The "enablers" are political stability and policy continuity; rule of law; shared vision; peace and security; and social justice. These would need to be in place to create an enabling environment for growth.

2.6. The pillars of growth address: developing human capital; achieving sustained, indigenous and inclusive growth through *inter alia* exports; good governance; energy, water and food security; private sector and entrepreneur-led growth; developing a knowledge economy through value addition; and modernizing transportation infrastructure and greater regional connectivity. The last two pillars have a strong export bias, whereby Pakistan needs to become competitive in the global economy and export high value added products regionally and outside the region. As a result, exports are targeted to reach US$150 billion by 2025.

2.7. The objective of Pakistan's trade policy is "contributing to the national economy through trade liberalization and facilitation, improving export competiveness and reducing cost of doing business. Aim to achieve higher market access for Pakistani products in existing markets as well as new markets with ultimate aim of improving quality of life of the people of Pakistan."[1] The Government pursues these objectives through unilateral measures as well as multilateral and regional and bilateral agreements.

2.8. In January 2013, the Government announced its three-year Strategic Trade Policy Framework (STPF) 2012-15. Under the framework, the Government envisages exports of US$95 billion during the three-year period, compared with exports of US$67 billion during 2009-12. To achieve its target, the Government has identified seven areas of focus. These are: regional trade; strengthening the institutional framework for promotion of exports; creation of regulatory efficiencies; export development initiatives; increasing exports from less-developed regions of Pakistan; promotion of domestic commerce; and strengthening the monitoring and evaluation network. Initiatives underway include the creation of a domestic commerce wing and a trade in services wing, both in the Ministry of Commerce. Furthermore, the authorities also stated that the establishment of an EXIM Bank was underway and the Leather Export Promotion Council had already been formed.

2.9. Initiatives under the STPF 2012-15 also include setting up of a Services Trade Development Council so as to boost services exports. With a view to having a more efficient, time-saving, and relatively inexpensive mechanism for resolving trade disputes, the Government has decided to strengthen the National Tariff Commission, set up a Trade Dispute Arbitration Council and also revamp the existing commercial courts. In this regard a new NTC Act and Ordinance has been drafted and these are expected to come in force in early 2015 (Section 3). Additionally, the Trade Dispute Resolution Organization (TDRO) has also been created. The TDRO functions as a trade resolution body between Pakistani businessmen and their counterparts, however the decisions of the body are not binding.

2.10. Trade policy formulation and implementation in Pakistan is a coordinated process. The Ministry of Commerce is responsible for multilateral, bilateral, and regional trade arrangements. It also has primary responsibility for trade policy formulation and implementation along with the Federal Board of Revenue (FBR), which administers Customs and collects domestic federal taxes on imports. The Ministry's WTO wing deals with multilateral issues, including agreements and negotiations. The WTO Council, chaired by the Minister of Commerce, comprises many ministers, departmental secretaries, and the central bank governor. The Council examines matters relating to WTO Agreements, develops strategies for protecting Pakistan's interests while meeting its multilateral obligations, and ensures inter-ministerial and inter-provincial coordination. Standing parliamentary committees in the Senate and the National Assembly also meet as required to supervise the Ministry of Commerce in formulating and implementing WTO-related policies. The Government also receives formal and informal advice from the private sector such as the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), which is the apex body of trade and industrial chambers and associations representing specific products or industries.

2.11. Final decision-making power lies with the Economic Coordination Committee of the Cabinet (ECC), a Federal Cabinet Standing Committee, it reviews import policies and their impact on production and investment, and evaluates promotional and other export policies. It meets regularly to approve economic and trade policy recommendations. General trade policies and initiatives are also approved annually by the Federal Cabinet. The Prime Minister is the Chairman of the ECC, which also comprises the Ministers for Commerce, Communications, Finance and Revenue, Economic Affairs and Statistics, National Food Security and Research, Industries, Production and Special Initiatives, Information Technology & Telecommunications, Petroleum and Natural Resources, Ports & Shipping, Privatization & Investment, Railways, Science & Technology, Textile Industries and Water & Power. In addition to the above, the Committee also invites the Deputy Chairman of the Planning Commission, Governor of the State Bank of Pakistan, the Chairman of the Securities and Exchange Commission of Pakistan, the Chief Executive of the Trade Development Authority, and officers from the concerned ministries and departments as and when the need arises (Table 2.1).

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[1] Pakistan's Ministry of Commerce online information. Viewed at: http://www.commerce.gov.pk/?page_id=2690.

Table 2.1 Main ministries and agencies responsible for trade-related issues, 2014

Government ministry/agency	Key areas of responsibility
Ministry of National Food Security and Research	Agricultural policy, fisheries, forestry, SPS, quarantine
Animal Quarantine Department	SPS, quarantine
Department of Plant protection	Forestry, SPS, quarantine
Marine fisheries Department	Fisheries
NAPHIS	SPS, TBT
Trading Corporation of Pakistan	State trading, support prices, buffer stocks
PASSCO	Support prices, buffer stocks
Ministry of Economic Affairs and Statistics	External economic assistance, statistics
Ministry of Finance and Revenue	Finance, revenue (including tariffs and taxes), budgets
Federal Board of Revenue	Tariffs, taxes, investment incentives
Ministry of Information Technology	Telecommunications and information technology
Pakistan Telecommunication Authority	Telecommunications regulation
Pakistan Electronic Media Regulatory Authority	Broadcasting, television regulation
Ministry of Communications	Road transport
Ministry of Petroleum and Natural Resources	Petroleum and gas
Oil and Gas Regulatory Authority	Oil and gas regulation
Ministry of Ports and Shipping	Ports and shipping
Ministry of Privatization	Privatization
Privatization Commission	Privatization
Ministry of Railways	Rail transport
Ministry of Textile Industry	Textile and jute
Ministry of Water and Power	Water and electricity
National Electric Power Regulatory Authority	Power regulation
Ministry of Tourism	Tourism
Ministry of Commerce	Import and export policies, tariffs, WTO coordination, bilateral and other regional agreements
Trade Development Authority of Pakistan	Export promotion
National Tariff Commission	Tariffs, contingency protection
Ministry of Industries and Production	Industrial policy, export processing zones
Ministry of Science and Technology	National Science and Technology Policy including scientific standards
Ministry of Planning Development and Reforms	Planning and development, Vision 2025, Poverty Reduction Strategy Paper (PRSP)
Civil Aviation Authority	Air transport
Competition Commission of Pakistan	Competition policy
Public Procurement Regulatory Authority	Government procurement implementation
Pakistan Standards and Quality Control Authority	Standards
Intellectual Property Organization of Pakistan	Intellectual property protection
Board of Investment	Investment, including foreign, promotion and facilitation, investment incentives, special economic zones
Pakistan National Accreditation Council	Accreditation of scientific labs
Ministry of Postal Services	Postal services

Source: Pakistani authorities.

2.2.2 Main trade laws and regulations

2.12. Laws, regulations, ordinances and most administrative guidelines or rules are published in Urdu and English in the Government Gazette. Trade-related measures are contained in laws, ordinances, and regulations, including statutory regulatory orders (SROs). SROs are statutory instruments/directives issued by ministries and departments on an ad-hoc basis, they provide a mechanism whereby laws and regulations, including tariffs and taxes, can be altered without recourse to the parliament.[2] SROs have been used to provide tax and duty preferences to many industries and goods. According to an estimate, the issuance of 4,500 SROs has resulted in

[2] SROs are to be incorporated into regular laws and gradually phased out (Section 1).

forgone tax revenue of PRs 650 billion.[3] In place of the annual trade policy, the Ministry of Commerce now releases Strategic Trade Policy Framework (STPF). The first STPF was issued in 2009 for the period 2009-12. In January 2013, the Government released the second STPF for 2012-15. The reasoning provided for a three-year policy document is policy continuity. The STPF is issued after cabinet approval. Customs legislation continues to be amended annually and is released as part of the budget documents (Finance Act), which need to be passed by Parliament before coming into force. Furthermore, all legislative changes, including those pertaining to trade and taxation, need to be incorporated in the Finance Act. Certain changes have been made to the trade-related legislation since the last Review in 2008 (Table 2.2).

Table 2.2 Main trade-related legislation, 2014

Area	Legislation
Customs	Amendments to Customs Act, 1969
Import and export regulations	Import Policy Order, 2012; Export Policy Order, 2012; Presidential Ordinance on Trade Development Authority, 2006
Standards (imports and exports)	Import Policy Order, 2012; Export Policy Order, 2012; Cotton Standardization Ordinance, 2002
Government procurement	Public Procurement Regulation, 2011
Competition policy	Competition Act, 2010
Sanitary, phytosanitary and quarantine measures	Import Policy Order, 2012; Export Policy Order, 2012; Animal Quarantine (Import and Export of Animal and Animal Products) Ordinance, 1979; Amendment Ordinance, 2002
Marketing and labelling	Import Policy Order, 2012; Export Policy Order, 2012; Drugs (Labelling and Packaging) Rules, 1986
Contingency measures	Safeguard Measures Ordinance, 2002
Domestic taxes	Federal Excise Act, 2005
Tariffs	Finance Act, 2014
Oil and gas	Oil and Gas Regulatory Authority Ordinance, 2002
Electricity	NEPRA Eligibility Criteria for Consumers of Distribution Companies, July 2003; Interim Power Procurement (Procedures and Standards) Regulations, 2005
Financial services, including insurance	Securities Act, 2005; Banking Companies Ordinance, 1962
Telecommunications	Pakistan Telecommunication (Re-Organization) Act, 1996; Pakistan Telecommunication Authority (Functions and Powers) Regulations, 2004
Broadcasting and audiovisual	Pakistan Electronic Media Regulatory Authority Ordinance, 2002

Source: WTO Secretariat and Pakistani authorities.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.13. Pakistan is an original Member of the WTO and provides at least MFN treatment to all except two WTO Members. It also extends MFN treatment to non-WTO trading partners. Pakistan is not a signatory to the WTO Plurilateral Agreements, but it is considering joining the Information Technology Agreement. WTO Agreements, once ratified, are incorporated into relevant domestic legislation.

2.14. At the time of the last Review, trade between India and Pakistan was conducted on the basis of a positive list comprising approximately 2,000 items that could be imported from India. In 2012, the positive list was replaced by a negative list of about 1,200 products that could not be imported from India.[4] These include *inter alia*: ballpoint pens, pharmaceuticals, automobiles and 16 agricultural products. This change has resulted in a significant boost to bilateral trade. Bilateral

[3] SRO culture biggest hurdle in improved tax collection. Viewed at http://pakistaneconomywatch.com/?p=1002.

[4] Pakistan's negative list viewed at: http://www.texprocil.org/cdn/gallery/793.pdf.

trade between India and Pakistan reached US$2.6 billion in 2012-13, an increase of 34.4% over the previous year's US$1.94 billion.[5]

2.15. Pakistan is in the process of offering India Non-Discriminatory Market Access (NDMA). Under NDMA Pakistan is expected to reduce its sensitive lists to 100 tariff lines. Trade with Israel is prohibited.

2.3.1.1 Objectives and trade negotiations

2.16. Pakistan has participated actively in the Doha Round of negotiations and strongly supports an effective rules-based international trading system. It sees further broad-based multilateral liberalization as benefiting Pakistani exporters, provided sound sectoral policies are followed to ensure their international competitiveness. In the current round of negotiations, the Government hopes to see certain multilateral imbalances and discrimination against Pakistan and other developing countries redressed as well as developmental outcomes. Pakistan has been particularly active in the negotiations on non-agricultural market access, rules, trade facilitation, agriculture (including as a member of the G-20 Group, the G-33 Group, and since December 2005, of the Cairns Group). Pakistan is a member of the "W52" sponsors.[6]

2.17. At MC9, Pakistan reiterated its position to build on the 2008 modalities on agriculture and NAMA. However, Pakistan only agreed to the general services part of the G-33 proposal, which concerns the security of rural livelihoods through the enlargement of green box programmes. Furthermore, Pakistan stated that market-price support programmes of one country could have a detrimental effect on the food security of others.[7]

2.3.1.2 Notifications

2.18. Pakistan has made regular notifications to the WTO on various aspects of its trade and legislative regimes (Table 2.3). However, there continue to be many outstanding notifications in areas such as: SPS, TBT and domestic support in agriculture.

Table 2.3 WTO notifications, July 2007-July 2014

Legal basis, instrument or provision	Subject	WTO documents	Frequency
Agreement on Implementation of Article VI of the GATT 1994 (Article 16.4)	Anti-dumping actions (taken within the preceding six months)	G/ADP/N/158/PAK, 03/08/2007 G/ADP/N/153/PAK/Add.1, 21/12/2007 G/ADP/N/145/PAK/Add.1, 21/12/2007 G/ADP/N/166/PAK, 04/02/2008 G/ADP/N/173/PAK, 18/09/2008 G/ADP/N/180/PAK, 27/01/2009 G/ADP/N/188/PAK, 01/03/2010 G/ADP/N/195/PAK, 01/03/2010 G/ADP/N/195/PAK/Rev.1, 23/04/2010 G/ADP/N/202/PAK, 06/09/2010 G/ADP/N/209/PAK, 15/02/2011 G/ADP/N/209/PAK/Corr.1, 03/03/2011 G/ADP/N/216/PAK, 25/08/2011 G/ADP/N/223/PAK, 30/01/2012 G/ADP/N/230/PAK, 04/09/2012 G/ADP/N/237/PAK, 27/03/2013 G/ADP/N/237/PAK/Corr.1, 19/06/2013 G/ADP/N/230/PAK/Corr.1, 19/06/2013 G/ADP/N/244/PAK, 20/09/2013 G/ADP/N/252/PAK, 28/02/2014 G/ADP/N/252/PAK/Corr.1, 11/03/2014	Semi-annual or ad hoc

[5] *The Hindu*, "Pakistan to grant Non-Discriminatory Market Access status to India", 30 May 2014. Viewed at: http://www.thehindu.com/news/international/south-asia/pakistan-to-grant-nondiscriminatory-market-access-status-to-india/article6065276.ece.

[6] Sponsors of TN/C/W/52, a proposal for "modalities" in negotiations on geographical indications (the multilateral register for wines and spirits, and extending the higher level of protection beyond wines and spirits) and "disclosure" (patent applicants to disclose the origin of genetic resources and traditional knowledge used in the inventions).

[7] Viewed at: http://www.wto-pakistan.org/documents/news/MinisterStatement_Bali_2013.pdf.

Legal basis, instrument or provision	Subject	WTO documents	Frequency
Agreement on Implementation of Article VI of the GATT 1994 (Article 18.5)	Laws/regulations (and changes thereto, including changes in the administration of such laws)	G/ADP/N/1/PAK/2/Suppl.3, 04/04/2012	Ad hoc and when a Member establishes or changes laws and regulations
Agreement on Subsidies and Countervailing Measures (Article 25.11)	Countervailing duty actions (preliminary and final)	G/SCM/N/235/PAK, 30/01/2012 G/SCM/N/242/PAK, 31/05/2012 G/SCM/N/250/PAK, 27/03/2013 G/SCM/N/259/PAK, 23/09/2013 G/SCM/N/267/PAK, 04/03/2014	Ad hoc
Agreement on Subsidies and Countervailing Measures (Article 32.6)	Laws/regulations (and changes thereto, including changes in the administration of such laws)	G/SCM/N/1/PAK/2/Suppl.3, 04/04/2012	Ad hoc and when a Member establishes or changes laws and regulations
Agreement on Safeguards (Article 12.6)	Administrative arrangements; laws/regulations (and changes thereto)	-	Ad hoc and when a Member establishes or changes laws and regulations
Agreement on Safeguards (Article 12.1(c))	Termination of safeguard investigation	-	Ad hoc
Understanding of the Interpretation of Article XVII of GATT 1994 (Article XVII:4(a))	Foreign trade by state trading enterprises	G/STR/N/10/PAK, 21/11/2011 G/STR/N/11/PAK, 21/11/2011 G/STR/N/12/PAK, 21/11/2011 G/STR/N/13/PAK, 21/11/2011	Annual
Agreement on Trade-Related Aspects of Intellectual Property Rights (Article 63.2)	Laws and regulations	-	Once or ad hoc
Agreement on Technical Barriers to Trade (Article 10.6)	Measures in force	G/TBT/N/PAK/26, 13/01/2009 G/TBT/N/PAK/27, 13/01/2009 G/TBT/N/PAK/28, 13/01/2009 G/TBT/N/PAK/29, 13/01/2009 G/TBT/N/PAK/30, 13/01/2009 G/TBT/N/PAK/31, 23/01/2009 G/TBT/N/PAK/32, 23/01/2009 G/TBT/N/PAK/33, 23/01/2009 G/TBT/N/PAK/34, 23/01/2009 G/TBT/N/PAK/35, 23/01/2009 G/TBT/N/PAK/36, 11/02/2009 G/TBT/N/PAK/37, 11/02/2009 G/TBT/N/PAK/39, 11/02/2009 G/TBT/N/PAK/40, 11/02/2009 G/TBT/N/PAK/41, 11/02/2009 G/TBT/N/PAK/42, 11/02/2009 G/TBT/N/PAK/43, 11/02/2009 G/TBT/N/PAK/44, 11/02/2009 G/TBT/N/PAK/45, 11/02/2009 G/TBT/N/PAK/46, 21/10/2011 G/TBT/N/PAK/47, 21/10/2011 G/TBT/N/PAK/48, 11/11/2011 G/TBT/N/PAK/49, 11/11/2011 G/TBT/N/PAK/50, 29/11/2011 G/TBT/N/PAK/51, 29/11/2011 G/TBT/N/PAK/52, 20/01/2012 G/TBT/N/PAK/53, 20/01/2012 G/TBT/N/PAK/54, 20/01/2012 G/TBT/N/PAK/55, 20/01/2012 G/TBT/N/PAK/56, 20/01/2012 G/TBT/N/PAK/57, 20/01/2012	Ad hoc
Agreement on Agriculture (Article 18.2)	Laws/regulations (and changes thereto, including changes in the administration of such laws)	G/AG/N/PAK/10, 09/01/2008 G/AG/N/PAK/10/Corr.1, 01/02/2008 G/AG/N/PAK/11, 23/10/2009 G/AG/N/PAK/12, 17/02/2011 G/AG/N/PAK/13, 15/05/2012 G/AG/N/PAK/14, 24/05/2013 G/AG/N/PAK/15, 14/01/2014	Annual

Legal basis, instrument or provision	Subject	WTO documents	Frequency
GATT 1994 Article XXIV: 7(a)	Regional Trade Agreements	WT/REG/237/N/1, 21/01/2008	Ad hoc
General Agreement on Trade in Services (GATS) Article V: 7(a)	Regional Trade Agreements	S/C/N/440, 04/03/2008 S/C/N/551, 21/05/2010	Ad hoc
Enabling Clause, Paragraph 4(a)	Differential and more favourable treatment reciprocity and fuller participation of developing countries	WT/COMTD/N/24, 04/03/2008 WT/COMTD/N/26, 24/04/2008 WT/COMTD/N/27, 18/06/2008	Ad hoc

Source: WTO Secretariat.

2.3.1.3 Dispute settlement

2.19. During the period under review, Pakistan has been a respondent in one case initiated by Indonesia, concerning anti-dumping and countervailing duties imposed by Pakistan on certain paper products from Indonesia. In May 2014, Indonesia requested the establishment of a panel.[8] Pakistan has also been a third party in two disputes.[9] On 5 November 2014, Pakistan notified the WTO Secretariat of a request for consultations with the European Union regarding the imposition of countervailing measures by the EU on imports of certain polyethylene terephthalate (PET) from Pakistan and regarding certain aspects of the investigation underlying those measures.[10]

2.3.2 Regional and preferential agreements

2.20. Pakistan considers the multilateral trading system to be the cornerstone of its trade policy. However, it also believes that preferential trade agreements (PTAs) are complementary to the multilateral trading system. According to the authorities, through PTAs and RTAs, Pakistan seeks to strengthen the economic and commercial relationship between the signatories, increase the volume of trade in goods and services between the members of the PTA, promote a more predictable and secure environment for the sustainable growth of trade between the members of the PTA, expand mutual trade through exploring new areas of cooperation, facilitate diversification of trade products between the countries that are a party to the agreement, encourage further competition amongst the enterprises in member countries, contribute by the removal of barriers to trade, to the harmonious development and expansion of bilateral trade, as well as world trade. Pakistan is of the view that successful PTAs can further contribute to poverty alleviation and improved livelihood of the population.

2.3.2.1 Regional and bilateral agreements

2.3.2.1.1 South Asian Free Trade Area (SAFTA)

2.21. Pakistan is a signatory to the South Asian Free Trade Area (SAFTA)[11], which entered into force on 1 January 2006.[12] Tariff reductions commenced in July 2006 and are scheduled to be completed by 2016. Under SAFTA's Trade Liberalization Programme, tariff reduction for Pakistan was to occur in two phases. Under phase-I (2006-2008), tariff rates above 20% were reduced to 20% within two years, tariff rates below 20% were reduced on margin of preference basis of 10% per year. Under phase-II (2008-2013), tariff rates have been reduced to 0-5% within 5 years. "Sensitive" listed goods are exempt from tariff cuts. Pakistan's list of sensitive goods comprises 938 tariff lines at the HS 6-digit level or 22.6% of the total. Services are excluded.

2.3.2.1.2 Pakistan-Sri Lanka FTA

2.22. The FTA entered into force on 12 June 2005.[13] Under the provisions of the Agreement, tariffs were removed on some 90% of Pakistan's tariff lines on a margin of preference basis.

[8] WTO Document WT/DS470/2, 13 May 2014.
[9] WTO Documents WT/DS367/21, 19 September 2011 and WT/DS334/14, 10 October 2008.
[10] WTO Document WT/DS486/1, 7 November 2014.
[11] SAFTA comprises members of the South Asian Association for Regional Cooperation (SAARC), these are: Islamic Republic of Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.
[12] Notified under the enabling clause in April 2008.
[13] The Agreement was notified under the enabling clause in June 2008.

Pakistan's margins are at least 34% on commencement, 67% within two years, and 100% after the third year. Goods included in a negative (no concession) list are exempt from tariff reductions; Pakistan has 607 six-digit tariff items on the list. Its tariffs on 206 six-digit items were reduced immediately to zero, and margins of preference of 20% immediately applied (without quotas) on five six-digit tariff items. Another 26 mainly six-digit Pakistani tariff items are subject to tariff rate quotas, including tea. Pakistan has met its first- and second-stage commitments and implemented its final stage in June 2008. Both parties have agreed to include services and investment.

2.3.2.1.3 Pakistan-China FTA

2.23. The FTA entered into force from 1 July 2007.[14] Phase I reduced or removed selected tariffs progressively over five years. Pakistan's reductions cover around 5,900 eight-digit tariff items (about 85% of total tariff items). Rates were reduced immediately by 25% on category I goods and were being phased out in three equal instalments by 2010 (35.6% of eight-digit tariff items); immediately lowered by 20% on category II goods and were reduced to or below 5% in five equal instalments by 2012 (19.9% of tariff items); immediately reduced by 8% on category III goods and are to be phased to a 50% margin of preference in five generally equal instalments by 2012 (2.0% of tariff items); and reduced immediately by 3% on category IV goods and phased to a 20% margin in five generally equal instalments in 2012 (26.1% of tariff items). Category V and VI goods are not subject to concessions or reductions.

2.24. The Agreement on Trade in Services between Pakistan and China came into force in October 2009. Under the provisions of the Agreement, Pakistan has provided China access to 11 sectors and 107 sub-sectors out of a possible 160 sub-sectors on a national treatment basis China has provided market access to Pakistan in 11 sectors and 133 sub-sectors on a national treatment basis. The authorities stated that the Agreement was being renegotiated.

2.3.2.1.4 Pakistan-Malaysia FTA

2.25. The Pakistan Malaysia Free Trade Agreement came into force in 2008.[15] This Agreement was Pakistan's first comprehensive FTA, covering trade in goods and services, investment and economic co-operation. For trade in goods Pakistan was to eliminate tariff on 43.2% of the current imports from Malaysia by 2012. Malaysia was to eliminate tariff on 78% of imports from Pakistan. Pakistan has reduced the tariff on 7 palm oil tariff lines by 15% margin of preference that is 10% in 2008 and an additional 5% in 2010. The authorities stated that the Agreement was being reviewed.

2.26. In trade in services, both countries have provided WTO plus market accesses to each other. In the field of computer and IT-related services, Islamic Banking, Islamic Insurance, Pakistan has secured 100% equity in Malaysia. Mutual recognition arrangements are also covered in the FTA. These arrangements provide a framework for accreditation of educational institutions and academic programmes. The Agreement also contains a chapter on investment.

2.3.2.1.5 Pakistan-Iran PTA

2.27. The PTA entered into force on 1 September 2006. Pakistan extended preferential tariff margins of 5%, 10%, 15%, 20% or 30% (mainly 10% and 30%) on 338 six-digit tariff items from 1 September 2007. According to the authorities trade under the Agreement is minimal due to international sanctions on Iran.

2.3.2.1.6 Pakistan-Mauritius PTA

2.28. The Preferential Trade Agreement between Pakistan and the Republic of Mauritius became operational in November 2007. The Agreement provides for tariffs to be reduced substantially or phased down within two years of the date of implementation. Pakistan has agreed to extend preferential tariffs (initially of 50% and full removal after one year) to Mauritius on a range of goods, including fresh flowers, fruits, tea, tinned tuna, sugar, soap, certain food preparations,

[14] The Agreement was notified under GATT Article XXIV and GATS Article V in January 2008 and May 2010.

[15] The Agreement was notified under the enabling clause and GATS Article V in February 2008.

pasta, non-alcoholic beverages, and certain knitted textiles. Imports of certain other textile products receive a preferential tariff margin of 40% but subject to tariff quotas totalling some 8 million pieces annually. Six memoranda of understanding were also signed to promote bilateral trade and cooperation, including in customs, small and medium enterprises, state trading corporations, technical standards, sanitary and phytosanitary measures, fisheries, and export promotion. The authorities stated that trade under the Agreement was concentrated in rice and did not permeate to other sectors, as such they did not expect there to be an FTA.

2.3.2.1.7 Pakistan-Indonesia PTA

2.29. The PTA came into force in September 2013. Under the PTA, Indonesia grants market access at preferential rates to Pakistan export products including fresh fruits, cotton yarn, cotton fabrics, ready-made garments, fans (ceiling, table, pedestal), sports goods (badminton and tennis rackets), leather goods and other industrial products. Furthermore, Indonesia grants market access to Pakistani kinnow at 0% tariff. Similarly, Pakistan provides market access at preferential tariff rates to Indonesian exports. Customs duties have been reduced on 313 items. In addition, Pakistan extends a 15% margin of preference over the standard tariff rate to Indonesian palm oil products, similar to that extended to Malaysian palm oil products under the Pak-Malaysia Free Trade Agreement.

2.3.3 Plurilateral and other arrangements

2.30. Pakistan has bilateral free-trade agreements (FTAs) with Sri Lanka, China, Malaysia, Iran, Indonesia and Mauritius. Negotiations are ongoing with the Gulf Cooperation Council (Bahrain, the State of Kuwait, Oman, Qatar, the Kingdom of Saudi Arabia, and the United Arab Emirates). In addition, Pakistan has agreed to joint studies on possible preferential trade agreements with Japan and ASEAN.

2.3.3.1 Organization of Islamic Conference (OIC)

2.31. The Framework Agreement on the Trade Preferential System Among OIC Member States has 18 signatories, including Pakistan. The Protocol on Preferential Tariff Scheme for TPS-OIC (PRETAS), adopted in 2005, called for specific tariff reductions on an agreed timetable. The second round of negotiations, launched in November 2006, declared a road map and target date of 1 January 2009 to establish PRETAS. Pakistan has signed and ratified the agreements. However, the agreement is not in force as it has not been ratified by all its members.

2.3.3.2 Developing-8 group of countries (D-8)

2.32. The D-8 Group is a development and economic cooperation arrangement comprising Pakistan, Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, and Turkey. Members signed the Preferential Trade Agreement (PTA) in 2006 (Fifth Summit). The PTA calls for tariffs above 10% to be reduced in four annual instalments (eight for least developed members) on 8% of members' total tariff lines. Visa, customs and shipping agreements have been reached. However, the agreement is not in force as it has not been ratified by all parties.

2.3.3.3 Economic Cooperation Organization (ECO)[16]

2.33. Under the Agreement, Pakistan is expected to provide preferential tariff margins of 10 percentage points on the same imported items as those eligible under SAFTA. Tariffs are to be reduced to a maximum rate of 15% within eight years (15 years for Afghanistan). Sensitive goods excluded from tariff reductions are limited initially to 1% of members' 6-digit tariff items, and the coverage of the positive list of reductions is to be expanded proportionately in eight equal annual stages to 80% of members' tariff lines. ECOTA excludes trade in services. However, the agreement is not being implemented as it has not been ratified by all signatories.

[16] Economic Cooperation Organization (ECO), is an intergovernmental regional organization created in 1985 by Iran, Pakistan and Turkey for the purpose of promoting economic, technical and cultural cooperation among the Member States. In 1992, the Organization was expanded to include seven new members, namely: Islamic Republic of Afghanistan, Republic of Azerbaijan, Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Turkmenistan and Republic of Uzbekistan. The Agreement was notified under the enabling clause in July1992.

2.3.3.4 Other preferential arrangements

2.34. Pakistan has maintained preferential tariffs under the GATT Protocol Relating to Trade Negotiations Among Developing Countries and the Global System of Trade Preferences (GSTP). Its GSTP commitments cover seven 4-digit HS items. Pakistan, along with other members, has not offered further commitments under the ongoing third round of GSTP negotiations launched in June 2004, as principles and market access formulae are still being discussed.

2.4 Investment Regime

2.35. Pakistan has a relatively liberal investment regime, which applies equally to both nationals and foreigners. However, there are exceptions. In certain sectors, there are equity limits on foreign investment, while foreign investment is completely prohibited in five sectors (see below).

2.36. The current foreign investment regime in Pakistan builds on the FDI policy, which was initiated in 1997. The Government issued a new foreign investment policy in 2013. The policy is administered by the Board of Investment (BoI). The BOI is headed by the Prime Minister, and also comprises of the Minister of Finance and Economic Affairs, the Minister of Industries, Chairman of the BOI, Deputy Chairman of the Planning Commission, Chairman Federal Board of Revenue, Secretary BOI and 20 members from the private sector. Under the provisions of the BOI Ordinance 2001, the BOI is mandated *inter alia* to develop and implement investment policies, approve investment projects and promote investment in Pakistan. The objectives of the investment policy are to achieve a progressive increase in net FDI inflows of US$2 billion in the first year, and then growing annually by 25% to reach US$5.5 billion in 2018.

2.37. Under the current investment policy, 100% FDI is permitted in all sectors and industries except arms and ammunitions; high explosives; radio-active substances; security printing; currency and mint; and consumable alcohol. The share of foreign equity is limited in the airline, banking, agriculture and print and electronic media sectors. Also, all foreign investment in Pakistan must be cleared by the Ministry of Interior.

2.38. Under the policy, foreign firms are allowed to repatriate profits, dividends or any other funds in the currency of the country from which the investment came. There is no minimum amount of foreign equity investment in any sector.

2.39. Additionally, customs duty on the import of plant machinery and equipment for investment in the manufacturing and the infrastructure sector is 5%, for services (including information technology and telecommunications) it varies between 0-5%, and for the agricultural sector is 0%. Tax relief in the form of an initial depreciation allowance of 25% of plant, machinery and equipment is also permitted for investments in all sectors.[17]

2.40. In tandem, the Government also issued the Foreign Direct Investment Strategy 2013-17,[18] which stipulates increased facilitation procedures such as the role of the BOI and a one-stop shop for investment in Pakistan, and project-focused FDI promotion. The latter implies that the BOI will concentrate/direct investment towards target sectors such as: infrastructure and communications; manufacturing (textiles, food processing, consumer goods, and engineering); energy; mining and exploration; construction and real estate; automotive and the agricultural sector. Both the strategy and the policy seek to achieve their goals through Special Economic Zones (SEZs), which are the bedrock of the Governments' current investment strategy.

2.41. The SEZ Act was promulgated in September 2012 and allows for the setting up of SEZs by the federal and provincial governments themselves or in collaboration with the private sector as public-private partnerships. The Act also allows for the private sector to establish a SEZ on its own. Recent information pertaining to SEZs or EPZs was not made available.

2.42. The authorities define SEZs as "specialized zones with specific types of enterprises operating in a well-defined geographic area, where certain economic activities are promoted by a set of

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[17] Pakistan Board of Investment website. Viewed at: http://boi.gov.pk/InvestmentGuide/InvestmentGuide.aspx.

[18] Board of Investment (2012).

policy measures that are generally not applicable to the rest of the country." Facilities provided by SEZs include access to high quality infrastructure, uninterrupted power supply, clearly titled land, streamlined regulatory enforcement, simpler rules for establishing a business and expedited customs procedures.

2.43. Incentives provided to SEZ developers and enterprises operating in the SEZs include: a one-time exemption from customs duties and taxes for all capital goods imported into Pakistan for the development, maintenance and operation of a SEZ. Developers and operators in a SEZ are also exempt from paying income tax for a period of 10 years.

2.44. Pakistan also provides non-discriminatory general investment incentives, including tariff and tax concessions. These are administered by the Ministry of Commerce and the FBR (Table 2.4). Sectoral incentives are also in place for the oil and gas exploration sector and information technology-related services (Section 4).

2.45. Pakistan has concluded 48 bilateral investment treaties, of these three (Germany, the State of Kuwait and Turkey) were signed during the period under review.[19] Additionally, Pakistan also has 63 double taxation treaties in force.[20] Pakistan is also a member of the Multilateral Investment Guarantee Agency (MIGA). MIGA currently has three projects in Pakistan, and an exposure in excess of US$300 million.

Table 2.4 Main investment incentives, 2014

Measure	Description
A. General incentives	
Tariffs rebates and exemptions	Imports of plant, machinery, and equipment unavailable locally subject to concessionary tariffs of 10%
Sales tax	Zero on imported and domestic plant, machinery, and equipment by all sectors
B. Industry-specific incentives	
Financial services	A rebate on investment in approved pension funds of up to the lowest of 20% of taxable income or PRs 500,000 (raised from 10% or PRs 200,000 in 2005/06 Budget)
Agriculture	Agricultural income exempt from federal income tax (subject to provincial tax)
Information technology	Export income from software and related services tax exempt until 30 June 2016
Venture capital	Venture capital companies exempt from income tax from 1 July 2000 until 30 June 2014 (extended from June 2007 in 2006/07 Budget)
Mineral refining	Income from mineral refining tax exempt to up to 10% of the business's capital
Textiles	Textile sector exempt from sales tax, and import of raw materials exempt from tariffs and sales tax (2005/06 Budget)
Pharmaceuticals	Tariff concessions on inputs
C. Regional incentives	
Tariffs	Full tariff exemption on imported machinery for facilities in designated rural and poorly developed areas, as well as approved industrial estates, including FATA. Furthermore, tariff exemption is also afforded to food processing and preservation units in Gilgit/Baltistan, Balochistan and Malakand Division
Sales tax	Full exemption of sales tax on imported and domestic machinery for facilities in designated rural and poorly developed areas, as well as approved industrial estates (Hub Tehsil in Balochistan, districts of Mainwali and Bhakkar and tehsil Khushab in Punjab, and the districts of Tharparkar and Dadu in Sindh, excluding Taluka and Kotri)

Source: Pakistani authorities.

[19] Details of the treaties provided on Pakistan Board of Investment website. Viewed at: http://boi.gov.pk/InvestmentGuide/BITs.aspx.

[20] Federal Board of Revenue website. Viewed at: http://www.fbr.gov.pk/CategoryLayoutTitle.aspx?view=Category%5BDocuments%5D&ActionID=332&ArticleID=.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Introduction

3.1. Since its last Review in 2008, Pakistan has undertaken a number of steps to cautiously liberalize its trade regime. This includes the reduction of MFN tariff rates and efforts to accelerate and modernize customs procedures. However, although Pakistan's trade policy is directed at promoting private sector investment and export-led growth, the high degree of overall protection still favours import substitution and reduces resource-use efficiency, export competitiveness and diversification. In addition, the use of ad hoc trade policy instruments remains common and strongly undermines the predictability of the trade regime.

3.2. Pakistan's applied MFN tariffs fell slightly during the period under review, from an average of 14.8% in 2008 to 13.4% in 2014. With the exception of some 45 products, all tariff lines are *ad valorem*. Since July 2014, Pakistan no longer has duty free tariff lines. Around 98% of all tariff lines are bound. In addition to tariffs, imports are subject to sales tax. "Regulatory import charges" of 5% apply on some 284 products.

3.3. Since 2008, Pakistan has initiated 58 anti-dumping investigations, which led to the imposition of 31 definitive measures. No safeguard or countervailing measures have been taken. Import prohibitions and licensing are operated mainly for health, safety, security, moral and environmental reasons. While imports from India have been liberalized to a certain extent, imports from Israel remain banned. Pakistan's standards are mostly based on international standards. A National Food Safety, Animal, and Plant Health Regulatory Authority is currently being established. No SPS notifications have been submitted since January 2000.

3.4. Production and exports are facilitated by a range of general and sectoral schemes that offer income and other tax exemptions or concessions, subsidies, concessionary credit, duty drawbacks and agricultural price and other domestic support. Many of these arrangements are administratively complex and non-transparent. All exports are subject to an export development charge of 0.25% while various products are subject to "regulatory duties" when exported. State ownership in Pakistan's economy remains extensive. A privatization programme is under way although the extent to which this will impact the main three loss-making companies is uncertain. In 2013, a National Procurement Strategy was launched with a view to making public procurement processes more efficient and transparent. The competition policy framework has been considerably strengthened through the adoption of a Competition Act in 2010. Pakistan has continued its efforts to advance effective enforcement of intellectual property rights.

3.2 Measures Directly Affecting Imports

3.2.1 Procedures

3.5. According to the Customs Authorities, the following four documents are required in connection with imports: bill of lading, certificate of origin (in case of concessionary imports under an FTA/PTA), commercial invoice and packing list. The processing fee per declaration, which may cover several consignments, is PRs 250. In addition to these documents, the World Bank's *Doing Business* survey for 2014 also makes reference to four forms, i.e. delivery order, gate pass (cargo release order), customs import declaration and insurance certificate which are required for the processing and release of imported goods.[1] According to the same survey, the overall costs of importing a standard container of goods amounts to US$725 and takes a total of 18 days of which two are for customs clearance. This places Pakistan at 91 in the ranking of 189 economies on the ease of trading across borders.[2]

3.6. Importers no longer need to be registered while imports are permitted from all countries and territories with the exception of Israel. Importers must have a national tax number and a sales tax

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[1] World Bank (2014a). Pakistan has pre-shipment inspection requirements on a wide range of allowable imports of second-hand goods (e.g. plant, machinery, equipment, and apparatus) as well as oil, gas, wheat and specific vehicles to certify age and workability, mainly for health and safety reasons. Authorized inspection firms are Lloyds of London, Quality Tech LLC; ABS; Bureau Veritas, SGS and IMTECH (Government of Pakistan – 2013 Import Policy Order, Appendix H).

[2] Overall, Pakistan's *Doing Business* rank fell from 106th in 2013 to 110th in 2014.

registration number. Presently, Pakistan does not have a formal system of Authorized Economic Operators.

3.7. Since Pakistan's last Review, Customs authorities have been implementing a modernization programme. Reforms include the creation of a National Single Window, with a Single Administrative Document, electronic submission and processing of declarations at seaports, major land borders and major international airports. A previous privately-developed IT system utilized by Customs for submitting the goods declaration, Pakistan Customs Computerized System (PaCCS), has been mostly replaced by the Web-Based One Customs (WeBOC[3]) developed by the Federal Board of Revenue (FBR). According to the authorities, WeBOC, which was piloted in 2011, is expected to be fully implemented across Pakistan by the end of 2015 and will offer a paperless and fully-automated environment, including a risk management system. By the end of 2014, WeBOC covered 91% of clearances at sea, 69% at inland dry ports and 60% at airports. It is estimated that some 60% of import cargo is presently cleared through the green and yellow channels, which allow for a speedier release of the products and does not involve a physical examination of the consignment. Similarly, it is estimated that 40% of imports pass through the red channel, involving the physical examination of individual consignments. Despite these improvements, decisions regarding inspections are reportedly often based on informal payments[4] and procedures for inspection of transit cargo are often inefficient and lack transparency.

3.8. Pakistan acceded to the Revised Kyoto Convention in October 2004, and complies with 26 standards of the Kyoto General Annex, e.g. provisions on customs computerization, post-clearance audit, fiscal fraud, and alternative dispute resolution systems. Temporary import facilities have improved, including application of the ATA Carnet Istanbul and TIR Conventions in 2005/06.

3.9. A Trade Facilitation Committee in the Ministry of Commerce, consisting of representatives from 38 government and non-government entities[5], meets quarterly to address trade and transport facilitation issues.

3.10. In 2010, Pakistan and Afghanistan signed the Afghan Pakistan Transit Trade Agreement (APTTA) which allows Afghanistan to transit duty-free goods overland through Pakistan and via Pakistani ports for export and import to other countries. An updated APTTA was signed in 2013 with the objective of further promoting bilateral trade and eliminating the smuggling of goods in Pakistan by traders claiming to be transiting goods into Afghanistan. The Agreement does not permit India to transit goods through Pakistan for export to Afghanistan.

3.11. Despite the Agreement's ambitious objectives in terms of facilitating trade, reducing transit costs and streamlining customs procedures, security issues continue to have a detrimental effect on transit trade between the two countries.

3.2.2 Customs valuation

3.12. Located in Karachi, the Directorate General of Customs Valuation falls under the FBR which has jurisdiction over all of Pakistan. Its field offices operate in accordance with the 1969 Customs Act. Pakistan notified the WTO in 2001 that the basis for determining the value for customs' purposes is the transaction value.[6] Tariffs are levied on the c.i.f. value of goods. Pakistan has not, however, replied to the Checklist of issues in the Committee on Customs Valuation.

3.13. The Pakistan Customs Valuation Gateway offers information on rules and procedures as well as application forms.[7] Administrative appeals against duty valuations and other customs decisions may be made to a Customs Internal Review[8], and to the FBR, which appoints a committee to consider the case. Such decisions, including criminal proceedings, may be appealed to the Special Court for Customs, Taxation and anti-smuggling, and subsequently to the Appellate Tribunal on

[3] Web-Based One Customs online information. Viewed at: https://www.weboc.gov.pk/.
[4] World Bank (2013a).
[5] *The Gazette of Pakistan*, 6 April 2013.
[6] WTO document G/VAL/N/1/PAK/1, 15 May 2001.
[7] Pakistan Customs Valuation Gateway online information. Viewed at: http://valuationgateway.fbr.gov.pk.
[8] Pakistan Customs - Post Clearance Audit Manual, Section 2.4.

Customs, Excise and Sales Tax, the provincial High Court and, in certain situations, the Supreme Court.

3.2.3 Rules of origin

3.14. Pakistan has notified the WTO that it has no rules of origin for MFN treatment.[9]

3.15. Preferential rules of origin exist under bilateral/plurilateral trade agreements and unilateral schemes (Table 3.1). These incorporate various value addition and change in tariff classification criteria, as well as usually providing for product-specific rules. The existence of different RoO under the various agreements increases the complexity of Pakistan's trade regime and creates a more cumbersome administration with important ramifications for transparency and predictability.

Table 3.1 Preferential rules of origin in trade agreements, 2014

Trade agreement	Wholly produced or obtained	Minimum value addition	Cumulation rules	Product specific rules
South Asian Free Trade Area (SAFTA)	Yes[a]	40% of f.o.b.; 30% for LDCs; 35% for Sri Lanka[b]	Minimum aggregate originating content of 50% f.o.b.[c]	Yes[d]
Pakistan-Sri Lanka FTA	Yes[a]	35% of f.o.b.[e]	Minimum value addition of 25% in exporting country[f]	None
Pakistan-China FTA	Yes[g]	40% of f.o.b.	Minimum value addition of 25% in exporting country[h]	None
Pakistan-Malaysia PTA	Yes[g]	40% of f.o.b.	Minimum value addition of 25% in exporting country[h]	Certain textiles and jewellery[i]
Pakistan-Iran PTA	Yes	50% of f.o.b.	None	
Pakistan-Mauritius PTA	Yes	35% of f.o.b.	Minimum value addition of 25% in exporting country[h]	
Global System of Trade Preferences	Yes[a]	50% of f.o.b.; 40% for LDCs[e]	Minimum total value addition of 60%; 50% for LDCs	None
Pakistan–Indonesia	Yes	40% of f.o.b.	Minimum value addition in two countries of 40%	None

a Fish caught in high seas must be in vessels registered in a member country and operated by its citizens or an entity with domestic equity (including state) of 65%, or 75% equity of all members.
b Final good must be classified in a different tariff heading (4-digit HS) than all non-originating material inputs.
c Also, must be minimum domestic value content (value of inputs originating in the exporting member plus domestic value addition in the exporting member) of 20% of f.o.b. value and meet change in tariff classification requirements.
d Generally require lower minimum value addition of mainly 30% or 40% and change in 6-digit HS classification.
e Final good must be in a different 6-digit tariff classification than all non-originating material inputs.
f Minimum total value addition in two countries of 35%.
g Fish caught in high seas must be in vessels registered in a member or entitled to fly its flag.
h Minimum value addition in two countries of 40%.
i Based on change in 4-digit tariff classification (spinning, weaving, bleaching, dyeing, printing and finishing sufficient transformation to be originating goods).

Source: Compiled by the WTO Secretariat.

3.2.4 Tariffs

3.2.4.1 Policy and general features

3.16. Tariff rates are amended annually at budget time and approved by Parliament in the Finance Act. The FBR determines annual tariff rates in collaboration with key ministries, including Finance; Commerce; and Industries & Production. It also receives tariff recommendations from the National Tariff Commission (NTC), in particular with respect to protection of indigenous industry, improving competitiveness and promoting exports from Pakistan.[10] The Government has general

[9] WTO document G/RO/N/16, 5 March 1997.

[10] The NTC's focus has more recently turned to the administration of trade defence laws with regard to Pakistan's international treaty obligations and as a think tank on matters relating to competitiveness of Pakistan's indigenous industry. The NTC conducts studies following requests by a range of entities, including government agencies, business associations and private companies.

authority to apply tariff exemptions/concessions[11], and to add or modify import rules, the latter being issued by the FBR as Statutory Regulatory Orders (SROs), which are approved by the Economic Coordination Committee of Cabinet. Exemptions and partial exemptions provided for industries under SRO regimes are a central source of deviation from MFN rates. Transparency, and therefore analysis, of the level and structure of Pakistan's tariffs is greatly complicated by the large numbers of exemptions and partial exemptions which are announced separately through SROs and do not affect the customs duty rate shown in the customs duty column of the tariff schedule. Other SROs further specify whether specific products are exempted from sales and other domestic taxes, as well as rules and ordinances affecting imports. Although available on the FBR website, the separate SROs make it difficult to discern the applicable taxes and other measures imposed on individual tariff items which may be covered under multiple SROs. Often, SROs provide the exemptions for inputs for certain industrial sectors. By confining regulations to selected sectors these exemptions operate as a *de facto* licensing scheme. The 2014-15 budget exercise included the withdrawal of three major SROs, i.e. 565(I)2006, 575(I)/2006 and, 567(I)2006 as well as the elimination of concessions available to 89 industrial sectors.

3.17. The Pakistan Customs Tariff (PCT) is based on the Harmonized Commodity Description and Coding System at the eight-digit tariff line level; HS12.

3.18. Table 3.2 provides an overview of total collection of customs duty and its share in the overall revenue collection for the past six years.

Table 3.2 Collection of revenue, 2008-14

(PRs billion)

Year FY	Total revenue FBR	Customs duty collection	%age share
2013-14	2,266	241	10.6
2012-13	1,946	239	12.3
2011-12	1,883	217	11.5
2010-11	1,558	185	11.9
2009-10	1,327	161	12.1
2008-09	1,161	148	12.7

Source: Government of Pakistan, Federal Board of Revenue.

3.2.4.2 MFN applied rates

3.19. Pakistan's MFN tariff comprises 7,018 lines of which 97.9%, or 6,868 tariff lines, are bound.[12] With the exception of 47 tariff lines, mostly on vegetable oils, silver and gold, but also on cellular mobile phones, which all carry a specific tariff, all lines are *ad valorem*. As in its last Review, Pakistan operates no MFN tariff quotas.[13] However, compared to 2007/08 where some 400 duty free tariff lines were registered, the 2014/15 tariff structure reveals that Pakistan no longer has duty free tariff lines (Chart 3.1). All of these tariff lines have been increased to 1% and now account for the 6.3% of tariff lines that are considered nuisance tariffs (Table 3.3).

Table 3.3 Pakistan's tariff structure, 2007-08 and 2014-15

(%, unless otherwise indicated)

	MFN applied rate		Final bound[a]
	2007/08	2014/15	
Bound tariff lines (% of all tariff lines)	98.0	97.9	97.9
Simple average rate	14.5	14.3	61.5
WTO agricultural products	14.8	14.6	96.3
WTO non-agricultural products	14.5	14.3	56.6
Duty free tariff lines (% of all tariff lines)	5.8	0.0	0.0
Simple average rate of dutiable lines only	15.4	14.3	61.5
Tariff quotas (% of all tariff lines)	0.0	0.0	0.0
Non-*ad valorem* tariffs (% of all tariff lines)	0.6	0.7	0.0
Domestic tariff "peaks" (% of all tariff lines)[b]	1.1	1.3	0.0
International tariff "peaks" (% of all tariff lines)[c]	40.0	38.7	94.8

[11] Section 19, The Customs Act.
[12] 6,861 are fully bound and 7 are partially bound.
[13] Bilateral TRQs are in place under the FTA with Sri Lanka.

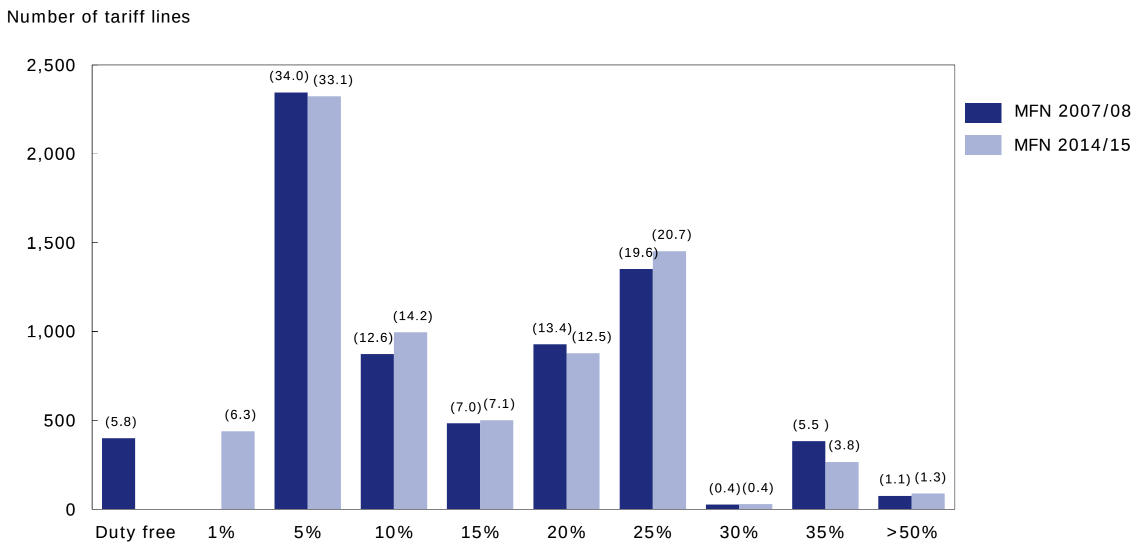
	MFN applied rate		Final bound[a]
	2007/08	2014/15	
Overall standard deviation of tariff rates	11.7	11.6	22.7
Coefficient of variation of tariff rates	0.8	0.8	0.4
Nuisance applied rates (% of all tariff lines)[d]	0.0	6.3	0.0
Total number of tariff lines	6,910	7,018	6,868[e]
Ad valorem rates	6,466	6,971	6,868
Duty free	400	0	0
Specific rates	44	47	0

a Final bound rates are based on the 2012 tariff schedule.
b Domestic tariff peaks are defined as those exceeding three times the overall average applied rate.
c International tariff peaks are defined as those exceeding 15%.
d Nuisance rates are those greater than zero, but less than or equal to 2%.
e Bound lines only.

Note: 2007 tariff is based on HS07 nomenclature, 2014/15 tariff is based on HS12. Calculations for averages are based on national tariff line level (8-digit); excluding specific rates.

Source: WTO Secretariat calculations, based on data provided by the authorities and on online data taken from the Federal Board of Revenue of Pakistan.

Chart 3.1 Distribution of MFN applied tariff rates, 2007-08 and 2014-15



Note: Figures in parentheses denote the percentage share of total lines. Figures for 2007-08 are based on HS07 nomenclature, and for 2014-15 on HS12. Totals do not add up to 100% due to the exclusion of specific rates, representing 0.6% and 0.7% respectively, for 2007-08 and 2014-15.

Source: WTO Secretariat calculations, based on data provided by the authorities and online data taken from the Federal Board of Revenue.

3.20. The distribution of MFN applied tariff rates in 2014-15 is broadly in line with the picture in 2007/08 with the notable exception of the complete elimination of duty free tariff lines as noted previously. Around one-third of Pakistan's tariffs are at 5%, followed by one fifth at 25%. Slightly more than 1% of Pakistan's applied MFN tariffs are over 50% (Chart 3.1).

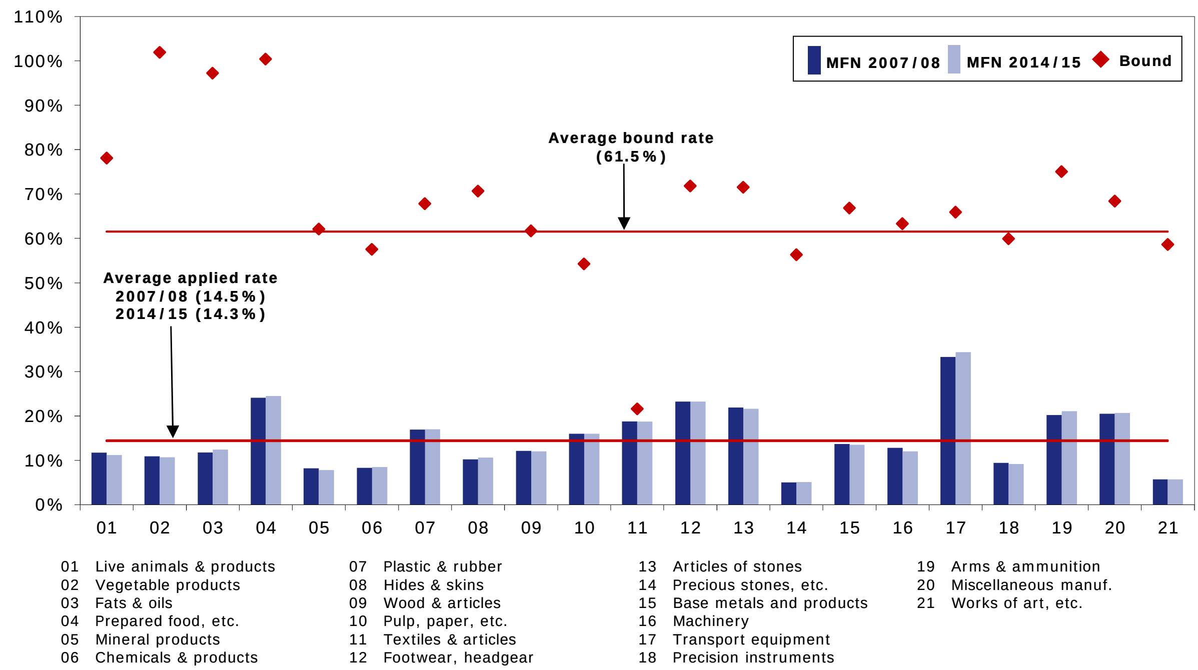
3.21. Pakistan's overall average MFN applied tariff is 14.3%, which is marginally lower than at the time of Pakistan's last Review and despite the fact that the country has eliminated all of its duty free tariff lines. According to the authorities, the elimination of the 0% slab on 400 tariff lines was part of the policy to reduce unnecessary exemptions. Expected revenue from this change has been estimated at around PRs 6 billion annually. On the basis of the WTO definition, tariffs average 14.6% in agriculture and 14.3% on non-agricultural products (Table A3.1). Using ISIC (Revision 2) definition, the least tariff-protected sector is mining with 6.7%, followed by agriculture (8.7%) and manufacturing (14.8%) (Table A3.1).

3.22. On aggregate, Pakistan's tariff displays a significantly positive escalation from first-stage processed products, with an average tariff of 7.8%, to semi-finished goods, with an average rate of 10.9%, and fully processed products, on which tariffs average 17.6%. This escalation can generally be attributed to an industrial policy which seems to protect domestic manufacturing in particular. At a more disaggregate level, it can be observed that the average tariffs for some industrial products (e.g. clothing, non-electric machinery and transport equipment) are significantly higher than the average tariff for the sector. The picture is similar when it comes to more processed agricultural products (e.g. dairy, beverages, spirits and tobacco) (Table A3.1).

3.2.4.3 Tariff bindings

3.23. Pakistan has bound 97.9% of its tariff lines with unbound lines being mainly for motor vehicles and motorcycles, alcoholic beverages, certain paper and paper board products and certain meat and meat products. Ceiling levels exceed applied rates. The final average bound tariff rate of 61.5% is more than four times higher than the 2014-15 average applied level of 14.3%. On average, the gap is highest for agricultural products where bound levels on, for example, live animals, vegetable products and fats and oils, exceed the applied rate by 8 to 10 times (Chart 3.2). This large gap reduces predictability as substantial leeway exists to raise applied tariffs.

Chart 3.2 Average applied MFN and bound tariff rates, by HS section, 2007-08 and 2014-15



Note: Calculations exclude specific rates. 2007-08 averages are based on HS07 nomenclature, 2014-15 on HS12. Sections 1, 2, 4, 5, 6, 10 and 17 are not fully bound.

Source: WTO Secretariat calculations, based on data provided by the authorities, and online data taken from the Federal Board of Revenue.

3.2.4.4 Preferential tariffs

3.24. Pakistan applies preferential tariffs to China, Malaysia, Mauritius, Sri Lanka, Iran and SAFTA members.

3.2.4.5 Tariff exemptions and concessions

3.25. Regulatory exemptions and concessions provided for various industries under SRO regimes remain an important source of deviation from MFN rates. Scrutiny and analysis of the structure and level of Pakistan's tariffs are complicated by the number of exemptions, partial exemptions and concessions which are announced separately through SROs and which do not affect the customs duty rate shown in the tariff schedule. Other SROs detail whether certain products are exempted from sales and other domestic taxes, as well as rules and ordinances affecting imports. Imports by charitable organizations or in the context of humanitarian efforts and operations are not subject to customs duties. Although other government agencies are not exempted *per se* from import restrictions, Section 5(A) of the 2013 Import Policy Order provides the required flexibility for most governmental institutions to circumvent such restrictions. Even though the FBR's website now features specific information on active as well as amended or archived SROs, it is very difficult to discern the applicable taxes and other measures imposed on individual tariff items that may be covered under multiple SROs with different exemptions and criteria. It has been argued that the distortions created by this web of exemptions result in a *de facto* licensing scheme by limiting regulations to a selected group of economic actors.[14]

3.26. Since the last Review, the most prominent exemptions applicable to the industrial sector were provided in three SROs[15] accounting for 23% of Pakistan's imports in 2009-10.[16] On average, companies or industries[17] under these three SRO provisions received concessions up to around 11 percentage points from the statutory rates, applied non-uniformly across industries.[18] In addition, a comprehensive scheme of exemptions in the automotive sector, which discriminates by type of market (Original Equipment Manufacturer (OEM) versus after-sales parts), is implemented under SRO 656(I)/2006, auto-vendors under SRO 655(I)/2006 and SRO 693(I)/2006. Although the FBR website indicates that a number of SRO have been rescinded in 2014[19], the system of SROs continues to hamper transparency.

3.27. It remains difficult to provide a clear picture of which concessions/exemptions continue to operate and to assess their incidence. The extent to which new exemptions and concessions extend, replace or duplicate previous ones is often unclear as is the number of amendments that have been made to some of these SROs. Their use makes the tariff regime complex and less transparent. By altering the structure of tariff incentives unpredictably, with uncertain effects on resource allocation, these concessions and exemptions may counteract economic efficiency by raising tariff escalation and increasing effective rates of protection.

3.28. The cost of exemptions and concessions as a result of import-related SROs amounted to PRs 137 billion during the financial year 2013-14. It is worth noting that Pakistan has committed to eliminate most tax or customs tariff exemptions or concessions granted through SROs and to approve legislation by end-December 2015 to permanently prohibit the practice as part of the request for financial assistance from the IMF.[20] According to the IMF, the Government's budget proposal includes a commitment to bringing 30 sectors and 133 HS codes under the normal tariff regimes, withdrawing concessions for 138 industries, and setting the normal tariff rates for machinery and equipment imported by textile firms. The FBR maintains lists of active SROs for both imports and exports. In the case of imports some 92 SROs remain active.[21] It has been estimated that out of this overall number some 38 active trade-related concessionary SROs, introduced between 1991 and 2010 hamper trade, increase the cost of doing business and breed malpractice.[22] The regime is complex, discriminatory and lacks transparency.

[14] Pursell G., Kahn A. and Gulzar S. (2011).

[15] SRO 565(I)/2006, SRO 567(I)/2006 and SRO 575(I)/2006.

[16] World Bank (2013a).

[17] The exemptions under these three SROs cover several sectors, including chemicals, automotive, rubber and plastic industries as well as the agricultural sector.

[18] Ibid.

[19] See SRO 563(I)/2014 and SRO 564(I)/2014.

[20] IMF Press Release No. 14/46, 9 February 2014.

[21] Federal Board of Revenue online information. Viewed at: http://www.fbr.gov.pk/SROsImportA.aspx. The number of active export-related SROs is 29.

[22] Exclusive Pakistan Customs and Trade News Resource online information. Press Release, "Operative concessionary SROs dent economy, Pakistan, IMF agree to phase out", 7 July 2013. Viewed at: http://customnews.pk/.

3.2.5 Other duties and charges affecting imports

3.29. Pakistan has bound other duties and charges at zero. On 26 June 2014, the Government circulated an SRO containing some 284 products on which a 5% regulatory import duty is levied[23] (Section 4.2).

3.30. Sales Tax at the general level of 17% is levied by the Federal Government under the Sales Tax Act, 1990, on the sale and supply of goods and certain services and on goods imported into Pakistan. The sales tax regime has been subject to frequent changes with almost one hundred SROs with implications for the sales tax regime issued between January 2012 and January 2015[24], including several providing for temporary exemptions or lower sales tax rates. The right to collect sales tax on services rests with the provinces, but appears to be administered centrally by the FBR. According to a recent IMF staff report, in the context of its Extended Fund Facility Pakistan submitted a comprehensive package of reforms, including budget and tax proposals, in return for the release of a loan tranche of over US$550 million.[25] The budget proposal includes the elimination of certain SROs granting concessions on imported plants and machineries and 33 additional items, plus trimming concessions for 21 sectors — to charge them the standard rate — and charge a higher, albeit still reduced, rate for the five export-oriented sectors. A second pillar of the budget package presented to the IMF sets a higher sales tax under the special regimes for steel smelters and ship breakers and a new treatment for beverages. For excises, higher taxes are envisaged on cigarettes, sugar, cement and air travel.

3.31. A Special Federal Excise Tax of 1% was introduced in 2007; it is applied to all goods and services, whether produced domestically or imported. Provincial excise taxes also apply. The SRO 655(I)/2007 specifies the goods and services that are excluded from this tax — these are food products, tractors, certain vehicles, and vehicle assembly kits.

3.32. A two-tiered excise tax was applied to cigarettes and other tobacco products on 4 June 2014 (SRO 422(I)/2014).[26] Petroleum products are subject to different levies, for example PRs 10 per litre for motor gasoline (see also Section 4).

3.2.6 Import prohibitions, quotas, restrictions, and licensing

3.33. The Federal Government may prohibit or restrict imports by notification in the official *Gazette* (Customs Act, Section 16), and ban imports from all or any source, where deemed in the "public interest" (Import Policy Order 2013, Section 21[27]). These measures are contained in the Ministry of Commerce's Import Policy Order (Part A, Trade Policy). Import of all goods is allowed unless included in Appendix A (prohibited), Appendix B (restricted) or Appendix C (import restrictions for used/second-hand items). Any dispute or clarification with respect to the import status of any item, which may not be resolved by the Customs Authority, shall be referred to the Ministry of Commerce for final decision.

3.34. Pakistan is a signatory to the Basel Convention on Hazardous Wastes, the Rotterdam Convention on Trade in Hazardous Chemicals, the Montreal Protocol and CITES.

3.2.6.1 Prohibitions

3.35. Pakistan continues to ban imports of a range of items, mainly for health, safety, security, moral and environmental reasons (see Table A3.2). Imports of alcoholic beverages[28], re-treaded and used pneumatic tyres, gambling equipment, a range of munitions, counterfeit products and

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[23] SRO 568(I)/2014.

[24] Federal Board of Revenue online information. Viewed at: http://www.fbr.gov.pk/SROsAmending.aspx?Department=Sales%20Tax.

[25] IMF Country Report No. 14/184, July 2014.

[26] The two tiers were indicated as: PRs 880 per 1,000 cigarettes for cigarettes with a retail price less than or equal to PRs 2,286 per 1,000 sticks, and PRs 2,325 per 1,000 cigarettes for cigarettes with a retail price greater than PRs 2,286 per 1,000 sticks. However, on 1 July 2014, a subsequent notification (SRO 574(I)/2014) rescinded these taxes.

[27] The Import Policy Order 2013 (SRO 193(I)/2013, which entered into force on 8 March 2013, runs until 2015.

[28] The domestic brewery producing for the non-Muslim market is a private monopoly. Alcoholic beverages may not be sold freely in Pakistan.

CFC gas-based equipment remain banned, the latter since 31 December 2009.[29] Imports of HCFC gases will be phased out progressively by 2040. An import ban is in place on live animals from BSE-infected countries as well as a ban on poultry and poultry products on account of the H5N1 Avian influenza.

3.36. Pakistan bans all imports from Israel or of Israeli origin as well as 1,209 items from India. In early 2014, Pakistan temporarily banned the import of gold to curb a sharp rise in smuggling.[30]

3.2.6.2 Restrictions and licensing

3.37. Some imports are restricted unless they meet certain conditions as specified in Appendix B of the Import Policy Order. These include prior approval or clearance, clearing testing arrangements and complying with certain procedural requirements (Appendix B, Part 2). While these are mainly for health, safety, security and environmental reasons, including requiring compliance with Euro-II emission standards for some imported second-hand vehicles and restricting the import of vehicles older than five years, a number of exemptions for other types of vehicles and importers continue to exist. For example, import of second-hand plant machinery by the construction, mining and petroleum sectors is allowed subject to prior certification by any of the pre-shipment inspection companies listed in Appendix D of the 2013 Import Policy Order.

3.38. Part II of Appendix B of the 2013 Import Policy Order provides an overview of the procedural requirements for the importation of restricted items, including permissions, licences and registrations to be obtained. Pakistan has not submitted replies to the WTO Questionnaire on Import Licensing Procedures and would appear not to maintain an import licensing system within the meaning of Article 1.1 of the Agreement on Import Licensing Procedures. Although no licences are required for the import of importable items, specific authorizations and No Objection Certificates (NOC) from a range of authorities must be obtained for import of products listed in Appendices B and C of the Import Policy Order.

3.2.7 Anti-dumping, countervailing, and safeguards measures

3.39. The NTC conducts anti-dumping, countervailing, and safeguards investigations.[31] According to the authorities a new NTC Act, including revised Ordinances on anti-dumping, countervailing, and safeguards measures, is currently under consideration by the Cabinet. On 20 December 2011, an Appellate Tribunal was re-established.[32] The Tribunal is composed of three individuals, i.e. a retired judge of the Supreme Court as the tribunal's Chairman and two individuals of known integrity with experience in the fields of economics, international trade and matters related to customs law and practices.[33] The Appellate Tribunal will hear appeals against anti-dumping and countervailing decisions. Its decisions are final on facts, but may be appealed on matters of law to the High Court and, subsequently, the Supreme Court with respect to the imposition of anti-dumping, countervailing and safeguard actions. According to the NTC, all its investigations are being challenged in domestic courts causing significant delays.

3.2.7.1 Anti-dumping

3.40. During the period 2007 to end-2013 Pakistan has conducted 58 anti-dumping investigations[34] and imposed 31 measures. Over the same period, 16 anti-dumping actions have been terminated. By end-June 2014, Pakistan had imposed definitive anti-dumping duties on eight products (i.e. secondary quality tin-plate, hydrogen peroxide, phthalic anhydride, formic acid,

[29] The import ban on goods is not applicable to the Federal Government for defence purposes, foreign diplomatic missions in Pakistan and individual ministries, divisions, departments, provincial governments and other government agencies.

[30] Ministry of Finance online information. Viewed at: http://www.finance.gov.pk/releases_jul_13.html.

[31] The respective legislation is the Anti-Dumping Ordinance, 2000 and Anti-Dumping Duties Rules, 2001; Anti-Dumping Duties (Amendment) Act, 2011; Countervailing Duties Ordinance 2001 and the Countervailing Duties Rules, 2002; and the Safeguard Measures Ordinance, 2002 and the Safeguard Measures Rules, 2003.

[32] Originally implemented in March 2003 and terminated six months later.

[33] Act No. F. 22 (29)/2008-Legis Anti-Dumping Duties (Amendment) Act, 2011; WTO documents G/ADP/N/1/PAK/2/Suppl.3 and G/SCM/N/1/PAK/2/Suppl.3, 4 April 2012.

[34] Three anti-dumping initiations in 2008, followed by 23 in 2009, 11 in 2010, seven in 2011, five in 2012, and six in 2013.

paper board, BOPP film, polyester filament yarn, polyester staple fibre, PVC resin) from 19 countries (Table 3.4).

3.2.7.2 Countervailing

3.41. Pakistan initiated its first countervailing investigation on 23 November 2011 on writing/printing paper against Indonesia and Thailand. The investigation was suspended by the Peshawar High Court's instruction for almost one year.[35] The measure was terminated on 3 June 2014 without imposition of duties.[36]

3.2.7.3 Safeguards

3.42. Pakistan has taken no safeguard actions.

Table 3.4 Anti-dumping actions, June 2014

Country	Product	Initiation	Provisional measures	Final measures	Dumped imports as % domestic consumption
A. For six months ending June 2014					
Iran[a]	Wall and floor tiles	30.07.13			
Kenya[b]	Soda ash	21.01.11	08.06.12 of 19.82%		8.34
Korea, Rep. of	Polyvinyl chloride	18.11.13		Terminated on 15.5.14	
Malaysia[c]	Wall and floor tiles	30.07.13			
Spain[c]	Wall and floor tiles	30.07.13			
Switzerland[d]	Pegylated interferon Alpha-2A	14.12.12			
Chinese Taipei	Polyvinyl chloride	18.11.13		Terminated on 15.5.14	
United Arab Emirates[c]	Wall and floor tiles	30.07.13			
B. Outstanding definitive duties, end-June 2014					**Date of extension**
Belgium	Secondary quality tin plate			14.11.09	
	Hydrogen peroxide			06.07.11	
Brazil	Phthalic anhydride			30.09.10	
China	Hydrogen peroxide			06.07.11	
	Formic acid 85%			10.02.12	
	Paperboard			27.12.12	
	BOPP film			07.02.13	
Finland	Formic acid			09.03.06	17.02.12
France	Secondary quality tin plate			14.11.09	
Germany	Formic acid			09.03.06	17.02.12
	Secondary quality tin plate			14.11.09	
India	Phthalic anhydride			13.02.06	10.12.11
Indonesia	Polyester staple fibre			09.02.07	30.01.13
	Phthalic anhydride			30.09.10	
	Hydrogen peroxide			06.07.11	
	Paperboard			27.12.12	
Iran	PVC resin			26.10.04	30.09.10
	Phthalic anhydride			05.08.13	
Italy	Phthalic anhydride			05.08.13	
Korea, Rep. of	PVC Resin			26.10.04	30.09.10
	Polyester staple fibre			09.02.07	30.01.13
	Phthalic anhydride			30.09.10	
	Hydrogen peroxide			06.07.11	
	Formic acid 85%			10.02.12	
	Paperboard			27.12.12	
Netherlands	Secondary quality tin-plate			14.11.09	
Oman	BOPP film			07.02.13	

[35] WTO document G/SCM/N/267/PAK, 4 March 2014.
[36] WTO document G/SCM/N/274/PAK, 29 August 2014.

Country	Product	Initiation	Provisional measures	Final measures	Dumped imports as % domestic consumption
Saudi Arabia, Kingdom of	BOPP film			07.02.13	
Chinese Taipei	Phthalic anhydride			30.09.10	
	Hydrogen peroxide			06.07.11	
	Paperboard			27.12.12	
Thailand	Polyester staple fibre			09.02.07	30.01.13
	Hydrogen peroxide			06.07.11	
	Phthalic anhydride			05.08.13	
Turkey	Hydrogen peroxide			06.07.11	
United Arab Emirates	BOPP film			07.02.13	
United States	Secondary quality tin plate			14.11.09	

a Investigation was challenged in domestic court. On court's decision it was re-initiated on 26 September 2011. The NTC has not been able to take a decision due to absence of a quorum of the Commission.

b The Lahore High Court has granted stay on the final order of the Commission. All investigation steps have been completed. Arguments of lawyers similarly completed. However, the judgement of the Court is reserved for two years and is still pending.

c The NTC has not been able to take a decision due to absence of a quorum of the Commission. The Sindh High Court has stopped the investigation after preliminary determination.

Source: WTO documents G/ADP/N/252/PAK, 28 February 2014; G/ADP/N/252/PAK/Corr.1, 11 March 2014; and G/ADP/N/259/PAK, 29 August 2014, "Semi-annual Report Under Article 16.4 of the Agreement, Pakistan", and the National Tariff Commission.

3.2.8 Standards and other technical requirements

3.2.8.1 Standards and quality certification

3.43. The Pakistan Standards and Quality Control Authority (PSQCA)[37] was established in 1996 under the Ministry of Science and Technology and is the national standardization body.[38] Since December 2000, it has been responsible for the formulation of Pakistan standards as well as their promulgation. The PSQCA develops and adopts standards and provides conformity/testing assessments. It advises the Government on standardization policies, programmes and activities to promote industrial efficiency and development, as well as consumer safety and health. It is the focal point for national, regional and international organizations and institutions such as ISO, IEC and Codex Alimentarius, and its Karachi office is the National Enquiry Point (NEP) for the WTO Agreement on Technical Barriers to Trade (TBT).[39]

3.44. 3.44. Pakistan, as a member of ISO, IEC, and the International Organization of Legal Metrology (OIML), continues to harmonize standards with international requirements. As at November 2014, it has some 30,927 standard specifications (up from some 27,000 in 2008) covering mainly agriculture, foodstuffs, chemicals, civil and mechanical engineering and textiles. According to the PSQCA these are generally harmonized with international/regional standards. Of these, 15,700 are ISO standards, 6,370 are IEC/OIML standards and 8,857 are national standards which, according to the authorities, are often based on regional or UK standards.

3.45. Imports are subject to the same national quality standards or regulations as similar domestically made goods.[40] Appendix N of the 2013 Import Policy Order contains a list of 78 products under the Compulsory Certification Mark License Scheme which must meet Pakistan standards on human safety and public health at the import stage.[41] These goods must have a Certification Mark issued by the PSQCA to be made, stocked or sold domestically and domestic manufacturers and exporters to Pakistan must be registered with the PSQCA to ensure compliance.

[37] Pakistan Standards and Quality Control Authority online information. Viewed at: http://psqca.com.pk.

[38] PSQCA ACT No. VI, 1996.

[39] Pakistan Standards and Quality Control Authority online information. Viewed at: http://www.psqca.com.pk/about/activities.htm.

[40] Import Policy Order 2013, Section 5B (ii).

[41] The list includes a wide range of products, including fruit juices, food for infants, gas appliances, various cooking oils, cement-related products etc.

Imports and domestic goods undergo the same conformity testing procedures. PSQCA also sets mandatory standards, generally in line with international requirements (e.g. WHO and CAC) for public health and safety (mainly on food and exports). The PSQCA has some 52 registered inspection agencies and a total of 22 laboratories undertaking quality control services.[42]

3.46. The Pakistan National Accreditation Council (PNAC) operates under the administrative control of the Ministry of Science and Technology and is the national accreditation body for testing laboratories and other conformity assessment facilities. Standards are elaborated by one of the PSQCA's eleven national entities and their technical committees. Draft standards are circulated among stakeholders for comments. PNAC has Mutual Recognition Arrangements with the International Laboratory Accreditation Cooperation (ILAC) and the Asia Pacific Laboratory Accreditation Cooperation (APLAC). Pakistan has concluded eleven mutual recognition agreements with other countries and is included in the list of countries having equivalent status for accreditation of testing and calibration laboratories and certification bodies for Quality Management Systems (QMS), i.e. ISO-9000, and Environmental Management Systems (EMS), i.e. ISO-14000.

3.47. As the national accreditation body for testing laboratories and other conformity assessment facilities, PNAC applies international standards and has accredited 59 testing and calibration laboratories, including in pharmaceuticals, textiles, chemicals, engineering and food. Another agency, the Pakistan Council of Scientific and Industrial Research (PCSIR) also provides testing facilities (mainly to exporters).

3.48. Pakistan has submitted 59 notifications to the WTO under the TBT Agreement covering health and safety standards adopted, covering mainly sampling and testing procedures as well as labelling, packaging, storage and transport of a number of food and other products. The authorities indicate that additional notifications are under preparation. No specific trade concerns have been raised with respect to Pakistan's TBT measures.

3.2.8.2 Sanitary and phytosanitary requirements

3.49. The National Animal and Plant Health Inspection Services (NAPHIS), under the Ministry of National Food Security and Research, is the notification authority and enquiry point under the SPS Agreement. Pakistan has adopted no new SPS-related legislation since its last Review. However, a proposed Phytosanitary Act was drafted in 2012 and remains pending. The Act, which the authorities anticipate will be adopted shortly, would formally establish NAPHIS which currently operates without an adopted legal foundation. NAPHIS responsibilities include regulating food safety, sanitary and phytosanitary measures and the adoption of the Act would create a much-needed nationally integrated regulatory framework. Table 3.5 provides an overview of the relevant institutions in the area of food security in Pakistan.

3.50. Pakistan is member of Codex Alimentarius Commission, the World Organization for Animal Health (International Office of Epizootics), the International Plant Protection Convention (IPPC) and the Asia and Pacific Plant Protection Commission. The principal domestic statutes governing SPS measures are the Agricultural Produce (Grading and Marking) Act of 1937, the Agriculture Pesticide Ordinance 1971, Pakistan Plant Quarantine Act 1976, Pakistan Animal Quarantine Ordinance 1979 and Pakistan Fish Inspection and Quality Control Act 1997. The Department of Customs and Plant Protection and Quarantine (PPQ) are the two main agencies involved in regulating food imports, while the Department of Animal Quarantine (DAQ) is responsible for regulating imports and exports of animals and animal products. The Customs Department's primary functions are to ensure that imported foods meet Pakistan's labelling and shelf-life requirements and prevent imports of banned items. PPQ ensures that shipment of bulk commodities (e.g. dairy) meet phytosanitary requirements while DAQ is responsible for enforcing sanitary requirements for live animal shipments.

[42] 11 in Karachi, 9 in Lahore and 2 in Peshawar.

Table 3.5 Institutions concerned with food safety in Pakistan

Institutions	Principal areas of responsibility
1. Ministry of National Food Security and Research	
Animal Husbandry Commissioner	Chief Veterinarian of Pakistan, disease surveillance and control; epidemiology, drugs and vaccines; dairy sector
Department of Animal Quarantine	Animal health conditions for import and export; meat inspection for exported meat/casings. Controls at border inspection posts. Under Animal Quarantine (Import and Export of Animal Products Ordinance, 1979)
National Veterinary Laboratory	Disease surveillance; veterinary drug testing; vaccination quality and residue testing
Department of Plant Protection	Import/export controls at 26 border inspection posts for plant pests/diseases. Operates under Plant Quarantine Act 1976. Responsible for authorization of pesticides (Pesticide Ordinance 1971)
Grain Quality Testing Laboratory	Sampling and testing for import and export of grains (and other foods); pesticide residue & aflatoxin testing
National Animal and Plant Health Inspection Service (NAPHIS)	2012 draft bill foresees NAPHIS to be responsible for development of policy, initiate legislation, and ensure efficient enforcement
2. Ministry of Science and Technology	
Pakistan Standards and Quality Control Authority (PSQCA)	The PSQCA, under the Ministry of Science and Technology, is the national standardization body. Responsible for enforcement of standards. Inspects and tests products and services for their quality, specification and characteristics during use, and for import and export purposes
3. Ministry of Health	
National Institute of Health	Communication with provinces on food safety
4. Ministry of Commerce	
Customs Department	Ensure that imported food meets Pakistan's labelling and shelf-life requirements, and are not on the list of banned items (Import Policy Order annexes)
5. Provincial governments	
Department of Health	Food safety in retail/catering and processing establishments for national market
Department of Plant Protection	Plant pest and disease surveillance; control on use and distribution of pesticides
Livestock/Dairy Departments	Meat & dairy inspection at farm/ slaughterhouse/dairy; poultry and eggs inspection at producer level

Source: Compiled by the WTO Secretariat.

3.51. As a result of Pakistan's 18th constitutional Amendment which devolved several functions to the provinces, Pakistan's food imports are regulated by the federal government while standard compliance of local production is a provincial responsibility. According to the authorities, provincial governments follow federal guidelines when adopting such regulations. The provinces do not have the authority to issue import-related SPS measures. Pakistan has ratified the Cartagena Protocol of Biosafety, which came into force in May 2009, and maintains a framework of handling Genetically Modified Organisms (GMOs). A maximum of 1,000 kilos of genetically modified (GM) seeds are allowed to be imported for research purposes only. Pakistan's only notification to the WTO under the SPS Agreement was submitted in January 2000, as a notification of emergency measures.[43] However, a number of measures have been implemented, including as regular procedures under current legislation or as bans and restrictions through statutory notifications in Import Policy Orders. Although these measures have not been notified to the WTO, the authorities expressed confidence that this would happen within a few months. Since 2001, Pakistan has imposed an import ban on live animals and a range of animal products originating in several European countries[44] based on the risk of Bovine Spongiform Encephalopathy (BSE). This restriction was

[43] WTO document G/SPS/N/PAK/1, 6 January 2000.

[44] The included countries were Austria, Belgium, Czech Republic, Denmark, France, Germany, Italy, Ireland, Luxembourg, the Netherlands, Poland, Slovakia, Slovenia, Spain, and the United Kingdom.

reconfirmed in Import Policy Orders in 2006, 2009 and 2013. In July 2014, the 2013 Import Policy Order was amended[45] to exempt from that restriction those countries which have been declared as "Negligible Risk" by the IOE and if the animals were only from herds where no incidence of BSE had been reported for the last eleven years. Poultry, poultry products and other captive live birds from some African, Asian and European countries are also banned for import on account of the Avian Influenza H5N1 strain.[46] Health and safety requirements are also imposed on some commodities. The import of these goods is not prohibited, but quarantine, inspections and testing requirements may affect trade. Current measures, included in the 2013 Import Policy Order, are summarized in Table 3.6.

Table 3.6 SPS related import restrictions

Commodities	Conditions
Live animals, animal semen and embryos	Quarantine requirement of Animal Quarantine Department of Ministry of National Food Security and Research
Fish and fishery products	Quarantine requirement of Marine and Fishery Department of Ministry of National Food Security and Research
All species of plants and parts thereof	Compliance of phytosanitary requirements and drawing of samples and testing quality by Department of Plant Protection and Federal Seed Certification Agency of Ministry of National Food Security and Research
Seeds	i. Subject to drawing of samples and testing quality by Department of Plant Protection and Federal Seed Certification Agency; ii. Import of rice seeds is subject to quarantine measures under the Seed Act 1976; iii. Import of opium poppy seeds is allowed from those countries where it is legally produced; iv. Cotton seeds are importable with prior approval of the Ministry of National Food Security and Research
Fresh and dry fruits, and whole red chillies	Subject to production of aflatoxin report to the effect that the consignment is free from any pests or diseases, to be certified by the Department of Plant Protection
Betel nuts (Areca)	Subject to phytosanitary certificate issued by the competent authorities of the country of origin confirming that the exported goods are free from infestation and are fit for human consumption
Wheat	Subject to the specifications notified by the Ministry of National Food Security and Research and subject to pre-shipment inspection by authorized agencies

Source: Appendix B, Import Policy Order 2013.

3.52. No specific trade concerns have been raised with respect to Pakistan's SPS measures.

3.2.8.3 Marking, labelling and packaging

3.53. No uniform labelling and marking system is in place in Pakistan and there have been no relevant changes from the last Review. The requirements that apply to certain goods are part of Import Policy Orders, and include the following: cigars and cigarettes (of tobacco or of tobacco substitutes) packets should carry the warning "Smoking is injurious to heath" in English and Urdu. Dyes and chemicals must be marked with a full description, including quality and code numbers. Food colors must carry fair and true labelling about the product in both languages. Edible products should have at least six months or 50% of the shelf life, whichever is the lesser, calculated from the date of filing of the Import General Manifest (IGM) and also that they are free of Haram elements or ingredients. If these conditions are not shown on the packaging, a certificate issued by the manufacturers is accepted by customs. Pharmaceutical raw materials and drugs and medicines should have at least 75% of the shelf life calculated from the date of filing of the IGM. If indication is not given on the packing, the custom authorities may allow clearance. All imported packaged medicines or drugs should display the name and prescription material in accordance with the Drugs (Labelling and Packaging) Rules 1986.

3.54. Labelling of GMOs does not seem to rest on a clear legal framework at the federal level. The 18th constitutional Amendment placed the area of environment under the legal responsibility of provincial governments. A legal vacuum appears to exist in terms of who may issue regulations

[45] Ministry of Commerce, Order SRO 646(I)/2014, 18 July 2014.
[46] Import Policy Order 2013.

and licences in the area of GMOs.[47] Under the Telecom Act 1996 (Section 29), no terminal equipment can be directly or indirectly connected with PSTN unless it has been type approved by Pakistan Telecommunication Authority (PTA). Type approval granted by PTA signifies that a particular telecommunication equipment is approved for general sale and is suitable to connect with a specific public telecommunication network. Under Type Approval Regulations, 2004 (amended in 2006) all approved equipment shall be marked distinctly labelling instructions in accordance with Section 22 of that same regulation.[48]

3.3 Measures Directly Affecting Exports

3.55. The Government's Strategic Trade Policy Framework 2012-15 (STPF), the second triennial of its kind, was introduced as an initiative to provide Pakistan's businesses and trading partners with greater predictability and as a means eliminating frequent policy shifts.[49] A significant theme in the STPF is the Government's stated ambition to strengthen Pakistan's export competitiveness directly and indirectly through the introduction of policies and institutions to facilitate exports.[50]

3.56. The Imports and Exports (Control) Act of 1950 provides the original foundation of Pakistan's export policy. Introduced on 8 March 2013, the Export Policy Order SRO 192(I)/2013 provides the latest update on the rules and regulations pertaining to exports from Pakistan.

3.3.1 Registration, documentation, clearance, inspection, and minimum prices

3.57. The Trade Development Authority of Pakistan (TDAP) under the Ministry of Commerce succeeded the Export Promotion Bureau (EPB) in 2006 and has pursued a more holistic strategy with respect to global trade development compared to its predecessor. TDAP is the implementing institution of various trade policy initiatives announced by the Commerce Ministry.

3.58. Exporters must have a national tax number and a sales tax registration number. In general, exporters do not have to be registered with TDAP. However, all exporters of food products must be registered with their respective associations and, if no such entity exists, mandatory registration with TDAP is required.[51] Reforms to expedite the flow of trade have made incremental progress since 1998, but the launch of Pakistan Customs WeBOC system appear to have provided a more complete and largely automated platform, including a risk management system, upon which customs clearance of exports may now be evaluated. According to the authorities, 98% of all exports cargo is presently cleared through the green and yellow channels which allows for a speedier release of the products and does not involve a physical examination of the consignment. Exports passing through the red channel incur a physical inspection and assessment with delays of 2-4 days on average. According to the authorities, exports require five documents, i.e. bill-of-lading, commercial invoice, customs export declaration, e-form and packing list. According to the World Bank's Doing Business survey for 2014, exporting a standard container of goods requires eight documents, takes 21 days and costs US$660. The authorities emphasize that while delays beyond the average 2-4 days are characteristic of the red channel, additional delays can be attributed to congested ports and administrative procedures not associated with customs. The FBR monitors exports to Afghanistan through its 13 field Collectorates. In addition, a separate Directorate of Transit Trade has been created by the FBR to monitor all transit activity to and from Afghanistan. Transit goods are not subject to any rebate, duty drawback or refund. According to the Export Policy Order 2013[52]; special procedures and authorized border crossings must be used. All goods not manufactured in bond may be exported to Afghanistan or, in transit, to Central Asian

[47] *The Dawn*, "Court stops regulator from issuing licences for "modified" seeds", 14 May 2014. Viewed at: http://www.dawn.com/news/1106195.

[48] SRO 797(I)/2004 and amendment SRO 748(I)/2006.

[49] Ministry of Commerce of Pakistan (2013).

[50] The major export-related elements of STPF 2012-2015 are: (i) focus on regional trade; (ii) strengthening of the institutional framework for promotion of exports; (iii) creation of regulatory efficiencies; (iv) export development initiatives, and (v) increase exports from less developed regions of Pakistan.

[51] For example, rice exporters must belong to the Rice Exporters' Association. Exporters of horticultural commodities must be registered with the Pakistan Horticulture Development and Export Board.

[52] SRO 192(I)/2013, Section 7.

Republics. However, those exported in rupees or contained on a negative list (Export Policy Order, Schedule III) are ineligible for zero-rating on sales tax, excise tax rebates, or tariff drawback.[53]

3.59. Export contract registration with TDAP remains a requirement for export of cotton. Quality (pre-shipment) inspection of basmati rice remains in place and is undertaken by the Ministry of Commerce and the Rice Exporters Association Pakistan (REAP). In addition, rice exports are subject to minimum export prices (see Section 4). Hot water treatment for mangoes to be exported to the European Union is mandatory. While PSQCA has legislative quality inspection and testing responsibilities for exports, its role is apparently relatively minor.

3.60. Jewellery and gemstone exporters must be registered with TDAP in order to import gold duty and tax free[54]. The export of gold jewellery must take place within 120 days of importing the gold; failing that, duties and taxes plus a 5% penalty for the first month and 10% thereafter are imposed. Unless sales receipts are realized within 240 days from export, a monthly 1% penalty of sale proceeds is incurred.

3.3.2 Export taxes, charges and levies

3.61. Although export taxes are not permitted (Section 18(2), Customs Act), the FBR may impose "regulatory duties" of up to 100% on exports, by notification without parliamentary approval (Section 18(3)).[55] The Federal Board of Revenue maintains a list of active notifications on exports, including export duties.[56] Table 3.7 provides an overview of current export duties which are levied on the f.o.b. value.

Table 3.7 Active export-related SROs

SRO number		Title and products covered	Issue date
1	(I)/2010	Imposing of regulatory duty at the rate of 25% *ad valorem* on export of waste and scrap of copper and aluminium and on bars, rods, ingots, slabs, and billets	13-03-2010
2	594(I)/2009	Regulatory duty at the rate of 25% *ad valorem* levied on export of goods classifiable under the H.S. codes 78.02 (lead waste and scrap, 78.01 (unwrought lead), 78.06 (other articles of lead), 78.04 (lead plates etc.), 85.48 (waste and scrap of primary cells, batteries etc.)	25-06-2009
3	321(I)/2009	Regulatory duty at the rate of 15% *ad valorem* shall be levied on export of molasses with immediate effect	10-04-2009
4	482(I)/2007	Regulatory 25% duty on ferrous and non-ferrous waste and scrap	09-06-2007
5	492(I)/2006	35% Regulatory duty on export of pulses	26-05-2006
6	1011(I)/2005	20% Regulatory duty on export of raw and wet blue hides	27-09-2005

Source: Federal Board of Revenue.

3.62. The authorities indicate that such measures are used to control supply of commodities for local consumption and not as a means to raise revenue or assist domestic users of these goods. However, export taxes and duties implicitly subsidize users of affected goods by reducing their domestic prices.

3.63. Since 2003, an export development charge of 0.25% of the f.o.b. value has been levied on all exports to finance the Export Marketing Development Fund (EMDF).[57] Exporters pay a 1% income withholding tax instead of income tax. Exports from EPZs are exempt as are certain products depending on specific SROs, for example in the case of cement.

3.3.3 Export prohibitions, restrictions, and licensing

3.64. Under Section 3 of the Imports and Exports (Control) Act, 1950, the Government may prohibit, restrict, or control exports. The Ministry of Commerce announces export policies and

[53] Ibid.
[54] SRO 760(I)/2013.
[55] The Customs Act 1969 (as amended up to 30 June 2013), Federal Board of Revenue.
[56] Federal Board of Revenue online information. Viewed at: http://www.fbr.gov.pk/SROsExportA.aspx.
[57] SRO 10(I)/2003, Notification from the Ministry of Finance, Economic Affairs and Revenue.

measures at budget time as part of its Trade Policy (Part B, Export Policy Order). Exports are allowed unless otherwise indicated in Schedules I or II of the Export Policy Order.[58]

3.3.3.1 Export prohibitions

3.65. Export prohibitions focus on health, social, moral, or environmental grounds under international treaties e.g. CITES.[59] They also cover exports of wood and timber, certain chemicals, counterfeit products, pulses, gram and gram flour, sugar, fissionable material, liquor, urea, various fertilizers, charcoal and firewood, sann hemp, anti-personnel landmines and antiquities.[60] Exports to Israel are banned. Exports of livestock have been banned since 1 October 2013 (see Section 4). Exports of imported goods in their original and unprocessed form are generally prohibited with the exception of a number of products as listed in Section 9, Export Policy Order 2013.

3.3.3.2 Export licensing and restrictions

3.66. According to TDAP, export licences no longer exist. The export of certain products is permitted only if certain conditions are met (Table 3.8).

Table 3.8 Exports subject to certain conditions

	HS Code	Item/goods	Condition/procedure/formalities
1	0102.0000 0104.0000 0106.1900	Livestock	As per procedure and conditions by Ministry of National Food Security and Research (SRO 969(I)/2013)
2	0103.0000 0203.0000 4103.3000	Wild boars, their meat and skin	Permissible only by non-Muslim exporters
3	0106.0000	Pet dogs and cats	Allowed on issuance of Quarantine Certificate about health and caging by the Animal Plant Quarantine Department
4	0703.1000	Onions	Allowed except through land route via Wagah to India
5	0804.5020	Mango	(i) Export to Europe, Canada, Iran, China, the State of Kuwait and Bahrain by air only in specified standardized packaging (ii) Export shall not be allowed before 20 May unless otherwise specified by Ministry of Commerce
6	0805.2010	Kino (fresh)	The export of Citrus Hybrid (Kino) shall not be allowed before 1 December
7	1006.0000	Rice	Subject to the conditions and procedures specified by the Ministry of Commerce
8	1207.9100	Poppy seeds	Allowed if imported from the countries where opium poppy is grown licitly
9	1516.1000 1516.2010 1516.2020 1518.0000	Vegetable ghee and cooking oil	(i) Export shall be allowed (excluding that manufactured in manufacturing bonds and export oriented units in case of exports to Afghanistan only) provided there is value addition of 15% for edible uses in packs up to 25 litres for cooking oil and 25 kilograms for vegetable ghee. However, 50% value addition in ghee & cooking oil in non-edible uses in packs up to half litre or half kilogram; (ii) Containers or packages exported to Afghanistan must contain ingredient information printed in "Dari" and "Pushto" languages; (iii) Bulk export of indigenous oils (sun flower, canola and cotton seed)
10	5201.0000	Cotton	(i) Export contract registration with TDAP and classification certificate issued by the Pakistan Cotton Standards Institute
11	Respective headings	Metals	Export of metals by foreign enterprises is governed by a special mechanism identified by Ministry of Petroleum and Natural Resources for checking the prices, etc.
12	Respective headings	Arms, ammunition, explosives and ingredients thereof	No objection certificate (NOC) from Ministry of Defence Production
13	Respective headings	Goods, technologies, material and equipment related to nuclear and biological weapons and their delivery systems	As per provisions of the "Export Control on Goods, Technologies, Material and Equipment related to Nuclear and Biological Weapons and their Delivery Systems Act, 2004 (V of 2004)"

58 SRO 192(I)/2013.

59 In addition to wildlife, prohibited exports also cover alcoholic beverages, wood and timber, and counterfeit products (Trade Policy 2012-15, Part B, Export Policy Order, Schedule I).

60 In a few cases, a waiver for export may be issued by a specified authority.

	HS Code	Item/goods	Condition/procedure/formalities
14	Respective headings	Complete Rocket and Unmanned Air Vehicle (UAV) systems and their parts	(i) NOC from Ministry of Defence Production; (ii) As per provisions of the "Export Control on Goods, Technologies, Material and Equipment related to Nuclear and Biological Weapons and their Delivery Systems Act, 2004 (V of 2004)
15	Respective headings	Nuclear substances, radioactive materials and any other substance or item covered by the Pakistan Nuclear Regulatory Authority Ordinance, 2001 (III of 2001)	(i) As per procedure notified by the Pakistan Nuclear Regulatory Authority; (ii) As per provisions of the "Export Control on Goods, Technologies, Material and Equipment related to Nuclear and Biological Weapons and their Delivery Systems Act, 2004 (V of 2004)"
16	Respective headings	Equipment used for production, use or application of nuclear energy or activity including generation of electricity and spares related to these	(i) As per procedure notified by the Pakistan Nuclear Regulatory Authority; (ii) As per provisions of the "Export Control on Goods, Technologies, Material and Equipment related to Nuclear and Biological Weapons and their Delivery Systems Act, 2004 (V of 2004)"
17	Respective headings	Precious and semi-precious stones and gold jewelry	As per special procedure notified in the Ministry of Commerce Import and Export of Gold, Gold Jewellery and Gemstone Order, 2001 vide SRO 266(I)/2001, dated 7 May 2001
18	Respective headings	Surgical instruments	Subject to test report to be issued by the Sialkot Material Testing Laboratory
19	Respective headings	Fruits in retail packing	Gross weight to be indicated

Source: Export Policy Order 2013, Ministry of Commerce.

3.3.4 Export subsidies and support

3.67. Since its last Review, Pakistan has not notified the WTO of any subsidy within the meaning of the Agreement on Subsidies and Countervailing Measures, nor any subsidy that operated directly or indirectly to increase exports from or reduce imports into its territory within the meaning of Article XVI:1 of GATT 1994. Direct export assistance is financed through the EMDF[61], which is fully funded from the Export Development Surcharge charged to exporters at 0.25% of the f.o.b. value of shipments.[62] Collections from the surcharge generated over PRs 5 billion from 2010 to 2014. Exports benefit from income tax concessions with exporters paying 1% income withholding tax instead of income tax. Exports are exempt from Sales Tax. While the tax base of gross f.o.b. receipts substantially exceeds taxable net income on which company tax would be levied, the difference in tax rates (company tax rate of 35%) suggests possible sizeable subsidies for profitable exporters.

3.68. The FBR administers the general duty drawback scheme in place for exporters[63] and maintains an updated list of the export sectors covered.[64] All registered taxpayers having business activity manufacturer-cum-exporter may apply for the refund online at the FBR.[65] During 2013-14, PRs 7,979 million was paid as duty drawback amounting to 3% of total customs duty collection.[66] The TDAP lists a number of incentives and facilities which are generally available for exporters. A number of other facilities are provided to exporters, for example the use of common warehouses, payments of commission to agents, subsidies for the opening of offices abroad, duty drawback and marketing assistance.[67] In the context of the STPF 2012-15, TDAP is planning to provide subsidies for the opening of retail outlets/warehouses in selected regions, including Australia, Asia and Africa. In addition to these incentives and facilities, the TDAP lists a number of specific measures to assist export sectors which are in operation and which receive funds from the EMDF (Box 3.1).

[61] The EDF was established in 1999 by Parliament through the Export Development Fund Act, No. F. 22(112)97-Legis. The Act was amended in 2005 and 2013, when the EDF became the Export Marketing Development Fund (EMDF).

[62] The export surcharge was introduced in the Finance Act of 1991, although it did not specify if the collected amount was to be employed for the development of exports.

[63] Clause (c) of Section 21 of the Customs Act, 1969 (IV of 1969), and in supersession of its Notification No. SRO 930(I)/2007, provides the FBR with these powers.

[64] Federal Board of Revenue online information. Viewed at: http://www.fbr.gov.pk/SROsExportA.aspx.

[65] Federal Board of Revenue online information. Viewed at: https://e.fbr.gov.pk.

[66] FBR, Revenue Division.

[67] Trade and Development Authority of Pakistan online information. Viewed at : http://www.tdap.gov.pk/faqs.php.

Box 3.1 Incentives, subsidies and facilities

2009–12

Budget for the 2009-12 programme was PRs 3 billion

25% freight subsidy on live seafood

6% R&D support on export of processed food

25% subsidy of setting up of design centres and laboratories (leather)

50% subsidy in obtaining safety standards certification in exporting markets (industrial products)

50% subsidy for cost of obtaining halal certification

Subsidy towards upgrading abattoirs/slaughterhouses operated by local governments

Subsidy on medical representative salary to facilitate pharmaceutical exports

50% Subsidy on pharmaceutical product registration in foreign countries

50% Subsidy on Bio - Equivalence/Bio - Availability Studies on the Pharmaceutical Products

25-75% subsidy towards cost of opening retail sales outlets abroad

50% subsidy for rental and staff in connection with opening exporters office abroad

50-100% subsidy for gaining compliance certification (e.g. ISO)

Subsidy warehousing scheme for 1 year (1^{st} quarter: 100% - 4^{th} quarter: 25%)

Up to 50% subsidy on loans in connection with maintaining cold storage for horticultural products

Protocol passes to airport lounges for leading exporters (over US$12.5 million)

25% inland freight subsidy on exports of engineering goods

50% subsidy towards relocation of textiles and leather industries

100% cost of consultancy services for development of certified/accredited testing facilities for international acceptability

2012–15[a]

50% subsidy on the cost of plants and machinery for processing of meat

50% subsidy on the cost of processing-plants and machinery for adding value to olives and dates from Khyber Pakhtun Khwa, FATA and Balochistan

50% subsidy for wire saw cutting machinery to reduce wastages for establishing mining and processing in KPK, FATA, GB and Balo
chistan

Ad-hoc subsidy at 3% of f.o.b. value to offset the impact of cost of utilities for exporters in selected sectors

a Measures have been announced, but are not yet implemented.

Source: TDAP online information. Viewed at: http://www.tdap.gov.pk/public-notice.php.

3.69. The EMDF has been under increased scrutiny in the media and a number of articles critical of the transparency of the Fund appeared in early 2014.[68] Allegations in the press include that the EMDF has become a slush fund for the Government and that Pakistan cannot afford to tax its struggling exports. These initiatives aim to increase Pakistan's exports from US$65 billion in 2009-2012 to US$95 billion by 2012-15. The Government has allocated a total of PRs 26 billion for the implementation of these initiatives over the three-year period.

[68] *The Express Tribune*, "Export Development Fund: Let it go". Viewed at: http://tribune.com.pk/story/678035/export-development-fund-let-it-go/; and "Hurting interests: Export Development Fund – a slush fund?", Islamabad, 2 and 9 March 2014. Viewed at: http://tribune.com.pk/story/680753/hurting-interests-export-development-fund-a-slush-fund/.

3.3.5 Export finance, insurance and guarantees

3.70. The Long Term Financing Facility (LTFF) of the State Bank of Pakistan (SBP) is aimed at providing concessional financing to facilitate export growth. Under the scheme, Participating Financial Institutions (PFIs) provide long-term financing of up to ten years. This includes granting borrowers for import of machinery as well as purchase of locally-manufactured machinery for export-oriented projects, a maximum grace period of two years. The SBP provides 100% refinance to the banks/DFIs on their disbursements under the scheme. The borrower has the option of borrowing for up to 3 years, 5 years and 10 years, at financing rates of 9% p.a.[69] The facility is available to export-oriented projects whose annual export is equivalent to a minimum of US$5 million or at least 50% of their sales constituting exports, whichever is lower. Eligible sectors include textiles and garments, rice processing, leather and leather products, sports goods, carpets and wools, surgical instruments, fisheries, poultry and meat, fruits and vegetables (processing), cereals, IT and software services, marble and granite, gems and jewellery, engineering goods, ethanol, furniture, pharmaceutical products, glass, dairy and soda ash. The maximum borrowing limit of an individual export oriented project is PRs 1,5 billion under SBP's LTFF. Outstanding financing under LTFF at the end of June 2014 was PRs 41,78 billion.[70]

3.71. In recognition of the need for exporters to have access to trade financing support it has been decided to establish an EXIM Bank. This Bank would enlist the help of provincial governments and would provide export credit, supplier's credit and export credit guarantees. The SBP was requested to prepare a roadmap for the establishment of the EXIM Bank and its proposal has been sent to the Ministry of Finance which will be the coordinating agency for the EXIM Bank.

3.72. The SBP also provides re-financing support to banks on their financing to exporters under the Export Finance Scheme (EFS) – either through a transaction-based facility or through a performance-based facility. The scheme aims at boosting exports through concessional financing to exporters. The current mark-up rates under the Export Finance Scheme is 7.5% with effect from 1 July 2014, while banks' spread for corporate borrowers and SME borrowers are 1% and 2%, respectively. To further incentivize the financing under EFS (Part II) the rates have been linked to export performance. Total financing under the EFS was PRs 194 billion at the end of October 2014.[71]

3.73. In response to the introduction of specialized Islamic banking institutions, the SBP has introduced a programme to enable the exporter to avail SBP's refinance through the newly established Islamic Commercial Banks against eligible commodities. The Islamic Export Refinance Scheme (IERS) is available through Islamic Banks to exporters along the basic principles and conditions of the EFS. Thirteen banks are currently eligible for IERS funds with PRs 13 billion outstanding under the facility, at the end of June 2014.

3.3.6 Export-processing zones

3.74. There are eight operational Export-Processing Zones (EPZs) in Pakistan[72], with the first EPZ in Pakistan being established in Karachi in 1989. These EPZs are administered by the Export Processing Zones Authority (EPZA) which was established in 1980.[73]

3.75. Enterprises operating in EPZs are provided with a number of benefits and incentives, including competitive land lease rates for up to 30 years, duty-free import of machinery, equipment and materials, freedom from national import regulations, exemption from exchange control regulations, repatriation of capital and profits, and no sales tax on input goods including electricity/gas bills.[74] The EPZA also administers the labour laws within EPZs. Typically, manufacturing EPZs operate as joint ventures whereas natural resource-based EPZs are established as exclusive projects under specific leases.

[69] State Bank of Pakistan (2007).
[70] State Bank of Pakistan (2014).
[71] Ibid.
[72] Export Processing Zones Authority (EPZA) online information. Viewed at: http://www.epza.gov.pk/.
[73] Ibid.
[74] EPZA online information. Viewed at: http://www.epza.gov.pk/incentives.html.

3.76. Enterprises operating within EPZs must export at least 80% of their production.[75] A maximum of 20% of production may be sold in Pakistan but these sales are subject to the same duties and taxes as similar imports from abroad.[76] The EPZA has the exclusive right to collect estimated taxes on exports, with final taxes being 1% plus a service charge of 0.5% of total profits. Exports from EPZ companies are exempt from all other federal, provincial, and municipal taxes. Certain goods (e.g. cotton ginning, sugar, vehicles and cement) may not be produced in EPZs. Apart from the ongoing development of the EPZ by the Gwadar Deep Sea Port in the province of Balochistan there seems to be no further EPZ projects in the pipeline at the time of writing. According to the EPZA exports from EPZs in the first quarter of 2013 were up 15% compared to 2012. In the third quarter of 2013, nine new units were approved at the Karachi EPZ and one in the Sialkot and Gujranwala EPZs, respectively, totalling around US$22 million in projected export revenue.

3.77. In September 2012 Parliament enacted the Special Economic Zones (SEZ) legislation which offers more incentives and flexibility for investors than in EPZs[77], including in the area of public-private partnerships. As of 2014, the Khairpur Special Economic Zone has been approved and is being developed a future hub of agro-processing and other related industries. Applications for other SEZs have been submitted to provincial governments and are under consideration (see Section 2.4).

3.3.7 Export promotion and marketing assistance

3.78. The TDAP, with an annual budget of some PRs 1 billion, is the central authority for the majority of export-related initiatives. The TDAP's main role is market promotion, e.g. trade delegations, research and trade exhibitions, and facilitating exporters' activities. It maintains a network of 53 commercial attachés abroad[78], and focuses on product and market diversification, including greater value addition, in key export markets for products and services from Pakistan. The TDAP projects are financed by funds from the EMDF, although a number of projects by other government agencies as well as private sector bodies and trade associations also receive funds from the EMDF. The Fund is administered by a Board chaired by the Minister of Commerce. Export promotion and facilitation is provided for specific products by a number of sectoral public boards, such as the Pakistan Horticulture Development and Export Board. In the same way, the Pakistan Software Export Board promotes IT exports, the Ministry of Textile Industry promotes textiles and garment exports, the Defence Export Promotion Organization promotes and coordinates exports of defence products and the Pakistan Tobacco Board promotes cultivation, manufacture, and export of tobacco and tobacco products.

3.4 Measures Affecting Production and Trade

3.4.1 Incentives

3.79. Under the Ministry of Industries and Production, the Small and Medium Enterprises Development Authority (SMEDA) seeks to provide an enabling environment to small and medium enterprises (SMEs). It advises the federal government on the allocation of funds to identify research and planning priorities; conducts studies and analysis for sector development strategies and facilitates support services appropriate or necessary for SMEs.[79]

3.80. SMEDA has also been tasked with an advisory role in the implementation of the Prime Minister's "Youth Business Loan" scheme.[80] The scheme provides SME entrepreneurs between the ages of 21 and 45 with the possibility of subsidized financing, e.g. loans at 8% mark-up per year, with tenure up to 8 years and a first year grace period, and a favorable debt-equity ratio (9:1). The scheme has a 50% quota for women and 5% quota for families of Shaheed, Widows and

[75] Import Policy Order 2006, SRO 775(I)/2006, Section 13(5).
[76] SRO 249(I)/81.
[77] NO. F. 22(7)2012-Legis.
[78] 24 in Asia, 17 in Europe, 9 in the Americas, and 3 in Africa.
[79] Small & Medium Entreprises Development Authority (SMEDA) online information. Viewed at: http://www.smeda.org/.
[80] Ibid.

Disabled persons and is intended to cover 100,000 beneficiaries in the year 2013-14 through designated financial institutions.[81]

3.81. The Strategic Trade Policy Framework (STPF) proposes to create a Pakistan Land Port Authority (PLPA) to strengthen regional trade and trade integration with South Asia, China and the Economic Cooperation Organization countries. Among the objectives of this new entity is the need to develop mutually beneficial regional production and trade networks through improved land port facilities while simultaneously being responsive to security issues, smuggling, human trafficking etc. The PLPA would function as a statutory body under the administrative control of the Ministry of Interior and with representation from relevant federal entities as well as representation from the respective provincial governments.

3.82. A number of government initiatives appear to seek to promote industrialization of the productive capacity in key sectors. For instance, the Pakistan Council of Scientific and Industrial Research (PCSIR) conducts R&D work on problems faced by the industrial sector. It also boasts laboratory establishments which test and evaluate a factory's raw materials, finished products and packed products which are to be marketed.[82] Facilities in designated rural and poorly developed areas may receive 100% exemption from customs duties, surcharges and sales taxes on imported machinery. Full duty rebates are available for machinery imported for officially approved projects in certain less-developed regions (see Section 2, Table 2.4).[83]

3.83. The Federal Budget 2014/15 also includes other incentives in an effort to support less-developed areas. For instance, to help the fruit-processing industry in Balochistan Province, Malakand Division, Gilgit-Baltistan and FATA, a five-year income tax exemption was introduced for individuals setting up processing plants for locally-grown fruits. Also, to encourage electricity generation from local coal, coal-mining projects in Sindh supplying coal exclusively to power generation projects were exempted from profit and gains taxes and dividends are taxed at a reduced rate.

3.4.2 Competition policy and price controls

3.84. Since the last TPR of Pakistan, the competition policy framework has changed considerably. The Competition Commission of Pakistan (CCP) replaced the Monopoly Control Authority in October 2007. The Commission is an independent quasi-regulatory, quasi-judicial body established under the 2007 Competition Ordinance. This Ordinance was subsequently re-promulgated as an Act of Parliament in 2010.

3.85. The combination of a rapidly transforming market economy, growing expectations of businesses and consumers and the pressing need for a competition policy framework that could promote and protect competition and innovation pushed the Government to launch a "second generation reform" initiative on competition policy. As a result of these efforts the Competition Act came into effect in 2010.[84]

3.86. Although formally under the Ministry of Finance, the CCP is an independent body that seeks to create a business environment based on healthy competition for improving economic efficiency, developing competitiveness and protecting consumers from anti-competitive practices.[85] The Competition Act prohibits abuse of a dominant position in the market[86], certain types of anti-competitive agreements[87], and deceptive market practices. It reviews mergers of undertakings

[81] For example, National Bank of Pakistan and First Women Bank.

[82] Pakistan Council of Scientific and Industrial Research (PCSIR) online information. Viewed at: http://www.pcsir.gov.pk/.

[83] Azad Kashmir; Balochistan; Dera Ismail Khan; Dera Ghazi Khan; Malakand; Mianwali and Tehsil Khushab in Punjab; the districts of Shikarpur, Jacobabad and Dadu (excluding Kotri) in Sindh; the entire North-West Frontier Province; and certain tribal areas.

[84] The Competition Act 2010 repealed the Monopolies and Restrictive Trade Practices (Control and Prevention) Ordinance, 1970.

[85] Competition Commission of Pakistan online information. Viewed at: http://www.cc.gov.pk.

[86] Defined in Chapter 1 of the Competition Act, "dominant position" of one or several undertakings is deemed to exist if this/these have the ability to behave to an appreciable extent independently of competitors, customers, consumers and suppliers and if the market share exceeds 40%.

[87] Including, but not limited to, price fixing, dividing/sharing market, collusive tendering. See Section 4 of the Competition Act.

that could impact competition negatively and seeks to promote voluntary compliance and develop a "competition culture" in Pakistan.[88] Contrary to the previous Law, the 2010 Competition Act contains definitional aspects, coverage, penalties and other procedural matters.[89] The Law provides for higher fines combined with imprisonment for non-compliance, and grants the Commission independent legal powers to conduct searches and inspections.

3.87. Section 3 of the 2010 Competition Act[90] outlines a non-exhaustive number of practices with respect to abuse of dominant position deemed to be illegal, e.g. predatory pricing, limiting production, price discrimination etc. Section 4 lists prohibited agreements such as price fixing, market sharing, collusive tendering etc. Sections 10 and 11 include information with respect to deceptive marketing practices and the approval of mergers, respectively. The Act's Section 9 includes extensive references to the granting of exceptions to the aforementioned sections, including if an agreement contributes towards "improving production or distribution", "promoting technical or economic progress…", and "the benefits clearly outweigh the adverse effects…"[91]. According to the CCP, the total number of exemptions issued up to March 2014, stood at 492.[92] The large majority were exemptions of prohibited agreements for undertakings, including in manufacturing and service industries, followed by decisions on mergers and joint-ventures, in particular in the food, conglomerate, financial services and chemical sectors. However, since the CCP's creation, one of the major challenges is the effective disposal of cases, including as a result of a significant reduction in the CCP's staff in 2013. Of particular concern is a backlog of almost 200 cases pending in various courts. The Competition Appellate Tribunal, established in July 2011 to ensure that anti-competitive behaviour would not prevail for any longer than it should, is reportedly dysfunctional as a result of the non-appointment of judges and has only decided on one appeal by 2014.[93]

3.88. In 2013, the CCP issued orders in five cases regarding abuse of dominance by business and deceptive marketing. Six new investigations were launched relating to deceptive marketing and other anti-competitive practices. Among some of the more significant cases, the CCP handed out fines to 14 long-distance and international telecoms operators for price fixing and market allocation to the tune of PRs 9 billion, and imposed a fine of PRs 8.64 billion on manufacturers of urea for abuse of dominance. Over the same period, the CCP also approved 54 mergers, acquisitions and joint ventures. According to the CCP, it has approved over 400 mergers and acquisitions since 2007. Over the same period, the CCP was successful in unearthing several cartels including in banking, accounting services, fertilizer, cement and sugar. In all, 21 orders were passed to correct prohibited agreements, 15 to eliminate situations of abuse of dominance and 10 to promote fair marketing. As part of its research function, the CCP looks at various sectors from a competition standpoint and identifies vulnerabilities and government interventions that may be distorting incentives, causing information failures and encouraging anti-competitive practices within the industry structure. According to the CCP, market studies serve as a diagnostic tool that allows it to evaluate how competitive markets are and work out steps to improve the state of competition in particular sectors. A wide range of competition issues are covered in the CCP reports, including market dominance, entry barriers, the effect of international developments on the national market and the regulatory mechanism. The CCP has prepared sector-specific reports on banking, aviation, private sector health and education, polyester staple fibre, cement, sugar, cooking oil, fertilizer and power.

3.89. Pakistan no longer operates a comprehensive price control scheme for essential commodities. However, a system for monitoring the average monthly prices of 53 essential items is in place. It also maintains a non-indexed list of 17 essential items. Specific price controls on essential goods may also be applied by provincial or municipal governments. The Oil and Gas

[88] The Competition (Merger Control) Regulations, 2007, Section 4 stipulates the thresholds that apply to entities which must give notice to the CCP regarding a proposed merger.
[89] CCP online information. Viewed at: http://www.cc.gov.pk/index.php?option=com_content&view=article&id=60&Itemid=110.
[90] CCP online information. Viewed at: http://www.cc.gov.pk/images/Downloads/competitionn_act_2010.pdf.
[91] CCP, The Competition (Exemption) Regulations, 2014 were published in the *Gazette of Pakistan* on 4 June 2014. Viewed at: http://cc.gov.pk/images/Downloads/regulations/competition_exemption_regulations.pdf.
[92] Ibid.
[93] Wilson Joseph (2014).

Regulatory Authority (OGRA) maintains price controls on fuel for both household and commercial use.

3.4.3 Consumer policy and protection

3.90. Pakistan does not have a legal and institutional mechanism to redress consumer-related grievances and to protect consumers' rights. Consumer protection is primarily a provincial responsibility and several provinces appear to have legislation or regulations related to consumer protection, but little information is available as to actual implementation. The Competition Commission, has in the past couple of years, taken on a number of cases, which deal with false and misleading advertising by producers of paint and soft-drink producers, as well as fraudulent use of trademarks and unaccredited offers of university degrees.

3.4.4 State-trading, state-owned enterprises, and privatization

3.4.4.1 State-trading

3.91. Pakistan last notified the WTO in 2011 that it had no state-trading enterprises within the meaning of Article XVII:4(a) of the GATT 1994 and noted that existing state firms are not granted any exclusive or special rights (including statutory or constitutional powers) allowing them to influence the level and/or direction of foreign trade.[94]

3.92. Despite efforts were made to reduce its involvement in the economy (see Section 3.5.3.2), the State continues to participate in a range of trade or trade-related activities with several government agencies and numerous state-run corporations being major importers.

3.93. The state-owned Trading Corporation of Pakistan (TCP) is the principal trading organization of the Government of Pakistan. The TCP is a private limited company under the administrative control of the Ministry of Commerce. Through private companies, it trades, various products on behalf of the Government, including importing essential commodities for socio-political reasons in case of domestic shortages. The TCP has no import monopoly or exclusive trading rights, pays full taxes and tariffs on imports and adheres to the rules of the Public Procurement Regulatory Authority. It primarily sells imported urea to end-users, although crops such as wheat and sugar, have also featured prominently among the products purchased by the TCP. In 2010-11, the TCP imported 525,000 metric tonnes of sugar and 570,000 metric tonnes of urea. Since 2011, TCP has only imported urea and in 2013-14 these imports amounted to 987,000 metric tonnes.

3.4.4.2 State-owned enterprises and privatization

3.94. State-owned enterprises (SOEs) continue to have an important role in Pakistan's economy. State involvement occurs mainly in manufacturing (e.g. fertilizers, steel and engineering goods), energy (oil, gas, and electricity) and key services (e.g. banking, insurance and transportation).

3.95. Privatization of SOEs has made uneven progress since the creation of the Privatization Commission (PC) in 1991. Resistance from vested interests, uncertain regulatory environments in key utilities and infrastructure sectors and general security issues means that the rate at which the Government has been divesting its involvement in SOEs has varied greatly over the past couple of decades. According to the World Bank, more than 150 SOEs continue to operate in various sectors of Pakistan's economy, contribute around 10% to GDP and represent about one-third of stock market capitalization.[95] The World Bank estimates that in financial year 2012 direct subsidies and guarantees outstanding to SOEs accounted for around 5% of GDP.[96]

3.96. The PC follows a list of Public Sector Entities (PSEs) approved by the Council of the Common Interest (CCI) for privatization. This broad list includes some 67 public entities, and in October 2013 the Cabinet Committee on Privatisation (CCoP) approved a list of more than 30 SOEs for privatization, including entities within sectors such as oil and gas, banking and finance, power, industries, transport and real estate, etc. (see Table 3.9).

[94] WTO document G/STR/N/13/PAK, 21 November 2011.
[95] World Bank (2014b).
[96] Ibid.

3.97. Since Pakistan's last Review in 2008, few privatization actions have taken place. This includes the sale of shares in Pakistan Petroleum Limited and United Bank Limited in June 2014, resulting in proceeds of PRs 37.9 billion and PRs 15.3 billion respectively.

Table 3.9 Privatization programme for early implementation

	Entities	GOP share	Divestment strategy
Oil & gas (upstream and mid-stream)			
1.	Oil and Gas Development Co. Ltd. (OGDCL)	~ 85%	capital market (preferably international)
2.	Pakistan Petroleum Ltd. (PPL)	~ 78%	capital market (international & domestic)
3.	Mari Petroleum Ltd.	~ 20%	capital market (SPO) or block sale to JV partner
4.	Government Holding Private Ltd. (GHPL)	~ 100%	capital market (IPO) or divestment of working interest of specific block
5.	Pak Arab Refinery Ltd. (PARCO)	~ 60%	capital market (IPO) subject to consent of JV partner
Oil & gas (downstream)			
6.	Pakistan State Oil Co. Ltd. (PSO)	~ 25%	segregation of business segments followed by divesting the suitable business segment
7.	Sui Southern Gas Co. Ltd. (SSGC)	~ 60%	segregation of various operations followed by privatization, where possible
8.	Sui Northern Gas Pipelines Ltd. (SNGPL)	~ 36%	segregation of various operations followed by privatization, where possible
Banking & finance			
9.	Habib Bank Limited (HBL)	~ 42%	capital market (secondary public Offering - SPO)
10.	United Bank Limited (UBL)	~ 20%	capital Market (secondary public Offering - SPO)
11.	Allied Bank Limited (ABL)	~ 10%	capital Market (secondary public offering - SPO)
12.	National Bank Limited (NBP)	~ 76%	divestment with management control (preferably) or block sale to qualified investors
13.	State Life Insurance Corp. (SLIC)	~ 100%	capital market (initial public offering – IPO)
14.	National Insurance Co. Ltd. (NICL)	~ 100%	divestment with management control followed by initial public offering (IPO)
15.	National Investment Trust Ltd. (NITL)[a]	~ 100% MR	divestment of management rights of individual fund(s)
16.	Small & Medium Enterprise (SME) Bank[a]	~ 94%	divestment with management control or merger with Tier II/III bank
17.	Pakistan Reinsurance Co Ltd. (PRCL)	~ 51%	divestment with management control
Power			
18.	Heavy Electrical Complex (HEC)[a]	~ 100%	divestment with management control
19.	Islamabad Electric Supply Co. Ltd. (IESCO)	~ 100%	divestment with management control
20.	Faisalabad Electric Supply Co. Ltd. (FESCO)	~ 100%	divestment with management control
21.	Hyderabad Electric Supply Co. Ltd. (HESCO)	~ 100%	divestment with management control
22.	Jamshoro Power Generation Co. Ltd. (JPCL)	~ 100%	divestment with management control
23.	Northern Power Generation Co. Ltd. - Thermal Power Station – Muzaffargarh	~ 100%	divestment with management control
24.	Lakhra Power Generation Co. Ltd.	~ 100%	divestment with management control
25.	National Power Construction Co. (NPCC)[a]	~ 100%	divestment with management control
26.	Kot Addu Power Company Ltd. (KAPCO)[b]	~ 46%	capital markets (international & domestic)
Industries, transport and real estate			
27.	Pakistan Steel Mills Corp. (PSMC)	~ 100%	divestment with management control
28.	Pakistan Engineering Co. Ltd. (PECO)[a]	~ 25%	retirement of GOP liabilities initially followed by transfer of mmanagement to private partners

	Entities	GOP share	Divestment strategy
29.	Pakistan International Airlines Corp. (PIAC)	~ 100%	restructuring followed by divestment of 26% GoP equity stakes to strategic partner with management control
30.	Pakistan National Shipping Corp. (PNSC)	~ 90%	divestment with management control
31.	Convention Centre, Islamabad[a]	~ 100%	sale of asset
32.	PIA Investment Ltd. –Roosevelt Hotel NY & Scribe Hotel – Paris[a]	~ 100%	sale of asset

a Keeping in view the PSEs' size and sectoral dynamics,100% GoP interest would be divested.
b Subject to approval from Council of Common Interests (CCI).

Source: Privatization Commission, 2014.

3.98. The publication of the list of SOEs for privatization followed the approval by the Executive Board of the IMF on 4 September 2013 of a 36-month extended arrangement under the Extended Fund Facility (EFF) for a US$6.68 billion loan to Pakistan.[97] The Government had made a commitment with the IMF to announce a strategy for the sale of 30 firms by the end of September as a benchmark for disbursement of a second tranche of the IMF loan. Under the commitment, the Government was to announce detailed privatization plans for the remainder of the total 65 entities by the end of 2013.

3.99. Pakistan has embarked on an ambitious privatization programme. This can be explained partly by the considerable budgetary drain that SOEs place on the country's budget and partly by the structural benchmarks agreed with the IMF under the EFF agreed in 2013. The privatization programme is aimed at offering and/or marketing at least one transaction in each quarter during the upcoming year. Table 3.10 shows the timeline of the privatization of SOEs.

Table 3.10 Timeline of the privatization of PSEs

Timeline of the privatization of PSEs		
1	United Bank Limited (UBL), Pakistan Petroleum Limited (PPL)	End-June 2014
2	Oil and Gas Development Company Limited (OGDCL)	On hold
3	National Power Construction Co. (NPCC)	First quarter 2015
4	Allied Bank Limited (ABL), Habib Bank Limited (HBL)	First quarter 2015

Source: IMF Country Report No. 14/184, July 2014.

3.100. Pakistan Steel Mills (PSM), Pakistan International Airlines (PIA), and Pakistan Railways (PR) are considered to be the major budgetary drains among SOEs. In the case of PSM a professional board was appointed and approved a comprehensive restructuring plan in April 2014 so as to prepare for strategic private sector participation in the company.

3.4.5 Government procurement

3.101. Pakistan is not a signatory nor observer to the Plurilateral WTO Agreement on Government Procurement. According to the authorities, Pakistan has not signed on any government procurement provisions in any of its FTAs. In 2002, a Public Procurement Regulatory Authority (PPRA) was established at the federal level under the Public Procurement Regulatory Authority Ordinance 2002. This was followed by the promulgation of Public Procurement Rules in 2004.[98] The PPRA is an autonomous body endowed with the responsibility of recommending laws and regulations governing public procurement. It is also responsible for monitoring the application of procurement laws and performance of federal procuring agencies with a view to improving governance of public procurement. The PPRA does not have jurisdiction over sub-federal procurement schemes, but provincial governments have created regulatory authorities and introduced public procurement rules which are broadly comparable with federal rules.[99] Grievances

[97] IMF (2014c).
[98] Public Procurement Regulatory Authority online information. Viewed at: http://www.ppra.org.pk/.
[99] The Sindh province PPRA, however, appears to have more exhaustive public procurement rules and provide an independent grievance redress arrangement and a framework for regulating public private partnership (PPP) procurements. The Punjab PPRA has adopted federal rules while Khyber Pakhtunkhwa has notified the NWFP Procurement of Goods, Works, Services and Consultancy Services Rules. As regards

with respect to government procurement decisions are not referred to the PPRA but considered by a procurement committee operating PPRA guidelines within each government agency. In September 2013, the PPRA launched a National Procurement Strategy 2013-2016[100] outlining a common vision for making procurement processes efficient and transparent. The Strategy contains an action plan, which includes such areas as introducing standardized bidding documents and the creation of an E-procurement portal. In April 2014, a draft *E-procurement Strategy and Roadmap* was published by the World Bank on the basis of comprehensive consultations with stakeholders on how to design and implement an E-procurement portal.[101] According to the authorities the E-procurement portal will be operational sometime in 2016-17 and will provide an important component in reducing corruption.

3.102. The principal procurement method - open competitive bidding - is used for all contracts above PRs 100,000 (or PRs 500,000 in some cases). Procurement contracts generally from PRs 0.1 million to 2 million must be advertised on the PPRA website and, if higher also in at least two national newspapers (one in Urdu and one in English). Pre-qualification of bidders must be based on ability to perform satisfactorily. Direct and negotiated contracting[102] are permitted subject to prescribed conditions; direct tendering is allowed when no advantage is envisaged from competitive bidding or where proprietary rights are involved. Legislative amendments in 2006 allowed direct tendering when the Government or any authority "fixes the price of goods, services or works" or when buying "motor vehicles from local original manufacturers at manufacturer's prices"[103]. In these cases competitive bidding is considered unnecessary as prices are either fixed or known. These amendments may place domestic - including resident foreign - suppliers at an advantage relative to firms located overseas.

3.103. Bidding is open to any nationality, although certain nationalities are excluded by government policy.[104] Procuring agencies can provide supplier price preferences where this is government policy. Price preferences of up to 25% are in place on all government purchases depending on domestic value added content; the maximum preference requires at least 35% domestic value added.

3.4.6 Intellectual property rights

3.4.6.1 Overview

3.104. In February 2010, Pakistan accepted the amendment to the TRIPS Agreement on Public Health. It participates as a member of the World Intellectual Property Organization (WIPO) since 1977, but only two treaties have been ratified: the Berne Convention for the Protection of Literary and Artistic Works and the Paris Convention for the Protection of Industrial Property. Pakistan has signed the Universal Copyright Convention.

3.105. National legislation regulates the main areas covered by the TRIPS Agreement and has been notified to the WTO (Table 3.11). Legislation regarding plant breeders' rights has not yet been issued, but a draft has been approved by the Cabinet. Geographical indications are governed by the Trademark Act of 2001 and Ordinance.

Table 3.11 Overview of IPR legislation, 2014

IPR	Main legislation	Duration of protection	Minimum duration of protection under TRIPS
Copyright	Copyrights Ordinance 1962 as amended in 1992 and 2000	Life of author plus 50 years	Life of author plus 50 years
Patents	Patents Ordinance 2000, Patents Rules 2003	20 years from the date of grant	20 years from date of filing

Balochistan, the Public Procurement Act was promulgated in 2009, but rules have not been notified as yet. In the Azad Jammu & Kashmir, and in Gilgit-Bultistan, the procurement laws have not yet been introduced.

[100] Government of Pakistan (2013).

[101] World Bank (2014c).

[102] According to the authorities negotiated contracting takes place when urgent procurement is required, if something cannot be found through a tender process or when a good is made by one specific entity.

[103] SRO 432(I)2004, Section 42(c).

[104] SRO 432(I)2004, Section 24.

IPR	Main legislation	Duration of protection	Minimum duration of protection under TRIPS
Trademarks	Trademarks Act 1940, Trademarks Ordinance 2001 Trademark Rules 2004	10 years, renewable indefinitely for periods of 10 years	At least 7 years; renewable indefinitely
Geographical indications	Trademarks Ordinance 2001	10 years, renewable after each 10 years	Indefinitely
Integrated circuits	Registered Layout-Design of Integrated Circuits Ordinance 2000	10 years from the date of filing	10 years from first commercial exploitation
Industrial designs	Design Ordinance 2000	10 years, renewable for two periods of ten years	At least 10 years

Source: Intellectual Property Organization, Pakistan.

3.106. The Intellectual Property Organization (IPO) is an autonomous Organization under the administrative control of the Cabinet Division. The Intellectual Property Organization Act 2012 provides a funding structure and vests the IPO with enforcement authority. According to the IPO, enforcement coordination is being institutionalized and expanded by establishing cross-agency Enforcement Committees in Islamabad, Karachi and Lahore. These regions will also receive priority in terms of IPR enforcement with other areas following. The 2012 Act provides for the establishment of specialized IP Tribunals to exercise exclusive jurisdiction on intellectual property cases.

3.107. Since the last Review in 2008, registration of different intellectual property rights has increased significantly. Data on applications and registrations of each IPR is summarized in Table 3.12. In terms of revenue collection FY 2011-12, which was the last year for which figures are available, showed a 76% increase compared to the previous year. Total IP-related revenue collected for FY 2011-12 was PRs 155 million.[105]

Table 3.12 Applications and registrations of intellectual property rights, 2012-13

	Patents (2013)		Trademarks (2012)		Industrial designs (2012-13)		Copyright (2012-13)	
	App.	Reg.	App.	Reg.	App.	Reg.	App.	Reg.
Residents	151	19	15,323	2,989	337	275	3,289	2,572
Non residents	783	263	4,342	3,453	127	103	13	16
Abroad	16	..	601	376	..	..	..	..
Total	934	282	20,266	6,442	464	378	3,302	2,588

.. Not available.

Source: WIPO Statistics Database and Intellectual Property Organization, Pakistan.

3.4.6.2 Patents

3.108. Patents are granted for a period of 20 years from the date of filing. The filing fee for patent applications is PRs 4,500; for each additional page of specification beyond 40 pages there is a fee of PRs 60 and PRs 150 for each additional claim beyond 20 claims. After four years the owner must pay a renewal fee of PRs 6,000 for every year up to the eighth year, PRs 9,000 for years 9-12, PRs 12,000 for years 13–16 and PRs 16,000 for every year thereafter. Foreigners are required to apply for a patent through a patent attorney.

3.4.6.3 Copyrights

3.109. Duration of copyright protection is lifetime of the author plus 50 years. Copyright protection covers literary, artistic, cinematographic, and records works. Registration is not a condition of copyright protection, although it establishes prima facie evidence in court of the validity of the copyright and of the facts stated in the certificate.

3.110. After filing the application, the Copyright Office, under IPO, carries out an examination. For artistic works, the applicant is required to advertise the work in any Urdu or English language

[105] Intellectual Property Organization, Pakistan.

newspaper. If there is no opposition, the registration certificate is issued for an application fee of PRs 1,000.

3.4.6.4 Trademarks

3.111. The Trademarks Registry (TMR), under IPO, is the office responsible for registering trademarks in Pakistan. A trademark registration gives exclusive proprietary rights to the rights' holder for protection of their trademark perpetually, subject to renewal of the registration every ten years.

3.112. The application fee for trademarks is PRs 2,000 and that for the registration certificate PRs 6,000. After the application, an examination report is generated by the TMR with a period of two months being given for the receipt of opposition to a mark, if any. In case of no opposition, the mark is recommended for registration. Regulations on trademarks can be found in the Trademark Ordinance of 2001.

3.113. Pakistan has no GI specific registration system. Geographical indications may be registered either as a certification mark or a collective trademark as stipulated in the Trademark Ordinance of 2001, through Section 82 (covering collective marks) and Section 83 (certification marks). According to the Act a collective mark defines the good or service of the proprietor, the certification mark indicates the specificity of the good or service's quality, origin or manufacturing/performance. All GI applications have been filed with the TMR in Karachi as collective marks under the 2001 Ordinance and are in the process of being registered. The registration procedure of a trademark is initiated by way of application (Form TM-1/TM-2) for one mark in one class with the above-mentioned applicable fee of PRs 2,000.

3.114. An acknowledgement receipt by the TMR is issued to the applicant 10-15 days after the initial application date, followed by an Examination Report after three months. Applicants will be notified via a Show Cause Notice if there are any objections to the applied trademark. The applicant is required to submit a reply within two months of the issue of the Show Cause Notice. Cases decided by the Registrar can be appealed to the High Court in accordance with the 2001 Act, Section 114. The application stands accepted two months after publication date, provided no objections have been filed. Upon receipt of the Registration fee, the Registration Certificate is issued.

3.115. No GIs are registered in Pakistan. Between 2009 and 2011 12 GI applications covering livestock, rice and various fruits were filed with the TMR by a number of producers' associations. However, all applications remain pending. Pakistan is a member of the W52 Group in the WTO.

3.4.6.5 Industrial design and layout-designs of integrated circuits

3.116. The registration of an industrial design is for a period of ten years from the date of the first commercial exploitation anywhere in the world, and may be extended twice for additional ten-year periods. For integrated circuits, the ten-year period may not be extended. Any person claiming to be the proprietor of any new or original design not previously published anywhere in the world may apply for the registration of such design in Pakistan. The application fee for registration of industrial designs is PRs 450 and the registration certificate is an additional PRs 750.[106]

3.117. The Design Ordinance 2000 provides a mechanism for priority claiming between all Members of the WTO.[107] Any person who has applied to register a design in a WTO Member (convention country) is entitled to make an application for the registration of the same design in Pakistan within six months of the date of the application in a convention country.

3.118. Similarly, any person who has filed an application for registration in Pakistan is entitled to claim that the official date of the Pakistani application for any registration also holds in other WTO Members.

3.4.6.6 Plant breeders' rights

[106] IPO website, designs fees and publications. Viewed at: http://ipo.gov.pk/Designs/DesignForms.aspx.
[107] Registered Design Ordinance 2000, Chapter IV.

3.119. Plant breeders' rights (PBR) are not regulated in Pakistan, but a draft bill is awaiting approval by the Prime Minister. The bill will subsequently be submitted to Parliament for enactment. The Plant Breeders' Rights Bill along with the Seed Amendment Bill 2014[108] are expected to be passed in 2015.

3.4.6.7 Enforcement

3.120. A key role of IPO is to ensure effective enforcement of IPR through specialized tribunals, the police, the Federal Investigation Agency (FIA) and customs.

3.121. Pakistan has continued its efforts to advance IPR enforcement through raids, seizures, and arrests by various enforcement authorities, but has yet to put into operation the specialized IP tribunals and the IPO Policy Board provided for under the IPO Act. Moreover, enforcement officials do not exercise *ex officio* authority without a formal complaint by a rights' holder. The IPO has established Enforcement Committees in Islamabad, Lahore and Karachi, respectively, and these committees meet regularly to discuss IP enforcement issues. Piracy remains a key challenge in Pakistan. There are enormous challenges to enforce law and reduce software and books piracy, as well as distribution of counterfeited articles throughout the country.

[108] The Seed Amendment Bill has been under consideration in Parliament since 2006.

4 TRADE POLICIES BY SECTOR

4.1 Introduction

4.1. Reforms in key sectors of Pakistan's economy have been initiated, but adjustment toward a more diversified and efficient production pattern has generally been slow. State intervention and ownership remain considerable. Overall tariff levels are high, weakening productivity growth and constituting an impediment to efficient resource allocation and the integration of Pakistan into global value chains, while the wide-spread use of discretionary policy measures and exceptions support a culture of rent-seeking and clientelism.

4.2. The agriculture sector is central to employment and livelihoods, but still of low overall productivity. As a result of the 18th Amendment, responsibility for agricultural policy has been transferred to the provinces. The support regime for the agriculture sector involves tariffs, support prices, subsidies, as well as tax and tariff exemptions. No notifications on domestic support have been submitted to the WTO since 2008.

4.3. Pakistan's energy shortage and electricity cuts have become a pressing economic challenge. Power generation, transmission and distribution are generally inefficient. Electricity prices are usually insufficient to cover production costs and are designed in a manner that effectively subsidizes the middle class. Manufacturing centres around food processing and textiles. Textiles and clothing make up for more than 50% of Pakistan's merchandise exports; they depend strongly on market access conditions of major trading partners. With tariffs of up to 100%, protection is particularly high in the automotive sector owing to the presence of a few foreign-owned local assemblers.

4.4. Services now contribute nearly 58% to GDP. Pakistan is a net importer of services, although the deficit has been declining over the past years. Its commitments under the GATS cover a wide range of activities. Strong state involvement persists in nearly all service subsectors. The financial services sector has shown resilience in a challenging macroeconomic environment, and the stock market has performed remarkably well. The telecom sector has grown strongly since Pakistan's last Review, mainly driven by mobile subscriptions. Pakistan's port infrastructure has improved considerably since its last Review. Pakistan Railways operates an extensive, but largely dysfunctional railway system which the Government is trying to revitalize. Air fares are deregulated while privatization of loss-carrying Pakistan International Airways, the dominant air carrier, has been repeatedly postponed.

4.2 Agriculture

4.2.1 Main features and policy objectives

4.5. Pakistan's agriculture sector contributes around 21.4% to GDP[1] and 11% to merchandise exports; it provides employment to nearly 44% of the population.[2] About two-thirds of Pakistan's population reside in rural areas, depending mainly on agriculture for their livelihood. Over the last two decades, there has been a structural shift within the agriculture sector, with the crop sub-sector gradually declining from 65% of agricultural value added in 1990-91 to 43% in 2013-14. Livestock's share of agricultural value added increased from 30% to 53% over this period.

4.6. Rural areas are still characterized by strong inequality in the distribution of assets, particularly land and water, and income. Entrenched land ownership plays a large role in keeping yields low and many landless in poverty.[3] Since its last Review, numerous severe floods have impacted Pakistan's rural economy while global climate change, through rising temperatures and increasingly unpredictable rain patterns, is also becoming a major concern for the agriculture sector.[4]

[1] Sectoral GDP shares in this section are based on the national accounts tables of the Pakistan Bureau of Statistics and are expressed in 2005 constant prices, unless mentioned otherwise.
[2] Taking into account downstream industries such as textiles, these figures are much higher, in particular for exports.
[3] World Bank (2014d).
[4] State Bank of Pakistan (2013), pp. 32-34.

4.7. The Government's overall policy objectives for the agriculture sector are to achieve food security and increase the sector's growth rate. A new Agriculture and Food Security Policy was under formulation as at November 2014; it includes a set of policy objectives such as halving malnutrition by 2030 and bringing food insecurity to zero by 2050. Raising the growth rate of agriculture is also an important objective in Pakistan's Vision 2025. Finally, the promotion of processed agricultural products and their export is an important policy goal laid down in the Strategic Trade Policy Framework 2012-15.

4.8. As a result of the 18th Amendment to the Constitution, the Ministry of Food, Agriculture and Livestock was dissolved, and many of its responsibilities were delegated to the provincial level in 2011. At the federal level, the Ministry of National Food Security and Research (MNFSR) is responsible for formulating agriculture and food security policies. Research is coordinated and disseminated by the Pakistan Agricultural Research Council (PARC). State-owned entities, in particular the Trading Corporation of Pakistan, are involved in the foreign trade of several essential commodities (mainly wheat and sugar).

4.9. Pakistan is a member of the agriculture G-20 and G-33 groups, the Cairns Group, and the "Friends of Fish". In the Doha Round, Pakistan supports elimination of all forms of export subsidies on agricultural products. It also demands substantial reduction in domestic support and substantial improvement in market access. Furthermore, Pakistan underlines the need to build upon the 2008 modalities on agriculture.[5] It is of the view that market price-support programmes are not a win-win solution on food security, as they could have a negative effect on the food security of other countries. Pakistan only agrees with the General Services part of the G-33 proposal which concerns rural livelihood security through enlargement of Green Box programmes such as land rehabilitation, farmers' settlement programmes, or issuance of property titles.

4.10. Land ownership in Pakistan is under provincial government jurisdiction. As a rule, land ownership by foreign investors is generally allowed, including in small-holdings.

4.11. Agricultural exports (SITC Rev.3) stood at US$5.6 billion in 2013; rice is the single most important product, with exports amounting to US$2 billion. Agricultural imports amounted to US$6.3 billion in 2013, with palm oil (US$1.8 billion) being the main imported product. Pakistan has traditionally been a net food importer, but for the first time in many years it incurred a surplus in food products in 2013, amounting to over US$500 million.

4.2.2 Policy measures

4.12. Pakistan's current agricultural trade and price regime relies on tariffs, input subsidies and support prices as main policy measures. Other measures include customs and tax exemptions as well as export prohibitions and duties.

4.13. Numerous agricultural and food products have been subject to ad hoc measures under Special Regulatory Orders (SRO). These goods include potatoes[6], raw poultry meat[7], several milk products[8], raw and ginned cotton[9], and leather and articles thereof.[10] SRO 568(I)/2014 of 26 June 2014 introduced "regulatory import duties" on a vast range of agricultural products (Section 4.2.2.1 below). As in other sectors of the economy, the use of SROs as policy instruments strongly reduces the transparency and predictability of the trading regime, increases its complexity, and ultimately supports a culture of rent-seeking.

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[5] WTO document WT/MIN(13)/ST/67, 5 December 2013.

[6] SRO 718(I)/2014, exempting 300,000 metric tonnes of imported potatoes from sales tax, and SRO 338(I)/2014, withdrawing customs duties, sales tax and withholding tax on the import of potatoes for the period from 5 May to 31 July 2014.

[7] SRO 501(I)/2013, exempting imported poultry meat and various milk products from sales tax.

[8] SRO 501(I)/2013, exempting imported poultry meat and various milk products from sales tax.

[9] SRO 221(I)/2013, adding cotton to the list of goods for which a zero-rated or reduced sales tax applies.

[10] SRO 1125(I)/2011, establishing a list of goods for which a zero-rated or reduced sales tax applies.

4.2.2.1 Tariffs and other charges on imports

4.14. Tariffs are an important policy instrument in the agriculture sector. Their average (ISIC Rev.2 definition) is 8.7%, the same rate as in 2007/08. Individual MFN tariff rates range from 1% to 25%. Agriculture also derives substantial assistance from tariffs protecting food processors (Section 4.4.2.1). Reducing overall protection of tradable inputs for agriculture would significantly improve the sector's low productivity.

4.15. In addition to tariffs, since June 2014 Pakistan has imposed "regulatory duties" of 5% on imports of numerous agricultural goods.[11] Products affected include milk products, honey, several types of fruit (apples, cherries, pineapples, apricots, plums, oranges, lemons), and vegetables (potatoes, tomatoes, beans, sweet corn).

4.2.2.2 Domestic support

4.16. Pakistan provides numerous domestic support measures to its agriculture sector. These include: research and extension services, infrastructure services (most notably for irrigation), and marketing services. However, due to the absence of a recent notification on domestic support, no figures regarding the size and importance of these measures are available. Pakistan's most recent notification on domestic support measures dates from January 2008, covering marketing years 2000-01 to 2006-07.[12] In this context, the authorities indicate that the shift of responsibilities to the provinces has made data collection more difficult, but that a notification on domestic support would be under preparation.

4.17. Under the Constitution, agriculture is exempt from all federal taxes, although excise duties may apply at the provincial level. Thus, despite its important contribution to GDP, the agricultural sector contributes only about 2.5% to total tax income.[13]

4.18. Pakistan has no specific commitments to reduce domestic support. Price support is provided by the Government for wheat (Table 4.1) while price support for cotton, rice and sugar has been abolished; for these products indicative benchmark prices are announced by the Government. Farmers also benefit from subsidized gas for the production of urea (Section 4.4.2.4). Canal irrigation is subsidized in the Punjab by up to two-thirds.

Table 4.1 Procurement/support prices of agricultural commodities, 2009-15

(PRs per 40 kg)

Commodity	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Wheat	950	950	1,050	1,200	1,200	1,300

Source: Pakistani authorities.

4.2.2.3 Export measures

4.19. Pakistan has notified the WTO that during the period under review it has not provided any export subsidies subject to reduction commitments.[14]

4.20. "Regulatory duties" have applied to certain agricultural exports, such as molasses, wheat flour, pulses, and hides (Section 3.3.2). Export prohibitions have been in place for wood and timber, pulses, gram and gram flour, sugar, sann hemp, and livestock (Section 3.3.3.1).

[11] SRO 568(I)/2014, 26 June 2014.
[12] WTO document G/AG/N/PAK/10, 9 January 2008.
[13] Kardar S. (2013), Khan Saif A. (2013).
[14] WTO documents G/AG/N/PAK/11, 23 October 2009; G/AG/N/PAK/12, 17 February 2011; G/AG/N/PAK/13, 15 May 2012; G/AG/N/PAK/14, 24 May 2013 and G/AG/N/PAK/15, 14 January 2014.

4.2.3 Key sub-sectors

4.2.3.1 Crops

4.21. Pakistan's main cash crops are wheat, rice, maize, cotton, sugar cane, and tobacco. Wheat is cultivated as a winter crop, while the others are summer crops and compete for acreage. Crop production is concentrated in the Punjab and Sindh provinces. According to the 2010 Agricultural Census[15], there are some 8.3 million private farms. Average farm size is 6.4 acres with 42% of the crop area being devoted to wheat, 14% each to rice and cotton, 9% to fodder crops, and 4% each to maize for grain and sugar cane. Average yields are generally low, and post-harvest losses are considerable. The various challenges of crop production in Pakistan include insufficient irrigation, limited adoption of modern farming techniques, various plant pests, irregular rainfall, inadequate storage facilities, low-quality seeds, farm fragmentation, and natural disasters such as the 2010 flooding.

Table 4.2 Area and production of important crops, 2009-14

(Area "000" hectares and production "000" tonnes)

Crops	2009/10		2010/11		2011/12		2012/13		2013/14	
	Area	Production	Area	Production	Area	Production	Area	Production	Area	Production
Wheat	9,132	23,311	8,901	25,214	8,649.8	23,473.4	8,660.2	24,211.4	9,039.0	25,285.6
Maize	935	3,261	974	3,707	1,087.4	4,338.4	1,059.5	4,220.1	1,116.6	4,527.2
Rice	2,883	6,883	2,365	4,823	2,571.2	6,160.4	2,308.8	5,535.9	2,789.2	6,798.1
Sugar-cane	943	49,373	988	55,309	1,057.5	58,397.0	1,128.8	63,749.9	1,172.5	66,469.0
Tobacco	56	119	51	103						
Cotton[a]	3,106	12,913	2,689	11,460	2,834.5	13,595.0	2,878.8	13,030.7	2,805.7	12,769.0
Oil seeds	693	4,940	664	4,618	713	5,102	588	5,566	..	..

.. Not available.

a Cotton production is in thousand bales (375 lbs per bale).

Source: Pakistan Bureau of Statistics.

4.2.3.1.1 Wheat

4.22. Wheat is the major crop of Pakistan and the most important source of food calories.[16] With the objective of ensuring food security, Pakistan's agriculture policy is largely focused on the enhancement of wheat production. In recent years, Pakistan's annual wheat output has been between 23 and 26 million tonnes, grown predominantly by small-and medium-sized farms. Average productivity is still low, but yields have been rising slowly over the past years.[17] Historically, wheat has been an import-competing crop, but in 2011 and 2012 Pakistan's wheat exports significantly exceeded imports, while in 2013 Pakistan again became a net wheat importer. The MFN tariff for wheat is 10%.

4.23. The Government's wheat policy aims to balance support to farm incomes with price stability and affordable flour and bread prices for consumers. It maintains a guaranteed wheat price, which is PRs 1,300 per 40 kg in 2014/15. Inter-provincial movement of wheat and flour may be restricted in order to stabilize prices across the country; according to the authorities this has happened once since Pakistan's last Review, in 2013 in Punjab.

[15] Pakistan Bureau of Statistics (2012). Compared with the previous census conducted in 2000, the total number of farms had increased by 25%, while their size had decreased by 16%.

[16] Wheat provides more than 50% of the caloric energy in an average diet; per capita consumption of wheat is 124 kg per year.

[17] FAO (2013). It has been estimated, for example, that irrigated wheat in Punjab, Pakistan's primary production area, could attain yields of about 6 tonnes/ha, compared with current yields of 2.5 to 3 tonnes/ha.

4.24. The Government procures around one-third of domestic wheat production. Wheat stocks are held by the Pakistan Agricultural Storage and Services Corporation (PASSCO), a public company, and food departments of provincial governments. While the Government generally aims to maintain one million tonnes as strategic reserve, it has been noted that the Government's interventions in the wheat market create substantial market and investment distortions and result in significant losses to the economy.[18]

4.2.3.1.2 Rice

4.25. Rice is Pakistan's most important agricultural export product with exports amounting to nearly US$5 billion in 2013. Rice exporters must belong to the Rice Exporters Association. Exports of basmati rice are subject to mandatory quality inspection and certification. In addition, exports are subject to minimum export prices[19], i.e. per metric tonne: US$1,500 for Super Basmati, US$1,300 for Basmati, US$1,000 for IPRI-9 (long grain), and US$750 for IPRI-6. No support prices have been in place since 2012; prices are market-determined. The MFN tariff for rice imports is 10% (1% for seed rice).

4.26. In 2008, Pakistan raised a Specific Trade Concern (STC) in relation to an import ban imposed by Mexico on rice from Pakistan due to the Khapra beetle.[20] Following bilateral consultations, Mexico announced in March 2010, that it had removed the absolute restrictions on rice imports and replaced it with partial restrictions.[21]

4.2.3.1.3 Sugar cane

4.27. Pakistan produced around 66.5 million tonnes of sugar cane in 2013/14, resulting in an output of 5.58 million tonnes of sugar. Sugar production has shown an increasing trend, driven mainly by increased demand for sugar from the food sector and changing consumption patterns.[22]

4.28. The Government sets an annual indicative price for sugar cane, with the price increasing from PRs 80 per 40 kg in 2008-09 to PRs 170 in 2014/15. The Government occasionally buys excess stocks of sugar from sugar mills through the Trading Corporation of Pakistan.

4.29. To guarantee minimum levels of domestic consumption, sugar exports have been subject, since 2012, to a quota set annually by the Economic Coordination Committee of the Cabinet. The quota amounted to 1.2 million tonnes in 2012/13 and to 2.5 million tonnes in 2013/14; no quota for 2014/15 had been fixed as at November 2014. For exported sugar, an inland freight subsidy of PRs 1.75/kg was paid to the sugar mills between January 2013 and July 2014; payments under this scheme totaled PRs 2.1 billion. Since 2013, local sales of raw sugar are subject to a reduced excise duty rate of 0.5% (instead of 0.8%) as long as they are equivalent to the quantity actually exported.[23] Imports of sugar are subject to an MFN tariff of 25%, up from 15% in 2007. Imports and exports have varied strongly since Pakistan's last Review, in correlation to annual yields. In 2013, however, Pakistan's sugar exports surged to attain US$492 million.

4.2.3.1.4 Cotton

4.30. Pakistan is the fourth largest cotton producer in the world. Cotton is cultivated by around 1.6 million farmers, mostly with smallholdings of less than five hectares. Yields have been largely stagnant for the last several years. Cotton is exported as a raw material, but also provides an essential input to the domestic textiles industry.

4.31. The Pakistan Central Cotton Committee (PCCC), a semi-autonomous body in the Ministry of Textile Industry has as an objective to improve the sector's productivity. Its annual budget of PRs 500 to 600 million is funded by a cess payable by the mills. Support prices for cotton were abandoned in 2008. Export contracts on cotton must be registered, with exports being subject to mandatory quality inspection and certification.

[18] FAO (2013).
[19] SRO (I)/2008.
[20] WTO SPS Specific Trade Concern 270.
[21] Notification G/SPS/N/MEX/184/Add.1, 29 January 2010.
[22] Lahore Chamber of Commerce and Industry (2013).
[23] Special Regulatory Order No. 77(1)/2013.

4.32. Exports of raw cotton amounted to US$217 million in 2013, whereas exports of cotton yarn amounted to US$2.2 billion. Pakistan also imports high-quality cotton, to blend with domestic cotton and to produce quality fabrics; imports amounted to US$757 million of raw cotton and US$151 million of cotton yarn in 2013. The average MFN tariff on cotton imports is 3.8%, with tariffs ranging from 1% to 10%.

4.2.3.1.5 Tobacco

4.33. Tobacco is an important cash crop, grown mainly in Punjab and Khyber Pakhtunkhwa. The Pakistan Tobacco Board, a semi-autonomous department of the Ministry of Commerce, promotes and regulates the production of tobacco and related products. Pre-sowing marketing contracts between growers and the few manufacturers are negotiated based on minimum prices fixed by the Board. Tobacco companies must notify their annual tobacco requirements in October and execute grower agreements by end-December of each year; these must be submitted to the Board. Over-quota production is purchased at lower prices and growers cannot carry over under-quota production to future years. Minimum and maximum prices are set by type and grade, which can vary across areas. Two committees (one each in Punjab and Khyber Pakhtunkhwa) calculate growing costs for consideration by the Price and Grade Revision Committee, which includes representatives of all stakeholders and recommends minimum prices to the Board.[24] Import tariffs are 5% for unmanufactured tobacco and 25% for tobacco products, with cigarettes being subject to excise taxes (Section 3.2.4.5). The weighted average tobacco price received by growers from each tobacco manufacturer cannot be lower than in the preceding year. The Board is funded by a cess levied on tobacco production; depending on the crop type, the cess varies between PRs 1.05 and 1.80 per kilogramme.[25] In 2013, Pakistan exported tobacco and tobacco products worth US$6.4 million.

4.2.3.1.6 Oilseeds and edible oils

4.34. Pakistan is an important importer of oilseeds and edible oils. Imports of edible oils in 2013 amounted to US$1,975 million, while imports of oilseeds stood at US$1,437 million. Domestic oilseed production has been increasing (Table 4.2.); it covers about a quarter of consumption and consists of cotton seed, sunflower seed, and rapeseed. Pakistan's average MFN tariff on oilseeds is 9.1%.

4.35. The Pakistan Oilseed Development Board, a government department established in 1995, promotes the oilseed sector, which mostly consists of canola, sunflower, cotton, and oil palm. Its activities are funded from a fee of PRs 0.05 per kg levied on imported edible oils and from 10% of the tariff duty collected on oilseeds imported for crushing. The Board also operates three mini-oilseed processing plants for processing quality sowing seed. Oilseed prices are set in the market.

4.2.3.1.7 Other

4.36. Pakistan is an important producer of fruits and nuts, mainly for domestic consumption. In 2012-13, production amounted to 2.3 million tonnes of citrus fruits, 1.7 million tonnes of mangoes, 0.7 million tonnes of apples, and 0.5 million tonnes of guavas. Other important agricultural goods cultivated in Pakistan include potatoes, onions, pulses, chili, and other vegetables.

4.2.3.2 Livestock and dairy production

4.37. The livestock sector contributes about half of the value added in the agriculture sector, amounting to aROUND 11.8% to Pakistan's GDP. An estimated 30 to 35 million rural Pakistanis are engaged in livestock-raising, mostly as small-scale livestock keepers. Since Pakistan's last Review, population of all types of livestock has increased (Table 4.3). The poultry sector, for which no official figures are available, also appears to have grown strongly.[26] The average MFN tariff on

[24] Minimum prices are fixed taking into account increases in growers' costs of production; minimum prices and weighted average prices of tobacco; inflation; world tobacco trends; price rises allowed for other agricultural commodities; and the industry's wholesale price index of raw materials.

[25] SRO 129(I)/2011, replacing SRO 611(1)/2010.

[26] Veterinary Hub online information, 20 June 2013, available at: http://www.veterinaryhub.com/economic-survey-of-pakistan-livestock-sector/.

imports of live animals and products thereof (HS Section I) is 11.2%, with tariffs ranging from 1% to 25%.

Table 4.3 Livestock population, 2006-13

('000)

Species	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Cattle	30,674	31,829	33,029	34,285	35,568	30,812	33,680
Buffaloes	28,146	29,001	29,883	29,413	31,726	32,689	33,680
Sheep	26,794	27,111	27,432	27,757	28,086	28,418	28,755
Goats	55,244	56,741	58,279	59,858	61,480	63,047	64,858

Source: Information provided by the Pakistani authorities.

4.38. Within the livestock sector, milk is the single most important commodity. Annual milk production is estimated at around 50 million tonnes (up from around 40 million tonnes in 2008), making Pakistan the fourth largest milk producer in the world. Most of the milk is marketed unprocessed; barely 2% of the traded milk is processed by the dairy industry. Despite this relatively small share, the sub-sector appears to have strongly benefitted from technology transfer provided by multinational food companies, resulting in higher productivity, better product quality and ultimately higher farmer incomes.[27]

4.39. The share of the formal segment still appears to be very low compared to the informal market. However, it has been observed that the livestock sector has been experiencing a significant technological upgrade in recent years, with growing vertical integration and a focus on new processing techniques based on international hygiene and health standards.[28] At the same time, demand for meat and dairy products has increased due to population growth, urbanization and increase in per capita income. Today, Pakistan's yield per animal is among the highest in countries of comparable socio-economic and climatic conditions.[29]

4.40. The public-private Livestock and Dairy Development Board (LDDB), operational since 2007, has as an objective to promote the development of the livestock, poultry, dairy, and meat sectors, including through financial assistance. LDDB generates its funds through its own business without receiving regular funds from the Government. The Pakistan Dairy Development Company (PDDC) is a public-private partnership with the aim of bringing about structural change in the dairy industry through capacity-building and research.

4.41. In July 2013, the Government decided to ban exports of livestock from 1 October 2013 with a view to encouraging exports of processed meat products and providing other by-products to secondary industries.[30] The measure has not been notified to WTO.

4.2.3.3 Fisheries

4.42. Pakistan has a coastline of some 1,120 kilometres and is rich in marine fishery resources. The fisheries subsector contributes around 0.44% to Pakistan's GDP. A large share of the population of the coastal areas of Sindh and Balochistan depends on fisheries for livelihood. Exports of fish and crustaceans (HS Chapter 3) amounted to US$333 million in 2013, whereas imports stood at US$11.6 million. Pakistan's MFN tariffs on fish and fishery products (WTO definition) range from 1% to 20%, with an average of 10.7%.

4.43. At the Ministerial Conference in Bali, Pakistan, together with other Members, reiterated its commitment to agreeing on ambitious and effective disciplines on fisheries subsidies. In particular, Pakistan supports the prohibition of harmful subsidies that contribute to overfishing and overcapacity.[31]

4.44. Fishing within territorial waters (up to twelve nautical miles) is under provincial responsibility, while deep sea fishing is regulated by the federal government. The Fisheries

[27] Burki A., Khan M. (2008).
[28] State Bank of Pakistan (2014b).
[29] FAO (2011).
[30] SRO No. 969(I)/2013.
[31] WTO document WT/MIN(13)/49, 18 December 2013.

Development Board (FDB), established in 2007, has the objective of promoting Pakistan's fisheries sector. To promote the export of sea food, the Government granted a subsidy of 25% of freight cost to such products exported by air between 2009 and 2012.[32]

4.45. Production from aquaculture has increased strongly in recent years, from around 80,000 tonnes in 2005 to 143,000 tonnes in 2012.[33] There are some 12,000 aqua-farms, mostly located in the Sindh and Punjab provinces, which mainly produce carp. The FDB promotes the production of shrimp and high-value fish (such as tilapia and pangasius) through the distribution of fish seed and training programmes. Publicly-funded research and training on inland fisheries and aquaculture is provided by the Fisheries Research and Training Institute based in Lahore.

4.2.3.4 Forestry

4.46. Forestry contributes around 0.44% to Pakistan's GDP, with production being mainly for fuel-wood. Less than 4% of land is covered with forests. Some 43,000 hectares of forest are cleared annually, which corresponds to the highest deforestation rate in Asia.[34] Forest conservation and timber harvesting is regulated at the provincial level, while the Pakistan Forest Institute provides research and training services for the sustainable development of Pakistan's forestry sector at the federal level.

4.3 Mining, Energy and Water

4.3.1 Mining and quarrying

4.47. Mining and quarrying contribute around 3% to Pakistan's GDP. Pakistan has deposits of several minerals including coal, copper, gold, chromite, mineral salt, and bauxite. Coal reserves in the Thar region are estimated to be around 175 billion tonnes, the second largest proven reserves in the world. Exports of ores and other minerals amounted to US$468 million in 2013 (up from US$140 million in 2007), while imports were US$846 million.

4.48. All minerals, except petroleum and nuclear minerals, which are owned by the federal state, are constitutionally owned by the provinces. Provincial governments are responsible for the regulation of mining operations, including exploration, mineral development and safety issues. Federal responsibilities include geological surveys and mapping, national and international coordination, and formulation of national policies. A National Mineral Policy was adopted in 2013, which seeks to increase the economic contribution of the mining sector, attract foreign investment capital for the sector, ensure effective coordination between federal and provincial institutions, encourage small-scale mining, and ensure that mineral exploitation and production are environmentally sustainable.

4.49. Royalties are imposed by provincial governments. Income tax for mining companies is 35%, and there is an additional profits tax (APT), which is payable by large-scale mining companies depending on the rate of return.[35] Pakistani nationals are given preference in small-scale mining projects. Import tariffs on mineral products (HS chapter 05) range from 1% to 11%, with an average of 7.8%.

4.3.2 Energy

4.50. Natural gas represents the main source of energy in Pakistan, accounting for 49.5% of primary energy supplies in 2012.[36] Oil (30.8%), hydro-power (10.5%) and coal (6.6%) are also significant in the energy mix, while nuclear power contributes 2%. In recent years, small initiatives have explored solar and wind power as well as energy from bagasse, but their contribution is still marginal.

[32] Strategic Trade Policy Framework 2009-12.
[33] FAO Fisheries and Aquaculture Information and Statistics Service.
[34] FAO (2007).
[35] The APT is determined based on a three-tier mechanism and is payable only when the project achieves the threshold level of profitability: APT will be 10% if the after-tax real rate of return exceeds 15%, the second tier with a 15% tax becomes payable once the profitability levels exceed 20%, the third tier with a tax of 18% is payable when the rate of return is higher than 25%.
[36] Ministry of Petroleum and Natural Resources (2013a).

4.3.2.1 Hydrocarbons

4.51. Federal policies for the petroleum and gas sectors are formulated by the Ministry of Petroleum and Natural Resources. The independent Oil and Gas Regulatory Authority (OGRA) regulates the oil and gas sectors. It sets standards and issues licences for storage and distribution, and sets household and residential prices for oil and gas. As at November 2014, numerous companies in the oil and gas sector were still partially state-owned, but slated for privatization (Section 3.4.3.1). The oil and gas sector has also been a major recipient of foreign investment (Section 1.7).

4.3.2.2 Petroleum

4.52. Pakistan's oil reserves were estimated at 342 million barrels in 2012, up from 327 million barrels in 2008. Against the background of modest reserves, installed extraction capacity is also limited. Annual production amounts to some 24 to 25 million barrels, of which the state-owned Oil and Gas Development Company accounts for almost 60%. Around 65% of crude oil consumption is imported. OGRA sets prices of petroleum products in accordance with a formula which includes import or refinery prices, transport costs, a dealer margin, and taxes. No subsidy is provided on petroleum products. A new oil and gas exploration policy was adopted in 2012[37], the principal objectives of which being to accelerate exploration and production activities in Pakistan and to promote foreign investment in the oil and gas sector.

4.53. Pakistan's MFN tariff on crude petroleum is 1%, while tariffs on petroleum products range from 1% to 25%. A petroleum levy applies to different petroleum products; for motor gasoline, for example, it amounts to PRs 10 per litre. The Government maintains a strategic petroleum reserve equivalent to about 20 days of consumption. In 2013, Pakistan imported crude petroleum and petroleum products for US$14.7 billion, primarily from the United Arab Emirates, the Kingdom of Saudi Arabia and the State of Kuwait.

4.3.2.3 Natural gas

4.54. Pakistan's natural gas reserves were estimated at 26.6 trillion cubic feet in 2012, but could be exhausted by 2025.[38] Pipeline infrastructure has been expanded significantly in the past years; the natural gas distribution network increased from 91,130 kilometres in 2007 to 134,489 kilometres in 2013. Construction for a gas pipeline from Iran started in 2013 (Section 4.5.4.1.4). In 2013, Pakistan imported liquefied gas for US$85.4 million, mainly from Iran, the United Arab Emirates, and Oman. Domestic production amounted to 4.125 million cubic feet per day in 2013.[39] The MFN tariff on various types of liquefied gas is 1%.

4.55. OGRA sets maximum prices of gas for various types of consumer (e.g. residential, commercial, and industrial) as well as cement, fertilizer, and chemical factories. Consumer gas prices are reviewed bi-annually. Residential consumers are cross-subsidized by industrial, power, and commercial gas users. With a view to promoting the development of a competitive gas market, OGRA issued the Natural Gas (Regulated Third Party Access) Rules in April 2012 to establish principles for allowing access to natural gas pipelines. However, to date, transmission and distribution remain dominated by two state-owned companies, Sui Southern Gas Company and Sui Northern Gas Pipelines.

4.56. The Government plans to address supply shortages through imports of liquefied natural gas (LNG). In this regard an LNG services agreement was signed with Qatar in April 2014, with imports scheduled to commence in early 2015. An LNG terminal is under construction at Port Qasim.

4.57. The National Gas Efficiency Project, which has been implemented since 2012, has the objective of reducing gas loses. Furthermore the Gas (Theft Control and Recovery) Ordinance 2014 was promulgated, which would further help in reducing losses.

[37] Ministry of Petroleum and Natural Resources (2012).
[38] Ministry of Finance (2014).
[39] Ministry of Petroleum and Natural Resources (2014).

4.3.2.4 Electricity

4.58. Policies for the electricity subsector are formulated by the Ministry of Water and Power, while the National Electric Power Regulatory Authority (NEPRA) is the regulator. NEPRA licences generation, transmission, and distribution companies, suggests tariffs to the Ministry, and prescribes standards. Tariffs are different for residential, commercial, industrial, and agricultural consumers. Residential tariffs depend strongly on the household's total electricity consumption.

4.59. Pakistan's single most important producer of electricity, Water and Power Development Authority (WAPDA), generates hydro-electricity only, whereas Pakistan Electric Power Company (PEPCO) is vested with the responsibility of thermal power generation. Transmission is mainly undertaken by National Transmission and Despatch Company (NTDC)[40], whereas distribution is in the hands of nine companies. WAPDA, PEPCO, NTDC and the distribution companies are all state-owned.[41] Independent power producers (IPPs) have increased in importance in recent years; they are assured non-discriminatory access to the transmission system. Private sector participation in the electricity sector has also increased through the partial privatization of K-Electric (formerly KESC) in May 2008.

4.60. Installed capacity for electricity generation has grown at a relatively low pace since Pakistan's last Review (Table 4.4). Around one-third of electricity is produced by oil-fired power stations.

Table 4.4 Electricity, installed capacity, 2007-13

(In MV)

	2007	2008	2009	2010	2011	2012	2013
Hydro-electricity (WAPDA)	6,444	6,444	6,444	6,444	6,516	6,516	6,612
Hydro-electricity (IPPs)	30	111	111	111	129	214	214
Thermal (PEPCO)	4,834	4,899	4,900	4,885	4,720	4,720	4,720
Thermal (K-Electric)	1,756	1,756	1,846	1,946	1,821	2,381	2,381
Thermal (Other IPP)	6,166	6,560	6,793	7,745	9,354	8,938	8,899
Nuclear	462	462	462	462	787	787	787
Wind	0	0	0	0	0	1	50
Total	19,692	20,232	20,556	21,593	23,327	23,557	23,663

Source: State of the Industry Report 2010, 2013.

4.61. Chronic electricity shortages and high electricity prices are a serious problem for Pakistan's economy, with resulting losses estimated at 4% to 7% of GDP, and have a severe impact on the quality of life.[42] Due to fast growing demand, fuel supply limitations and seasonal variations in the availability of hydropower, the gap between supply and demand of electricity, currently estimated at some 5GW, is resulting in routine load-shedding of several hours daily. Moreover, power transmission and distribution are highly inefficient, resulting in losses of some 23-25%, due to poor infrastructure, mismanagement, and theft of electricity.[43] Finally, an ill-designed tariff structure acts as a disincentive for households to save energy and brings with it considerable implicit subsidies to the middle class.[44]

4.62. A major factor behind power shortages has been the problem of recurring "circular debt" in the subsector's supply chain, caused by poor recovery of dues (including from the Government) and inflexible or politicized tariffs that are frequently lower than production costs. The Government usually pays off a portion of debts when power producers are about to sue for default, enabling them to start generating again. The cash flow problems of the subsector have reduced generation and also undermined the level of maintenance required to operate generating units at maximum efficiency. As at March 2014, outstanding dues to power producers amounted to PRs 270 billion.

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[40] An exception is Karachi, where transmission is handled by K-Electric.

[41] The distribution companies have been suggested for privatization for fiscal year 2014-15.

[42] Ministry of Water and Power (2013).

[43] Ministry of Water and Power (2013). The costs of theft alone are estimated at PRs 140 billion per year.

[44] State Bank of Pakistan (2013), p.45. This has been a major demand-side factor in the build-up of the circular debt problem, as households consume nearly half of total electricity produced. It has been estimated that in 2014 the average cost of generation and distribution exceeded the average tariff by PRs 5.5/KWh.

4.63. Against the background of the numerous severe problems in Pakistan's energy sector, the Government has formulated a National Power Policy.[45] Its main objectives are to increase energy supply and reduce reliance on fossil fuels for electricity production. Projects to increase energy supply include: the construction of two major hydro-electric power stations (Diamer-Basher and Dasu), the construction of ten coal-fired power plants in Gadani with an installed capacity of 6,600 MW, the completion of two additional nuclear power plants, the construction of new LNG import terminals, and an increased use of alternative energy. The new Policy also tackles price distortions and poorly targeted subsidies, while insufficient collection and non-payment of dues are to be addressed through changes in the penal law.

4.64. Under the new Policy, tariff differential subsidies are to be phased out and tariffs should be brought to cost recovery levels. In this respect National Electric Power Regulatory Authority (NEPRA) has already notified a 4% increase in the weighted average notified tariff in 2013/14, which would result in halving the electricity subsidy to 0.5% of GDP by 2014/15.

4.65. Around 30% of the population still does not have access to electricity.[46] Between 2008 and 2013, 62,456 villages have benefited from an electrification programme run by WAPDA and financed from the general budget.[47]

4.66. Pakistan's electric grid is connected only to Iran; however, imports of electrical energy have been limited in recent years, with a maximum of 140 MWh in 2011. Connecting Pakistan's grid to India has been under consideration for a number of years; the authorities indicate that a memorandum of understanding is under preparation. The MFN tariff on electricity is 1%.

4.3.3 Water

4.67. The Ministry of Water and Power is responsible for formulating national water policies. The Indus River System Authority allocates Indus waters, the primary water source for Punjab and Sindh. WAPDA is in charge of infrastructure development and hydroelectric power generation. It is also responsible for addressing waterlogging and soil salinization. Over 90% of Pakistan's water resources are allocated to irrigation and other agricultural needs. Around 91% of the population had access to clean water in 2012.[48] Challenges for water management include: irregular rainfall, a generally dry climate, increasing demand, and high and growing groundwater salinity.

4.68. Access to an adequate supply of water for all (agriculture, industry and domestic users) is one of the priorities of Pakistan Vision 2025. This is to be achieved through an increase in storage capacity, a reduction in waste, and a more effective allocation through better institutional mechanisms.

4.4 Manufacturing

4.4.1 Main features and policy objectives

4.69. Manufacturing contributes around 13% to Pakistan's GDP and employs some 14% of the labour force. Policies for the subsector are formulated by the Ministry of Industries and Production. In the Doha Round, Pakistan underlines the need to build upon the 2008 modalities on NAMA.[49]

4.70. The Government attaches particular importance to the manufacturing sector. This includes the transition towards more value added activities such as light engineering, pharmaceutical and surgical industries and high-quality textile garments. It recognizes the considerable challenges that need to be addressed, such as the high cost of doing business, outdated technologies, and unskilled labour. Furthermore, the manufacturing sector has particularly suffered from power cuts

[45] Ministry of Water and Power (2013). Improving energy supply also figures prominently in the Government's Pakistan Vision 2025 (Ministry of Planning, Development, and Reform (2014)).
[46] World Bank database, available online at: http://data.worldbank.org/indicator/EG.ELC.ACCS.ZS.
[47] Pakistan Economic Review 2012-13.
[48] Wold Bank, World Development Indicators database.
[49] WTO document WT/MIN(13)/ST/67, 5 December 2013.

and high electricity prices. As a consequence, many producers have opted for alternate sources of energy such as captive power plants and diesel-run generators.[50]

4.71. Approximately ten manufacturing enterprises are still state-owned; these include Pakistan Steel Mills and National Fertilizers Corporation although the Government has slated these SOEs for privatization.

4.72. Numerous manufactured imports have been subject to anti-dumping measures since Pakistan's last Review (Section 3.2.7.1). Goods affected include tiles, paperboard, hydrogen peroxide, and polypropylene. "Regulatory duties" on exports have been imposed on various metals (copper, aluminium, iron, lead) in different forms and yarn (Section 3.3.2). Export prohibitions have been in place on certain chemicals, liquor, urea, and various other fertilizers (Section 3.2.3.1).

4.73. Various incentives are available for manufacturing companies; these include assistance to exporters through the Export Development Fund, a duty drawback scheme, support for specific activities such as subsidies for obtaining standards certification (all Section 3.3.4), export processing zones (Section 3.3.6), and various export finance facilities (Section 3.3.5).

4.74. Numerous industrial products have been subject to ad hoc measures under SROs.[51] These goods include toilet soap[52]; hybrid electric vehicles[53]; inputs for air conditioners, freezers, and refrigerators[54]; and tractors and certain buses.[55] Various SROs particularly apply to passenger cars (see Section 4.4.2.3 below). SRO 568(I)/2014 of 26 June 2014 introduced "regulatory import duties" of 5% on a vast range of manufactured products (more than 100 tariff lines), including cosmetics, marble and various natural stones, cooking ranges, fans, and freezers. As in other sectors of the economy, the use of SROs as policy instruments strongly reduces the transparency and predictability of the trading regime, increases its complexity, and ultimately supports a culture of rent-seeking.

4.75. The average MFN tariff on manufactured goods (ISIC Rev.2 definition) is 14.8%, with tariffs ranging from 1% to 100%. However, numerous manufactured goods have been subject to tariff concessions or ad hoc changes under SROs (Section 3.2.4.5). Imports of manufactures (SITC Rev.3 definition) amounted to US$20.5 billion in 2013, up from US$17.8 billion in 2007. Imports are dominated by machinery and transport equipment, and chemicals. Exports of manufactures increased from US$14.3 billion in 2007 to US$18.5 billion in 2013. Textiles and clothing are by far Pakistan's most important export product, followed by chemicals and other semi-manufactures.

4.4.2 Key sub-sectors

4.4.2.1 Food processing

4.76. Food and beverages processing, one of Pakistan's major industrial sectors, consists mainly of fresh (fruit juice and pulp) and processed (dried) fruits (mangoes, citrus, apples and guavas) and vegetables (potatoes, onions, and mushrooms), confectionery, cereals, biscuits, and bread. Significant components of food processing are the edible oil (manufacturing mainly vegetable ghee and cooking oil) and sugar industries. Processed foods and beverages are protected by relatively high tariffs; the average tariff in ISIC 2-digit category "food, beverages and tobacco" is 17.3% (17.7% in 2007/08).

4.77. Flour milling is heavily regulated, under the Flour Mills (Control) Order of 1959. This includes licensing of mills, requirements for procuring wheat from particular sources, and fixed prices for flour sales.

[50] State Bank of Pakistan (2014b), p.13.
[51] SROs described in the footnotes indicate the date of the first policy measure. However, later amendments to the original SRO occur frequently.
[52] SRO 559(I)/2008, providing for a tariff exemption of 15% under certain conditions.
[53] SRO 499(I)/2013, providing for tariff and tax exemptions under certain conditions.
[54] SRO 565(I)/2006, providing for tariff exemptions under condition that inputs are used for local production.
[55] SRO 693(I)/2006, levying additional customs duties on tractors and certain buses.

4.78. Pakistan's only brewery, Murree Brewery Company Ltd, is a private monopoly, producing for non-Muslims in two manufacturing plants. The importation and exportation of alcoholic beverages is prohibited.

4.4.2.2 Textiles and clothing

4.79. Pakistan remains a leading exporter of textiles and clothing. Based on locally grown and imported cotton, and concentrated in the preliminary processing stages, it is dominated by cotton textiles (cotton yarn and cloth, made-up textiles), clothing, synthetic fibres (polyester yarn and acrylic fibres), carpets, and jute products. Most textile exports are lower-value coarse and medium yarns.

4.80. Policies for the subsector are formulated by the Ministry of Textile Industry. The Government's objectives for the sector were laid down in the Textiles Policy 2009-14; their most important objective was to double exports of textiles and clothing by 2014 by increasing them to US$25 billion.[56] These objectives were to be achieved through a stronger focus on high-quality and high value added products, subsidies for the modernization of machinery, skills development, and a generally enabling environment for exporters. A new Textile Policy 2014-19 was under preparation as at November 2014. It aims to further promote high value added activities, improve productivity and establish new garment cities.

4.81. The average MFN tariff on textiles and textile articles (HS Chapter XI) is 18.7%, with tariffs ranging from 1% to 25%. Exports of textiles and clothing amounted to US$13.9 billion in 2013, up from US$11.7 billion in 2007. The most important subcategories are clothing (US$4.5 billion), bed and table linen (US$2.9 billion), and cotton yarn (US$2.3 billion). Pakistan's exports of textiles and clothing depend strongly on market access conditions in major trading partners, including unilateral preferences. Imports of textiles and clothing amounted to US$1.3 billion in 2013, up from US$641 million in 2007.

4.4.2.3 Automotive sector

4.82. Pakistan's car market is highly concentrated. Just eight models, made by three multinational firms, account for most car sales in the country. Production of cars, buses and tractors has been stagnant in recent years, while the output of motorcycles has slightly increased (Table 4.5).

Table 4.5 Production in the automotive sector, 2007-14

Product	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Cars	164,870	84,814	121,790	133,983	154,255	120,571	116,680
Buses	1,160	707	716	577	693	650	822
Tractors	54,397	60,684	72,989	72,261	48,898	51,977	35,228
Motorcycles	1,056,377	905,126	1,377,505	1,604,677	1,626,754	1,599,838	1,651,750

Source: Ministry of Industries and Production (EDB).

4.83. The automotive sector attracts the highest tariff levels of all goods, as high as 100% (up from 75% in 2007/08). Tariffs for most components are 35%, while tariffs on motorcycles are 65%. Three SROs are of particular importance for the automotive sector: SRO 656(I)/2006 authorizes imports of completely knocked-down (CKD) kits and other inputs at concessionary duties; SRO 655(I)/2006 allows the importation of certain raw-material, components and other inputs at reduced rates; and SRO 693(I)/2006, which contains 40 pages with parts and components that have been localized and that attract additional duties when imported. Pakistan Automotive Manufacturers Association (PAMA) is the lobbying mechanism of Pakistan's car assemblers and manufacturers. Employment in car assembly counts about 6,000 persons. Imports of automotive products and other transport equipment amounted to US$2.6 billion in 2013, whereas exports stood at only US$0.06 billion.

4.84. Used vehicles may be imported under a "special regime" where taxes are levied on the basis of engine capacity (Table 4.6). Buses, vans and trucks are excluded from this regime.

[56] Ministry of Textile Industry (2009).

Table 4.6 Taxes for imported vehicles (Special Regime)

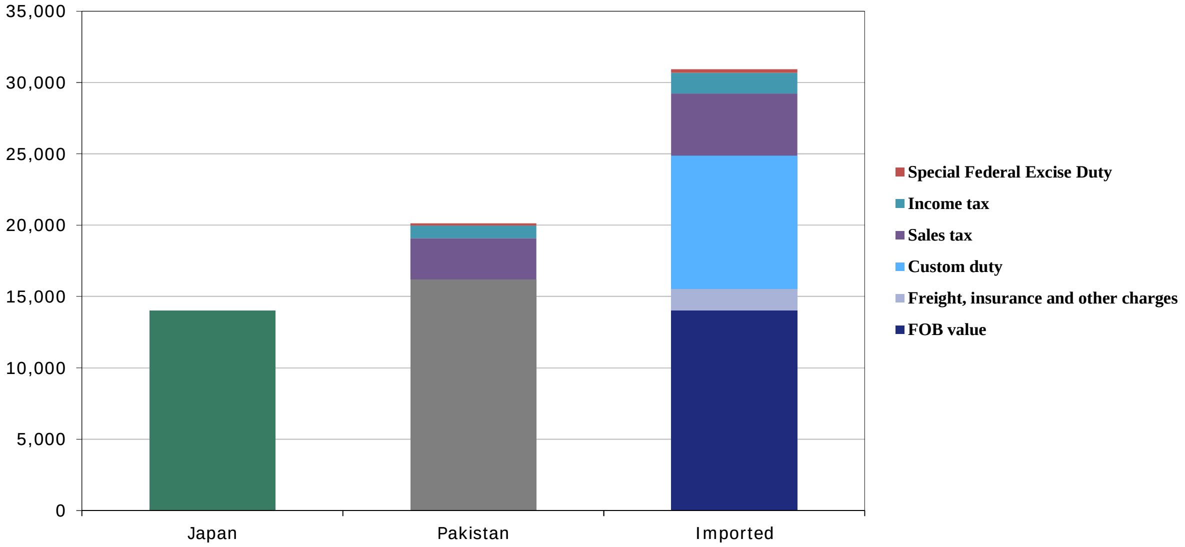
Type of vehicle	Taxes (US$)
Up to 800 cc (Asian makes only)	4,800
Up to 800 cc (other than Asian makes)	7,200
From 801 cc to 1000 cc	6,000
From 1001 cc to 1300 cc	12,000
From 1301 cc to 1500 cc	16,900
From 1501 cc to 1600 cc	20,500
From 1601 cc to 1800 cc excluding jeeps (Asian makes only)	25,400

Source: Pakistan Federal Budget 2014-15.

4.85. High levels of protection and limited local competition lead to prices for passenger cars in Pakistan that are significantly higher than in other countries (Chart 4.1). Taken as a whole, Pakistan's current automotive policy is highly complex and distortive. It benefits insiders, guaranteeing high profits for foreign-owned assemblers, but creates only limited employment, provides little technology transfer, and results in high final prices for Pakistan's consumers.

Chart 4.1 Price of a standard car - world market, domestically manufactured, and imported

(In US$)



Note: Based on a Toyota Corolla 2014, 1300cc. The customs tariff for the selected model is 60% of c.i.f. value. Sales tax is 17.5% of the c.i.f. value plus customs duty. Income tax is 5% of c.i.f. plus custom duty and sales tax. Special Federal Excise Duty is 1% of c.i.f. plus custom duty.

Source: WTO Secretariat calculations.

4.86. The authorities indicate that a new Auto Development Policy 2014-2019 was under preparation as at November 2014. The main policy objectives are to realize horizontal and vertical growth of the industry, to increase government revenues through market expansion rather than through higher taxation, and to provide greater choices to consumers. This is to be achieved through lower entry thresholds for new investments, a rational import policy for used vehicles, and the creation of an enabling tariff structure for the automotive sector.

4.4.2.4 Other

4.87. Pakistan has substantially increased its capacity for cement production in recent years. Output increased from 24.3 million tonnes in 2007/08 to 34.3 million tonnes in 2013/14. Demand has been driven by the construction sector, infrastructure programmes, and large public sector projects in neighboring countries. In recent years, Pakistan has exported almost one quarter of its cement production, making it the fifth largest exporter in the world. In 2013, exports amounted to

US$529 million. Its main export markets are Afghanistan, Sri Lanka, India and some countries in Sub-Saharan Africa.

4.88. Pakistan is also an important producer of fertilizers. Producers of urea from specific plants benefit from a lower price of feed gas, a major input. Imports of fertilizer are subject to a tariff of 1%.

4.5 Services

4.5.1 Main features and policy objectives

4.89. The share of services in GDP increased slightly during the review period, and was 58.1% in 2013/14. In terms of employment, wholesale and retail trade, and transport, storage, and communications have remained by far the leading service activities.

4.90. Pakistan's GATS Schedule of Specific Commitments covers 47 activities within the financial (banking and insurance), business, communications, construction/engineering, health, and tourism/travel services.[57] Certain general (i.e. horizontal) market-access and national-treatment limitations relate to commercial presence or the presence of natural persons (e.g. presence of foreign executives or specialists, expenses of representative office, authorization for acquisition of real estate by foreign firms). Cross-border supply of services is unbound for all sectors. Commercial presence in certain sectors (e.g. insurance, banking) is subject to equity limits or other specific conditions. Pakistan listed MFN exemptions in financial services to preserve reciprocity requirements, Islamic financing transactions, and joint ventures among Economic Cooperation Organization countries, as well as in telecommunications, favouring countries or operators with bilateral agreements with Pakistan Telecommunication Company Limited on accounting rates.[58] Pakistan did not participate in the WTO negotiations on maritime transport services.

4.91. Pakistan's initial services offer under the current Doha Round of multilateral negotiations was submitted in 2005 and covered 65 activities in nine sectors.[59] It has not submitted a revised offer. Pakistan's particular interests in services lie in getting predictable market access, particularly in modes 1 and 4.

4.92. Pakistan is a participant in the negotiations on a trade in services agreement (TISA). The authorities indicate that Pakistan's initial offer is under preparation.

4.93. Initiatives under the Strategic Trade Policy Framework 2012-15 include the creation of a Services Trade Development Council for stakeholder consultations to boost services exports. A special task force is also to be constituted for facilitating the development of e-commerce.

4.94. Pakistan has traditionally been a net importer of services, although the deficit has been narrowing since its last Review (Table 4.7). Exports of services amounted to US$5.3 billion in 2013/14, while imports stood at US$7.9 billion. Major service exports are transport services and communication, computer and information services. Service imports are dominated by transport services and various business services.

Table 4.7 Trade in services, 2007-14

(US$ million and %)

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Total receipts (US$ million)	3,589	4,106	5,229	5,768	5,035	6,724	5,261
	(% of total)						
Transportation	28.8	30.0	24.5	28.6	29.9	18.9	24.0
Passenger	17.6	15.9	13.9	12.8	13.7	..	..
Freight	3.7	3.1	2.1	2.0	2.5	..	..
Other	7.6	11.0	8.5	13.8	13.6	..	..

[57] WTO (2001), Chapter 4, Section 5(ii).
[58] WTO documents GATS/EL/67, 15 April 1994; GATS/EL/67/Suppl.1, 11 April 1997; and GATS/EL/67/Suppl.2, 26 February 1998.
[59] WTO document TN/S/O/PAK, 30 May 2005.

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Travel	7.4	7.6	5.5	6.1	7.3	4.4	5.4
Business	0.6	0.3	0.1	0.1	0.1	..	..
Personal	6.8	7.3	5.4	6.0	7.3	..	..
Construction	1.0	0.8	0.3	0.3	0.5	0.4	0.6
Communication, computer and information	7.6	9.3	8.3	7.7	9.1	11.9	15.5
Communication	3.3	4.8	4.7	3.9	4.2	..	..
Computer and information	4.3	4.5	3.6	3.8	4.9	..	..
Insurance	1.5	1.4	0.8	0.9	1.8	0.6	1.7
Finance	1.2	1.5	1.7	1.2	1.1	0.8	1.6
Royalties and licence fees	1.4	0.3	0.1	0.1	0.1	0.1	0.2
Other business services	12.5	12.0	10.3	13.5	16.1	11.6	14.4
Personal, cultural, recreational	0.1	0.0	0.1	0.1	0.1	0.1	0.2
Government services and services n.e.s.	38.5	37.1	48.5	41.5	34.0	51.1	36.2
Total payments (US$ million)	10,046	7,487	6,919	7,708	8,227	8,288	7,903
				(% of total)			
Transportation	37.7	48.5	51.7	52.8	42.7	39.8	48.2
Passenger	5.3	7.3	6.4	7.7	7.1	..	..
Freight	29.5	35.1	38.3	40.0	31.7	..	..
Other	2.9	6.2	7.0	5.1	3.9	..	..
Travel	15.7	13.4	12.7	12.6	16.6	14.9	13.4
Business	0.4	0.3	0.4	0.4	0.4	..	..
Personal	15.3	13.1	12.3	12.2	16.2	..	..
Construction	0.6	0.9	0.4	1.1	0.8	0.1	0.5
Communication, computer and information	2.3	3.6	4.7	4.6	4.2	4.9	4.4
Communication	1.1	1.9	2.3	2.3	2.2	..	..
Computer and information	1.3	1.6	2.4	2.3	2.0	..	..
Insurance	1.5	1.8	2.1	1.9	3.4	3.1	0.3
Finance	1.8	2.2	1.4	1.6	1.3	1.6	2.4
Royalties and licence fees	1.3	1.2	1.6	1.6	1.8	1.7	2.0
Other business services	34.2	22.0	15.9	15.5	18.9	21.6	18.8
Personal, cultural, recreational	0.0	0.0	0.3	0.1	0.0	0.0	0.1
Government services and services n.e.s.	4.9	6.3	9.2	8.2	10.3	12.2	7.3

.. Not available.

Source: State Bank of Pakistan, Annual Report (various issues) and Statistical Bulletin (2014), August.

4.5.2 Financial services

4.5.2.1 Introduction

4.95. The contribution of financial services to Pakistan's GDP is around 3.1%, while the share of people employed in financial services is less than 0.5% of the labour force. The sector is a major recipient of foreign investment (Section 1.7).

4.96. Various financial services are also provided by state-owned Pakistan Post, including life insurance and the country's largest network of savings banks.

4.5.2.2 Banking

4.97. Pakistan's banking sector has remained resilient in a difficult macroeconomic environment. The system as a whole is liquid and profitable and deposit growth has remained strong in recent years (Table 4.8). Average capital adequacy remains around 15%, well above the statutory minimum capital adequacy requirement of 10%, even after the implementation of Basel III began in December 2013.[60]

[60] IMF (2014a). However, as at July 2014 four banks were operating below the capital adequacy requirement.

Table 4.8 Key variables of Pakistan's banking system, 2008-14

(PRs billion)

	2008	2009	2010	2011	2012	2013	Mar-14
Total assets	5,628	6,516	7,117	8,171	9,711	10,537	10,752
Investments (net)	1,087	1,737	2,157	3,055	4,013	4,305	4,662
Advances (net)	3,173	3,240	3,358	3,349	3,804	4,047	4,014
Deposits	4,218	4,786	5,451	6,244	7,294	8,318	8,151
Equity	563	660	695	784	882	939	956
Profit before tax	63	81	105	170	179	165	..
Non-performing loans	43	446	556	592	615	585	602
Non-performing loans (net)	109	134	185	182	176	126	134
Capital adequacy ratio (%, all banks)		14.0	13.9	15.1	15.6	14.9	14.8

.. Not available.

Source: State Bank of Pakistan.

4.98. The State Bank of Pakistan (SBP) is responsible for the prudential supervision and licensing of commercial banks, development financial institutions (DFI), and microfinance banks. The Banking Companies Ordinance of 1962, as amended in 2006, is the main legislation for the sector. The banking sector in Pakistan is dominated by privately-owned commercial banks. As at November 2014, there were 29 privately-owned commercial banks (seven of which being foreign banks) and five state-owned banks. Besides the commercial banks, ten microfinance banks and eight DFIs operate in Pakistan.

4.99. Foreign branches and wholly foreign-owned locally-incorporated subsidiaries are permitted, provided that the foreign bank's home country belongs to a regional grouping in which Pakistan is a member or it has global tier 1 minimum paid-up capital of US$5 billion. Otherwise, foreign banks may operate only as a locally incorporated subsidiary, with foreign equity capped at 49%. Existing foreign banks as well as those formed under the above criteria are allowed to open up to 100 branches as per Branch Expansion Plans submitted and approved by the SBP. Commercial banks with over 100 branches must open 20% of their branches in regional centres where no bank branch exists.

4.100. In 2009, SBP adopted a long-term strategy for the banking sector.[61] It recognizes the need for stronger financial sector growth as large segments of the economy remain underserved by the formal financial system. The main instruments to achieve these objectives are: (i) broadening access to financial services; (ii) ensuring soundness of the financial sector; (iii) effective exchange and reserve management, and (iv) the strengthening of payment systems. The authorities indicate that this strategy, coupled with stress tests that have been performed, has significantly increased the awareness of financial stability, while at the same time financial outreach has increased.

4.101. New regulations to combat money-laundering and the financing of terrorism were issued by the SBP in 2012. Legislation on a deposit insurance scheme was under preparation as at November 2014. In 2014 the SBP published a strategy for Islamic banking.[62] It is estimated that Islamic banking has acquired a market share of about 10% of Pakistan's banking system.

4.5.2.3 Insurance

4.102. The Securities and Exchange Commission of Pakistan (SECP) supervises and monitors the insurance sector. The regulatory framework consists of the Insurance Ordinance of 2000, the Insurance Rules of 2002, the SEC (Insurance Rules) of 2002, the Takaful Rules of 2012, and the Insurance Companies (Sound and Prudent Management) Regulations of 2012. A regulatory framework for micro-insurance was under preparation as at November 2014.

4.103. As at November 2014, there were 39 non-life insurers (including three general Takaful operators and one state-owned company, National Insurance Company Limited) and nine life

[61] SBP (2009).
[62] State Bank of Pakistan (2014a).

insurers (including two family Takaful operators and one state-owned corporation, State Life Insurance Corporation of Pakistan which has a market share of 62%). Two life insurers and two non-life insurers are foreign-owned. There is one reinsurer, state-owned Pakistan Reinsurance Company Limited. In 2012, the insurance sector's annual premiums amounted to PRs 145 billion, up from PRs 76.3 billion in 2008. Insurance density has increased since Pakistan's last Review, but remains low at 0.4%.

4.104. Minimum capital requirements are PRs 200 million for non-life and PRs 500 million for life insurers. Foreign life and non-life insurance firms must be locally incorporated. They must bring in a minimum of US$4 million in equity towards minimum capital requirements; the rest may be raised locally. Residents are allowed to insure themselves abroad.

4.5.2.4 Capital market

4.105. Pakistan's capital market consists mainly of three stock exchanges (Karachi, Lahore, and Islamabad) and a number of non-bank financial intermediaries (NBFIs). Market capitalization at Karachi Stock exchange, Pakistan's largest, was PRs 6,983 billion in November 2014; there are 559 companies listed of which, however, only some 60 are regularly traded. Pakistan's stock market has shown significant growth over the past six years and has been one of the best performing in Asia.[63] The authorities indicate that privatization and democratic transition have been major factors behind the stock market's good performance.

4.106. The SECP administers the core supervisory functions relating to the capital market, corporate and financial (non-banking) sectors, and can amend or implement new rules or regulations, with the approval of the Ministry of Finance. A number of regulatory changes have taken place in Pakistan's capital market since the last Review. These include the corporatization of Pakistan's stock exchanges, the revamping of the capital gains tax, and the adoption of a code of corporate governance. Regulatory changes have also taken place with regard to NBFIs. New rules have been introduced on micro-lending, Islamic lending, and on various prudential issues such as capital adequacy.

4.5.3 Communication services

4.5.3.1 Telecommunications

4.107. Since Pakistan's last Review, the telecom sector has witnessed strong growth, particularly in the mobile subsector (Table 4.9). The number of fixed line subscriptions has been on a downward trend since 2004/05, mostly due to poor infrastructure and the strong expansion of mobile services. The telecommunication sector is a major recipient of foreign investment (Section 1.7).

Table 4.9 Basic indicators, 2007-14

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	April 2014
Total teledensity (%)	58.90	62.0	64.1	68.4	72.0	74.9	78.7
Cellular subscribers	88,019,812	94,342,030	99,185,844	108,894,518	120,151,235	127,737,286	137,683,211
Fixed line subscribers	4,416,417	3,533,275	3,417,802	3,016,852	2,985,633	3,024,288	3,041,648[a]
Broadband subscribers	168,082	413,809	900,648	1,491,491	2,101,315	2,721,659	3,540,655
Foreign direct investment in telecom sector (US$ million)	1,438.60	815.00	373.62	79.2	361.4	-408	..

.. Not available.

a As of September 2013.

Source: Pakistan Telecommunication Authority online information. Viewed at: http://www.pta.gov.pk.

63 Karachi Stock Exchange KSE 100 Index increased from 4,815 points in 2008 to 31,015 in November 2014.

4.108. The Ministry of Information Technology formulates telecommunication policy, while the statutory independent Pakistan Telecommunication Authority (PTA) regulates the sector. The main legal instrument is the Pakistan Telecommunication (Re-Organization) Act of 1996, amended in 2006. 100% foreign equity is allowed in all telecommunication services. There are no minimum foreign equity investments, joint-venture requirements or foreign equity caps. Pakistan Telecommunication Company Limited (PTCL), in which the state holds a 62% stake, owns the fixed line system and is the largest telecommunications provider in Pakistan. It does not enjoy any specific privileges and competes with other companies in providing fixed or mobile services.

4.109. Pakistan has a simplified class licensing system. While the PTA will not normally consider licence applications unless first releasing a public invitation, expressions of interest can be lodged at any time. Criteria for issuing a licence include economic viability, Pakistani ownership, and contribution to universal service goals and other social or economic development objectives. Companies must register with SECP. For fixed line services, there are local loop (LL), long distance and international (LDI), and infrastructure licences. Carriers can hold both LL and LDI licences, and PTCL guarantees licensees co-location rights.[64] LDI licensees must build at least one point of interconnection in five of PTCL's regions within one year and in all fourteen regions within three years, and initially own at least 10% of its network (rising to 30% and 50% in the following two years, respectively), or have negotiated a five-year infrastructure lease with PTCL. A performance bond of US$10 million is required. LL licensees must operate one point of interconnection in each PTCL region they operate within a prescribed time. Fees are US$10,000 for LL licences and US$500,000 for LDI licences; in subsequent years, all licensees pay an annual fee to the PTA of 0.5% of the previous year's gross revenue, less inter-operator payments. For mobile services, licences are auctioned. Licensees also pay an annual fee to the PTA of 0.5% of the previous year's gross revenue, less inter-operator payments.

4.110. As at November 2014, five cellular mobile operators were providing services, of which four were foreign-owned. All operators are under foreign management.

4.111. LL carriers receive a portion of the premium earned on net international incoming calls by LDI carriers from bilaterally agreed settlement rates that exceed termination costs, to expand infrastructure (called the Access Promotion Contribution or APC).[65] The APC is administered by the PTA, which regulates and approves international traffic agreements negotiated jointly by PTCL and other LDI licensees with foreign carriers; a common settlement rate must be negotiated for all LDI licensees ("one-country-one-rate principle"). The APC is currently set at US$0.025 per minute compared with an international settlement rate of US$0.075 per minute. Disputes are to be resolved by the PTA under its interconnection dispute settlement procedures. Cellular operators are excluded from APC.

4.112. Interconnection to the domestic network is guaranteed so as to promote "fair" competition between incumbents and new operators.[66] Interconnection terms are to be public (unless determined confidential by the PTA); charges "cost-based"; not "unfairly" discriminatory between new entrants; and should encourage "efficient and sustainable competition". Operators with significant market power (SMP) must submit to the PTA their reference interconnect offer (RIO) within one month of gaining such status, which becomes public. Interconnection parties may adopt the RIO as the default interconnection offer or negotiate alternative charges; interconnection disputes are referred to the PTA for resolution.[67] The authorities indicate that no major interconnection disputes have taken place since 2008. The PTA must approve interconnection agreements, including proposed charges, which should "reflect underlying costs" and be set on objective transparent criteria; they should not include hidden, particularly anti-competitive, cross-subsidies.[68] The longer-term objective is to move interconnection charges to long run incremental cost (LRIC)-based pricing.

[64] PTCL Framework for Co-Location Agreements.

[65] Access Promotion Regulations, September 2005 and Access Promotion Rules, 2004.

[66] PTA Interconnection Guidelines, 2004.

[67] Interconnection Dispute Resolution Regulations, September 2004.

[68] Fixed costs should, where possible, be recovered through fixed charges and variable costs from per unit charges, and peak and off-peak charges set where costs differ significantly. The network operator must prove to the PTA that charges are based on relevant costs, including a "reasonable" rate of return.

4.113. Specific anti-competitive rules apply for the telecom sector. No licensee may compete "unfairly" or drive competitors out of the market; carriers must operate "fairly and honestly".[69] SMP operators must not abuse their market dominance through anti-competitive conduct. The Competition Commission of Pakistan is to investigate promptly all allegations of anti-competitive conduct (e.g. predatory pricing, margin squeeze, withdrawal of essential facilities, discrimination, and cross-subsidization) and to take remedial measures. It may not issue exclusive licences and must promote "fair and sustainable" competition so as to provide consumers the best possible service in terms of quality, choice, and value for money. The authorities indicate that new competition rules for the telecom sector are under preparation.

4.114. In April 2014, the Government held an auction of the spectrum required to roll out 3G and 4G services. Successful bids were made by two local and two foreign operators, resulting in revenues of US$1.2 billion. Higher-speed mobile services are expected to begin in stages, with 3G operations starting in Pakistan's major cities in November 2014.

4.115. The Universal Service Fund (USF), established in 2006, is controlled by the Ministry of Information Technology. USF promotes the provision of telecommunication services to under-served rural areas throughout Pakistan. It also promotes broadband penetration and tries to enhance the provision of e-services. It is financed by contributions of 1.5% of adjusted revenues by telecom operators. Provision of USF services is to be auctioned among licensed operators, and awarded to the firm bidding (requiring) the lowest subsidy, which will be allowed to earn a "reasonable" return.

4.116. The Research Development Fund has financed research in development in priority areas of information and communications technology. It is financed by contributions of 0.5% of adjusted revenues by telecom operators.

4.117. The PTA accepts international telecom equipment standards and applies them equally to domestic and imported products. Type approval is required for specified equipment, and tests conducted by internationally-accredited laboratories are generally accepted.[70]

4.5.3.2 Broadcasting and audio-visual services

4.118. The Pakistan Electronic Media Regulatory Authority (PEMRA), established in 2002, regulates the subsector and licenses radio and television operators. Since Pakistan's last Review, there has been a massive growth in the number of TV channels and FM radio stations. New licensing rules entered into force in 2009. A licensee must be a citizen or resident of Pakistan, or a locally incorporated company. Majority shareholding and management control shall vest in Pakistani nationals. The state owned Pakistan Broadcasting Corporation (PBC) and Pakistan Television Corporation Limited (PTV with four channels) are outside PEMRA's authority and are supervised directly by the Ministry of Information and Broadcasting. Media broadcasters are subject to a code of conduct.

4.5.3.3 Postal services

4.119. State-owned Pakistan Post provides postal services through a network of around 13,000 post offices. Mail is delivered to about 20 million households. In addition to its traditional role, Pakistan Post also performs functions on behalf of federal and provincial governments, which include payment of taxes and electricity, water, gas and telephone bills. In 2008, a Ministry of Postal Services was established.

4.120. Private companies are allowed in national and international express mail services.

[69] Pakistan Telecommunication Rules, 2000 and PTA (Functions and Powers) Regulations, 2006.
[70] Type Approval Regulations, 2004, amended in 2006.

4.5.4 Transport services

4.5.4.1 Land transport

4.5.4.1.1 Introduction

4.121. Land transport is the dominant mode of transport within Pakistan. The Indus Trade Corridor is of key significance in land transport; running northwards from the Arabian Sea and linking the main industrial centres, it provides the gateway to Central Asia and Afghanistan. It covers 80% of Pakistan's urban population and the region covered by the Corridor contributes to some 85% of GDP. Under the China-Pak Economic Corridor, the Government plans to make Pakistan a regional transport hub by connecting Gwadar port to Western China.

4.122. The Government has established a National Trade and Transport Facilitation Committee with a view to reviewing the regulations and procedures pertaining to the conduct of trade and transport that impact the cost and efficiency of Pakistan's international trade.

4.5.4.1.2 Road transport

4.123. Road transport is the backbone of Pakistan's transport system. The road network carries over 96% of inland freight and 92% of passenger traffic.[71] The total road network in Pakistan is around 263,415 kilometres, of which 9,324 kilometres are national highways and 2,280 kilometres are motorways. Road freight takes an average of three to four days between ports and the north of the country (a distance of 1,400 to 1,800 kilometres).[72] With a view to improving transport infrastructure, in July 2014, the Government approved the construction of the 1,150 km high-speed Karachi-Lahore-motorway, which will run parallel to existing highways and is supposed to be completed by 2018.

4.124. High import tariffs on high-capacity multi-axle trucks protect local manufacturers producing low-capacity and low-powered trucks, and hence prevent the trucking sector from improving its fleet. In addition, lack of road safety is a serious problem, caused by overloading, long crew hours, poor road conditions, truck modification, and limited enforcement of safety regulations.

4.125. At the federal level, the Ministry of Communications is responsible for formulating policies for road transportation. Implementation is with the National Highway Authority (for infrastructure) and the National Highway and Motorway Police (for safety regulations). The state-owned National Logistics Cell (NLC) has the exclusive right to collect street tolls; it also operates the Karachi and Hyderabad dry ports and various warehouses. Under the transit agreement with Afghanistan, the NLC also has a near monopoly (first right of refusal) over Afghan transit trade. In addition, NLC is exempt from tax payments.

4.5.4.1.3 Railway transport

4.126. Rail services in Pakistan are provided by state-owned Pakistan Railways, under the supervision of the Ministry of Railways. Pakistan has a railway network of 7,791 kilometres. 781 railway stations are served by 493 locomotives (of which, however, only 131 were operational as at June 2014). In 2012/13, around 42 million passengers were transported, down from 65 million in 2010/11. Transportation of freight has also been strongly declining. Railway links are in place with India and Iran. During the period under review, Pakistan Railway has been enduring a severe crisis, characterized by strongly falling revenues, aging infrastructure, declining service quality, and high operational and maintenance costs. Losses incurred by Pakistan Railways increased from PRs 18.7 billion in 2008/09 to PRs 30.6 billion in 2012/13; they were covered by the federal budget.

4.127. Various efforts are under way to revitalize railway transport in Pakistan. In 2012 and 2013, new express and business lines connecting Lahore to Karachi began operations under public-private partnerships. Under this policy, private parties use track and infrastructure of Pakistan

[71] Ministry of Finance (2013), p.167.
[72] World Bank (2013b).

Railway against an agreed fee. A comprehensive restructuring plan for Pakistan Railways has been elaborated. In this context, the authorities indicate that the construction and operation of several new coal-fired power plants should rely strongly on rail-based transport of coal. In 2014, Pakistan Railways was to carry out a feasibility study for new rail links connecting Islamabad to Murree and Muzaffarbad.

4.5.4.1.4 Pipelines

4.128. Pipeline transport is the purview of the Ministry of Petroleum and Natural Resources and regulated by the Oil and Gas Regulatory Authority (Section 4.3.2.1). Construction works for an Iran-Pakistan pipeline started in March 2013. Under this project, natural gas is to be delivered from Iran to Pakistan and eventually to China and India.

4.5.4.2 Maritime and inland water transport

4.129. Policies for the subsector are formulated by the Ministry of Ports and Shipping. Pakistan has three maritime ports: Karachi, Gwadar, and Port Qasim. Pakistan's maritime ports are connected to a total of 14 dry ports, which are spread all over the country.

4.130. Karachi Port is one of South Asia's largest deep-water seaports, handling around 60% of Pakistan's merchandise trade. Gwadar Port began commercial operations in March 2008, but due to insufficient road connectivity is hardly used by the private sector. Pakistan's port infrastructure has been substantially upgraded since its last Review. This includes the deepening of Karachi Port and the opening of four new terminals at Port Qasim.[73]

4.131. All ports are state-owned. The ports of Karachi and Qasim are administered by Karachi Port Trust and Qasim Port Authority respectively, composed of representatives of the public and the private sector. For the operation or construction of terminals, private firms are offered concessions on a BOT (build-own-transfer) or public/private joint venture basis. The port of Gwadar is privately managed, by Chinese Overseas Port Holdings Ltd. Certain port services, including pilot and tug services, are reserved for the public sector.

4.132. Maritime transport remains dominated by foreign ships. State-owned Pakistan National Shipping Corporation (PNSC) has a fleet of six bulk carriers and three tankers. PNSC (and its subsidiary National Tanker Company) still retains a monopoly (first right of refusal) in transporting government or public-sector cargo and crude oil/petroleum products imported by three oil refineries. Almost 99% of total imports of crude oil are undertaken by PNSC. There are no privately-owned vessels flying the Pakistani flag.

4.133. No restrictions apply to foreign carriers operating from or into Pakistani ports.[74] Ships bought or chartered by a Pakistani entity and flying the country's flag are exempt from import duties and surcharges until 2020 provided they are not demolished within five years.

4.134. More than 90% of Pakistan's international trade is transported by sea.

4.135. The Government plans to set up an Inland Water Transport Authority (IWTA) under the Ministry of Water and Power and the Water and Power Development Authority (WAPDA). The objective is to increase the use of the Indus river and existing canals for inland water transport.

[73] At Port Qasim, a liquid cargo terminal, with an annual handling capacity of over 4 million tonnes, started operations in August 2009. A grain and fertilizer terminal, with an annual capacity of over 4 million tonnes, was inaugurated in October 2010. A second container terminal, with an annual capacity of 14 million tonnes, began operations in January 2011. An LNG floating terminal, with an annual capacity of 3 million tonnes, was under construction as at November 2014.

[74] Pakistani-flagged vessels have been able to transport cargo from Indian ports or third-country cargoes destined for India since December 2006 when maritime transport between the two countries was liberalized on a non-discriminatory basis (Protocol on Shipping Services between Pakistan and India, 14 December 2006).

4.5.4.3 Air transport

4.136. The Civil Aviation Authority (CAA) under the Cabinet of the Prime Minister is responsible for licensing air service suppliers and maintaining safety. In 2010, the CAA's competences with regard to fare supervision moved to the Competition Commission, and the CAA's Market Clean-up Board was abolished. Air fares are deregulated and their filing is no longer required.

4.137. Pakistan has 26 civil airports with scheduled services on commercial airlines. A new airport in Islamabad is expected to be operational by December 2016. Landing slots are allocated on a first-come first-served basis and are maintained historically. Air transport, in particular international passenger traffic, has grown strongly in recent years (Table 4.10).

Table 4.10 Air traffic data, 2006-14

Year	Passenger traffic (number)			Cargo traffic (million tonnes)		
	Domestic	International	Total	Domestic	International	Total
2006-07	6,985,869	7,365,266	14,351,135	98,172	217,014	315,186
2007-08	6,627,527	7,582,482	14,210,009	88,860	229,811	318,671
2008-09	6,270,201	7,969,904	14,240,105	69,786	217,309	287,095
2009-10	6,780,583	8,300,890	15,081,473	75,146	232,172	307,318
2010-11	7,152,807	8,460,877	15,613,684	76,238	219,711	295,949
2011-12	6,594,893	9,412,344	16,007,237	68,596	222,249	290,845
2012-13[a]	6,790,838	9,787,232	16,578,070	71,257	332,755	404,012
2013-14[a]	7,039,607	10,872,037	17,911,644	56,520	231,408	287,928

a Provisional.

Source: Pakistan Civil Aviation Authority.

4.138. Pakistan International Airlines (PIA), in which the state holds an 87% stake, remains the dominant domestic operator, accounting for 55% of domestic passenger traffic, and 73.5% of domestic cargo traffic in 20013/14. Since 2013, it has been under the administration of the Cabinet of the Prime Minister. PIA has incurred continuous losses over the past years (PRs 33 billion in 2012); its employee-aircraft ratio (780 as at early 2014) is one of the highest in the world.[75] Privatization of PIA has been repeatedly announced since the late 1990s, but has never been implemented. However, PIA was on the priority list of state-owned enterprises scheduled for privatization in November 2014. There are also a few privately owned air carriers (Airblue, Shaheen Air, Air Indus).

4.139. Air transport is among the few sectors where foreign investment is excluded from national treatment. As established by the Civil Aviation Rules of 1994, domestic carriers (passenger and freight) must be controlled by Pakistani investors; foreign equity is capped at 49%. Domestic carriers must also operate a minimum of two trunk routes (one of which must include Peshawar, Quetta, Multan or Faisalabad), and offer a minimum of two weekly services on a defined tertiary route, or pay a monthly royalty of PRs 500,000 to PIA. However, the authorities indicate that a new policy is under elaboration which will skip these requirements. Cabotage is prohibited.

4.140. Pakistan allocates international landing rights according to bilateral "open skies" policy based on reciprocity of "5th freedom"; selective concessions may be made. It has concluded 95 bilateral air transport agreements, but many are non-operative. No flights servicing Pakistan (including overflying rights) with Israel are permitted, including through third-countries. Passenger chartered flights, including by foreigners, are unrestricted on routes "not adequately covered" by scheduled airlines, but are not allowed where scheduled flights exist.

4.141. Terminal and related services (landside services) are privately operated. Airline operators may handle their own aircraft ground services, or use PIA or ground handling agencies licensed by the CAA. There are no restrictions on foreign suppliers of such services.

[75] *The Dawn*, 26 March 2014.

4.5.5 Tourism

4.142. Pakistan offers numerous attractions to visitors, such as the remains of the Indus valley civilization, highly diverse landscapes ranging from deserts over fertile valleys to high mountains (including five peaks above 8,000 metres), historic forts and city centres, and highlights of Buddhist and Islamic architecture.

4.143. As a result of the 18th Amendment and Pakistan's decentralization policy, the regulation of tourism became a provincial subject and the Ministry of Tourism was abolished in June 2011. Since July 2011, Pakistan Tourism Development Corporation (PTDC) has been responsible for promoting the tourism subsector at the federal level, while the provinces also have their own promotional institutions. The PTDC's activities include the operation of tourist information centres and various bus transport services. It also owns and runs some 26 hotels and restaurants in various tourist destinations through PTDC Motels Ltd. Since Pakistan's last Review, restrictions on foreign real estate developers have been removed.

4.144. International tourist arrivals per year have fluctuated between 800,000 and 1.2 million since 2006. Security concerns have had a strong impact on the performance of the tourism sector, and a large number of tourists are actually coming to Pakistan for the purpose of family visit.

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5 APPENDIX TABLES

Table A1. 1 Pakistan's merchandise exports by group of products, 2007-13

(US$ billion and %)

	2007	2008	2009	2010	2011	2012	2013
Total exports (US$ billion)	17.84	20.28	17.55	21.41	25.34	24.61	25.12
	(% of total)						
Total primary products	19.7	26.6	23.4	25.5	28.6	23.6	26.4
Agriculture	13.0	19.2	18.3	18.4	21.9	20.2	22.2
Food	11.9	17.9	16.5	16.5	19.3	17.0	19.9
0423 Rice, milled, semi-milled	6.4	12.0	10.1	10.6	8.1	7.6	8.1
0612 Other beet, cane and chemically pure sucrose, solid	0.0	0.4	0.0	0.0	0.0	0.7	1.9
Agricultural raw material	1.2	1.4	1.8	1.9	2.6	3.2	2.3
Mining	6.7	7.3	5.1	7.1	6.7	3.4	4.2
Ores and other minerals	0.8	1.1	0.8	1.3	1.3	1.8	1.9
Non-ferrous metals	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Fuels	5.6	6.1	4.1	5.6	5.2	1.3	2.1
Manufactures	80.1	73.4	76.6	74.4	71.4	75.2	73.6
Iron and steel	0.4	0.5	0.5	0.5	0.6	0.8	0.5
Chemicals	2.6	3.4	3.7	3.7	4.2	3.8	4.4
5121 Acyclic monohydric alcohols	0.8	1.1	0.6	0.8	1.0	0.6	1.4
Other semi-manufactures	4.8	6.0	6.1	5.6	5.2	5.8	5.9
6612 Portland cement and similar hydraulic cements	1.3	2.8	3.0	2.2	1.8	2.3	2.1
Machinery and transport equipment	4.5	2.8	2.3	2.6	1.8	1.5	1.5
Power generating machines	0.1	0.3	0.2	0.6	0.2	0.0	0.1
Other non-electrical machinery	0.6	1.4	1.2	0.9	0.7	0.6	0.7
Agricultural machinery and tractors	0.0	0.1	0.2	0.2	0.1	0.1	0.2
Office machines & telecommunication equipment	0.5	0.4	0.2	0.2	0.2	0.2	0.2
Other electrical machines	0.2	0.2	0.3	0.2	0.2	0.3	0.3
Automotive products	0.2	0.4	0.2	0.2	0.2	0.1	0.1
Other transport equipment	2.8	0.2	0.3	0.5	0.3	0.2	0.1
Textiles	41.3	35.4	37.1	36.6	35.8	35.4	37.2
6584 Bed linen, table linen, toilet linen and kitchen linen	14.4	12.5	13.6	12.3	11.2	10.2	11.4
6513 Cotton yarn, excluding thread	7.9	6.0	7.4	7.7	7.9	8.7	8.9
6522 Cotton fabric, woven, unbleached	4.0	3.5	3.5	3.8	4.2	4.1	4.5
6524 Other fabrics, of 85% finished cotton >200g/m2	1.4	1.9	2.1	2.2	2.3	2.8	3.0
6589 Made-up articles of textile, n.e.s.	1.7	1.6	1.5	1.6	1.5	1.5	1.6
6525 Other woven cotton fabrics, < 85% cotton,<= 200 g/m2	2.5	3.0	1.7	1.4	1.6	1.5	1.4
6533 Fabrics, woven, < 85% of synthetic fibres, mixed with cotton	1.7	1.1	1.4	2.0	2.1	1.5	1.3
6523 Other fabrics of 85% finished cotton <200g/m2	1.7	1.9	1.3	1.3	1.3	1.3	1.3
Clothing	21.3	19.3	19.1	18.4	18.0	17.1	18.1
8414 Trousers, bib and brace overalls, breeches, shorts	3.6	3.5	3.6	3.4	3.0	3.0	3.2
8426 Trousers, breeches, etc., women/girls, not knitted/crocheted	1.5	1.4	1.4	1.6	2.0	2.1	2.4
8481 Articles of apparel and clothing accessories, of leather or of composition leather (not including gloves, mittens and mitts of heading 894.77)	3.4	3.2	2.7	2.3	2.1	2.1	2.3
8437 Shirts, men boys, knitted or crocheted	3.4	2.8	2.7	2.7	2.5	2.2	2.0
8432 Suits, ensembles, jackets, trousers, etc.	1.2	1.2	1.3	1.2	1.4	1.2	1.3
Other consumer goods	5.2	6.0	7.7	7.0	5.9	10.8	6.0
8973 Jewellery of gold, silver or platinum metals (except watches)	0.6	1.1	2.7	2.7	1.8	6.6	1.7
8947 Sports goods	1.5	1.5	1.5	1.5	1.3	1.4	1.3
Other	0.2	0.1	0.0	0.0	0.0	1.2	0.0

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1. 2 Pakistan's merchandise imports by group of products, 2007-13

(US$ billion and %)

	2007	2008	2009	2010	2011	2012	2013
Total imports (US$ billion)	32.59	42.33	31.58	37.54	43.58	43.81	43.78
	(% of total)						
Total primary products	43.2	53.1	47.2	51.2	53.7	53.9	52.2
Agriculture	13.9	16.8	15.6	17.9	16.9	14.9	14.5
Food	8.9	11.8	11.3	13.0	11.9	11.1	10.2
4222 Palm oil, fractions	3.5	4.0	3.9	4.4	5.4	4.9	4.2
0813 Oil-cake, oilseed residues	0.3	0.3	0.3	0.4	0.4	0.7	0.8
2226 Rape, colza, mustard seeds	1.2	0.7	0.9	1.5	1.2	1.1	0.7
0741 Tea	0.6	0.5	0.7	0.8	0.8	0.8	0.7
Agricultural raw material	5.0	4.9	4.3	4.9	4.9	3.8	4.3
2631 Cotton (other than linters), not carded or combed	2.7	2.8	1.5	2.0	1.9	1.3	1.7
Mining	29.3	36.3	31.7	33.3	36.9	39.0	37.7
Ores and other minerals	2.4	2.2	2.6	1.9	1.7	1.8	1.9
2823 Other ferrous waste and scrap	1.7	1.4	2.0	1.5	1.2	1.4	1.5
Non-ferrous metals	1.4	0.9	1.0	1.1	1.1	0.8	1.0
Fuels	25.6	33.2	28.0	30.4	34.1	36.4	34.8
3330 Crude oils of petroleum and bituminous minerals	11.2	13.9	9.9	9.4	11.9	12.0	12.5
3212 Other coal, whether or pulverized, not agglomerated	1.1	1.7	1.5	1.3	1.2	1.2	0.8
Manufactures	54.8	46.9	52.3	48.4	45.8	45.4	46.9
Iron and steel	3.6	3.3	4.2	3.5	3.0	3.3	3.4
Chemicals	15.4	14.0	16.9	15.4	16.2	15.0	14.6
5112 Cyclic hydrocarbons	1.3	1.1	1.2	1.2	1.5	1.4	1.4
5751 Propylene polymers or of other olefins	0.9	0.9	1.0	1.0	1.1	1.0	1.1
5711 Polyethylene	1.2	0.9	1.1	1.1	1.0	0.9	1.0
5416 Glycosides; glands, etc. and extracts; antisera/vaccines, etc.	0.4	0.4	0.6	0.5	0.4	0.6	0.7
5122 Other acyclic alcohol and derivatives	0.8	0.7	0.6	0.7	0.8	0.7	0.7
Other semi-manufactures	3.8	3.3	3.5	3.5	3.6	3.4	3.3
Machinery and transport equipment	27.1	22.0	22.9	20.5	17.5	18.5	18.5
Power generating machines	1.8	3.5	5.0	2.7	2.0	1.7	1.6
7165 Generating sets	1.1	2.3	3.4	1.6	0.7	0.7	0.7
Other non-electrical machinery	8.6	7.4	8.0	6.4	4.9	5.2	5.5
Agricultural machinery and tractors	0.5	0.3	0.4	0.5	0.3	0.3	0.2
Office machines & telecommunication equipment	6.5	4.9	3.0	3.2	3.5	4.2	3.7
7643 Radio or television transmission apparatus	4.9	1.4	0.6	1.2	1.5	1.6	1.5
Other electrical machines	1.8	1.9	2.0	1.8	1.6	1.7	1.9
Automotive products	3.7	2.4	2.5	2.9	3.0	3.3	2.5
7812 Motor vehicles for the transport of persons, n.e.s.	2.1	1.3	1.3	1.6	1.8	2.1	1.6
Other transport equipment	4.7	1.9	2.4	3.4	2.5	2.5	3.3
7933 Vessels and other floating structures for breaking up	0.2	0.2	0.9	1.3	1.0	1.2	2.2
Textiles	1.8	1.4	1.9	2.5	2.9	2.5	2.8
Clothing	0.2	0.1	0.2	0.2	0.2	0.2	0.2
Other consumer goods	2.8	2.7	2.8	2.8	2.5	2.6	4.1
8928 Printed matter, n.e.s.	0.1	0.2	0.1	0.1	0.1	0.3	1.9
Other	2.0	0.1	0.4	0.4	0.4	0.7	0.9

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1. 3 Pakistan's merchandise exports by destination, 2007-13

(US$ billion and %)

	2007	2008	2009	2010	2011	2012	2013
Total exports (US$ billion)	17.84	20.28	17.55	21.41	25.34	24.61	25.12
	(% of total)						
America	25.1	21.5	21.3	20.8	18.2	18.0	18.0
United States	21.6	18.0	18.3	17.2	15.1	14.9	14.9
Other America	3.5	3.5	2.9	3.6	3.0	3.1	3.1
Europe	29.8	28.5	27.3	27.7	28.3	23.5	26.9
EU(28)	26.9	25.8	24.6	24.4	25.0	21.6	25.0
United Kingdom	5.4	4.9	5.4	5.2	5.0	5.1	5.7
Germany	4.1	4.3	4.1	4.6	5.2	4.0	4.3
Italy	3.8	3.5	3.2	3.0	3.1	2.1	2.6
The Netherlands	2.5	2.8	2.2	1.9	2.1	1.8	2.5
Spain	2.7	2.4	2.3	2.2	2.2	2.0	2.4
Belgium	2.0	2.1	2.3	2.4	2.6	2.0	2.3
France	2.0	1.8	1.8	1.7	1.6	1.3	1.6
EFTA	0.5	0.4	0.3	0.3	0.3	0.2	0.3
Other Europe	2.5	2.3	2.3	3.0	3.0	1.7	1.6
Turkey	2.5	2.3	2.3	3.0	3.0	1.7	1.6
Commonwealth of Independent States	0.8	1.0	0.8	1.1	1.2	1.2	1.5
Africa	5.5	6.8	7.3	6.5	6.7	6.5	7.5
South Africa	1.5	1.4	1.1	1.2	1.1	1.1	1.2
Kenya	0.5	0.6	0.9	0.6	1.1	0.9	1.0
Middle East	17.4	18.5	16.7	14.6	12.8	16.5	12.2
United Arab Emirates	11.9	9.9	8.8	8.6	7.6	11.7	7.1
Saudi Arabia, Kingdom of	1.7	2.2	2.4	1.9	1.7	1.9	2.0
Asia	21.3	23.7	26.7	29.3	32.7	34.2	34.0
China	3.4	3.6	5.7	6.7	6.6	10.6	10.6
Japan	0.7	0.8	0.6	0.6	0.8	0.8	0.7
Six East Asian Traders	6.0	5.0	5.6	5.8	5.6	5.0	5.5
Hong Kong, China	3.4	2.3	2.0	2.3	1.7	1.7	1.6
Korea, Rep. of	1.0	1.0	1.4	1.3	1.6	1.4	1.6
Other Asia	11.2	14.3	14.8	16.2	19.7	17.7	17.2
Afghanistan, Islamic Republic of	4.7	7.1	7.8	7.9	10.5	8.5	8.0
Bangladesh	1.6	2.1	2.1	3.0	3.7	2.8	2.9
India	1.6	1.7	1.3	1.3	1.1	1.4	1.6
Sri Lanka	1.2	1.1	1.2	1.3	1.4	1.2	1.3
Viet Nam	0.3	0.3	0.5	0.6	0.9	1.2	1.0
Australia	0.7	0.7	0.7	0.7	0.7	0.7	1.0

Source: UNSD, Comtrade database.

Table A1. 4 Pakistan's merchandise imports by origin, 2007-13

(US$ billion and %)

	2007	2008	2009	2010	2011	2012	2013
Total imports (US$ billion)	32.59	42.33	31.58	37.54	43.58	43.81	43.78
	(% of total)						
America	10.2	8.1	8.2	6.9	6.3	5.1	4.9
United States	8.0	4.9	5.7	4.3	4.0	3.4	3.8
Other America	2.2	3.2	2.5	2.6	2.3	1.6	1.1
Europe	17.2	15.7	17.8	12.9	11.7	11.7	11.9
EU(28)	14.7	13.7	16.1	11.5	10.4	10.2	10.1
Germany	3.5	3.5	4.0	2.6	2.3	2.6	3.3
United Kingdom	2.1	2.0	2.5	1.7	1.3	1.7	1.2
Italy	1.7	1.8	2.2	1.5	1.2	1.2	1.1
France	1.4	1.1	1.3	1.1	1.1	1.0	0.8
EFTA	0.9	1.2	1.2	1.0	0.7	0.6	0.6
Other Europe	1.6	0.8	0.5	0.4	0.6	0.8	1.1
Other Europe n.e.s.	1.1	0.5	0.0	0.0	0.1	0.3	0.7
Commonwealth of Independent States	1.9	2.5	2.0	1.1	0.8	1.1	1.3
Russian Federation	0.9	1.4	1.0	0.4	0.4	0.6	0.7
Africa	3.2	3.7	3.1	3.6	3.3	3.1	2.7
South Africa	0.9	0.7	0.8	1.0	0.9	0.7	0.7
Middle East	29.8	35.5	32.4	35.2	37.8	39.0	39.1
United Arab Emirates	8.5	8.9	10.6	14.0	15.6	16.5	17.7
Kuwait, the State of	5.7	8.1	5.7	6.9	8.9	9.6	9.0
Saudi Arabia, Kingdom of	12.3	14.1	11.1	10.2	10.7	9.8	8.8
Oman	0.3	0.2	0.8	0.4	0.6	1.7	2.6
Asia	37.6	34.5	36.5	40.3	40.1	40.1	40.1
China	12.8	11.2	12.0	14.0	14.8	15.3	15.1
Japan	5.1	4.1	4.1	4.2	4.3	4.3	4.5
Six East Asian Traders	10.5	10.3	11.8	13.4	12.6	10.9	10.8
Malaysia	3.6	4.0	5.1	5.5	6.3	4.9	4.4
Korea, Rep. of	2.0	1.7	2.0	2.0	1.9	1.6	2.0
Singapore	1.5	1.9	1.6	2.4	1.5	1.8	1.7
Thailand	1.8	1.4	1.9	2.3	1.9	1.6	1.6
Chinese Taipei	1.1	0.8	1.0	0.9	0.8	0.7	0.9
Other Asia	9.2	9.0	8.7	8.6	8.3	9.7	9.6
India	3.9	4.0	3.4	4.2	3.7	3.6	4.3
Indonesia	2.7	2.8	2.1	1.8	2.1	3.1	2.8
Australia	1.3	1.1	1.7	1.2	1.0	1.5	1.0
Afghanistan, Islamic Republic of	0.3	0.2	0.4	0.4	0.5	0.5	0.7

Source: UNSD, Comtrade database.

Table A3. 1 Pakistan's MFN applied tariff summary, 2014-15

	Number of lines	Average (%)	Range (%)	Standard deviation	Nuisance[a] (%)
Total	**7,018**	**14.3**	**1-100**	**11.6**	**6.3**
HS 01-24	1,015	14.4	1-90	13.0	10.7
HS 25-97	6,003	14.3	1-100	11.3	5.5
By WTO category					
WTO agricultural products	878	14.6	1-90	14.0	16.1
Animals and products thereof	118	13.5	1-25	10.6	23.7
Dairy products	24	25.0	25-25	0.0	0.0
Fruit, vegetables, and plants	244	14.8	1-25	9.3	14.8
Coffee and tea	30	12.2	5-25	6.7	0.0
Cereals and preparations	107	15.3	1-25	8.3	5.6
Oils seeds, fats, oil and their products	96	9.1	1-25	6.7	15.6
Sugars and confectionary	27	16.1	5-25	7.2	0.0
Beverages, spirits and tobacco	51	44.7	5-90	31.2	0.0
Cotton	11	3.8	1-10	4.0	63.6
Other agricultural products, n.e.s.	170	7.1	1-25	6.2	28.8
WTO non-agricultural products	6,140	14.3	1-100	11.2	4.9
Fish and fishery products	229	10.7	1-20	4.1	0.4
Minerals and metals	117	13.2	1-35	9.0	6.5
Chemicals and photographic supplies	1,235	9.4	1-25	6.8	2.3
Wood, pulp, paper and furniture	311	15.6	1-35	9.4	19.9
Textiles	703	17.2	1-35	7.8	2.4
Clothing	260	24.8	5-25	1.7	0.0
Leather, rubber, footwear and travel goods	222	17.1	1-35	11.4	19.4
Non-electric machinery	772	10.3	1-35	9.7	4.9
Electric machinery	403	15.8	1-35	10.3	1.7
Transport equipment	238	35.3	1-100	25.6	1.7
Non-agricultural products, n.e.s.	557	14.1	1-35	9.0	1.8
Petroleum	33	10.8	1-25	8.9	33.3
By ISIC (Rev.2) sector					
ISIC 1 - Agriculture, hunting and fishing	427	8.7	1-25	8.0	25.5
ISIC 2 - Mining	107	6.7	1-20	4.9	14.0
ISIC 3 - Manufacturing	6,483	14.8	1-100	11.7	4.8
Manufacturing excluding food processing	5,848	14.6	1-100	11.3	4.6
ISIC 4 - Electrical energy	1	1.0	1	0.0	100.0
By stage of processing					
First stage of processing	840	7.8	1-25	9.7	3.5
Semi-processed products	2,218	10.9	1-35	5.6	5.3
Fully processed products	3,960	17.6	1-100	7.4	1.5
By HS section					
01 Live animals and products	353	11.2	1-25	7.4	8.5
02 Vegetable products	358	10.7	1-25	8.4	22.1
03 Fats and oils	56	12.4	5-25	6.8	0.0
04 Prepared food, beverages and tobacco	248	24.5	5-90	18.4	0.0
05 Mineral products	195	7.8	1-25	6.4	17.9
06 Chemicals and products thereof	1,154	8.5	1-25	6.3	4.4
07 Plastics, rubber, and articles thereof	300	17.0	1-35	9.4	7.7
08 Raw hides and skins, leather, and its products	93	10.6	1-25	10.8	40.9
09 Wood and articles of wood	107	12.0	1-20	8.4	32.7
10 Pulp of wood, paper and paperboard	177	16.0	1-25	8.9	15.3
11 Textiles and textile articles	955	18.7	1-25	8.0	3.7
12 Footwear, headgear, etc.	51	23.2	20-25	2.4	0.0
13 Articles of stone, plaster, cement	188	21.6	5-35	7.5	0.0

	Number of lines	Average (%)	Range (%)	Standard deviation	Nuisance[a] (%)
14 Precious stones and metals, pearls	60	5.1	1-10	1.5	5.0
15 Base metals and articles thereof	755	13.5	1-35	8.6	3.3
16 Machinery, electrical equipment, etc.	1,201	12.0	1-35	10.1	3.8
17 Transport equipment	252	34.4	1-100	25.3	1.6
18 Precision equipment	265	9.2	1-35	8.5	2.6
19 Arms and ammunition	51	21.1	15-30	5.2	0.0
20 Miscellaneous manufactured articles	192	20.7	1-35	6.7	0.5
21 Works of art, etc.	7	5.7	5-10	1.7	0.0

a Nuisance rates are those greater than zero, but less than or equal to 2%. No duty-free rates are applied in 2014-15.

Note: Calculations are based on national tariff line (8-digit); excluding specific rates.

Source: WTO Secretariat calculations, based on online data taken from the Federal Board of Revenue of Pakistan.

Table A3. 2 Prohibited imports, 2012-15

Description
Translation of the Holy Quran without Arabic text
Goods (including their containers) bearing any obscene pictures, writings, inscriptions or visible representations
Anti-Islamic, obscene or subversive literature
Any goods containing ingredients or parts which may be repugnant to the injunctions of Islam as laid down in the Holy Quran and Sunnah of the Holy Prophet (Peace be upon him), including pigs, hogs, boars and swine, and their products and by-products
Any edible product not fit for human consumption
Goods (including their containers) bearing any words or inscription of a religious connotation, the use or disposal of which may injure the religious feelings of any sect, class or group of people in Pakistan
Factory rejects and goods of job lot/stock lot or sub-standard quality except those mentioned below: 1. Waste, seconds and cutting of: iron and steel sheets and plates in cut length or coils; tin sheets and plates of one side not less than 45.7 cm (18 inch); and stainless steel sheets, coils, plates and circles of AISI-200, AISI-300 and or AISI-400 series only Cotton waste (H.S No. 5202.0000) Granules made by the recycling of plastics waste 2. Re-rollable scrap (7204.1010, 7204.4910) The scrap having width not exceeding 1000 mm with thickness 6 mm and above and a length not exceeding 2.5 metres, consisting of mill rejects and crop ends of ingots, billets, slabs, blooms and including cuttings of sheets and plates, pipes and bars whether in pieces or in rolled strips, cuttings of ships plates, used and pitted rails and girders, whereas in case of girders and pipes length shall be 1.5 metres
Vetches (whole grain, split or any other form)
Cocoa leaves, poppy straw and cannabis herbs
Cannabis resins and balsams
Opium
Concentrate of poppy straw; extracts and tinctures of cannabis
Used vegetable ghee and cooking oil
Alcoholic beverages and spirits (excluding ethyl alcohol of industrial grade), including brewing and distilling dregs and waste, wine lees and argol
Hazardous wastes as defined and classified in the Basel Convention
Used lubricating, hydraulic, transformer oils and similar oils or waste oils
Other (benzidine and its derivatives)
Paraphence-tole carbamide and 5-Nitro-2 proxy-aniline in both tablet and powder or crystalline forms
Allyl-isothio-cyanate
Caffeine citrate
Insulin preparations and syringes in 40 I.U. strength
Dyes containing benzidine
Fireworks
Other (pyrotechnic articles)
Cinematograph film wholly or partly exposed or developed in any Pakistani or Indian language, with or without a sound track and depicting Pakistani or Indian way of living either silent or dubbed, or in which leading roles have been played by Pakistani or Indian actors or actresses
Hospital waste of all kind, used sewerage pipes and used chemical containers
Re-treaded tyres
Used pneumatic tyres
Fur skins and manufactures thereof, other than raw fur skins and tanned or dressed fur skins of sheep, lambs, rabbits, goats, kids thereof, calf and other animal fur not internationally prohibited
Clothing (of asbestos)
CNG cylinders and conversion kits, excluding CNG fitted public transport vehicles i.e. buses and vans
CFC gas based refrigerators, deep-freezers and other refrigerating cooling, chilling equipment, CFC based air conditioning equipment and CFC based compressors of these equipment
Brewery machinery/machinery for alcoholic beverages
Pressure horns and parts thereof
Tanks and other armoured fighting vehicles, motorized, whether or not fitted with weapons and parts of such vehicles, other than armoured security vans
Military weapons, machine-guns, sub-machine-guns, automatic rifles of all calibers and other military fire-arms and projectiles (other than revolvers and pistols)
Revolvers and pistols of prohibited bores and of calibers higher than 0.46 inches bore
Arms of prohibited bores (including semi-automatic rifles of 7.62 mm and rifles of 8 mm to 9 mm bores) and arms of calibers higher than 0.22 bore rifles
Other (fire arms and similar devices which operate by firing of an explosive charge), excluding ring blaster tools / boulder ballistic guns/riveting tools
Other arms (for example, spring guns, air pistols and truncheons), excluding S. No. 61 of Part I of Appendix B
Parts and accessories of articles of heading No. 93.01 to 93.04, excluding parts and accessories appearing against S. Nos. 65 & 66 of Part I of Appendix B
Ammunition and parts of ammunition, excluding ammunition for weapons of non-prohibited bores and cartridges for riveting or similar tools
Gambling equipment
Stolen goods

Source: Ministry of Commerce, *Trade Policy 2012-15*, Part A, Import Policy Order, Appendix A.

Table A3. 3 Restricted imports, 2012-15

Commodity description	Conditions
Part 1 Health and Safety Requirements	
Live animals, animal semen and embryos	(i) Importable subject to quarantine requirement of Animal Quarantine Department of Ministry of National Food Security & Research, Government of Pakistan; and (ii) import of wild life species including those mentioned in Appendix II of the CITES shall be allowed only after obtaining NOC from National Council for Conservation of Wild Life (NCCW)
Fish and fishery products	Importable subject to quarantine requirement of Marine and Fishery Department of Ministry of National Food Security and Research, Government of Pakistan
All species of plants and parts thereof. Whether living or dead, stems, branches, tubers, bulbs, corms, stock, bud-wood, layers, slips, suckers, green scum on stagnant pool, leaves fruits rhizomes etc.	Importable subject to compliance of phytosanitary requirements and drawing of samples and testing quality by Department of Plant Protection and Federal Seed Certification Agency of Ministry of National Food Security and Research, Government of Pakistan
Sugarcane seeds, banana and suckers, vegetable seeds, seed potatoes, oil seeds, flower seeds and other field crop seeds including Tubers, Rhizomes, roots, cuttings, etc.	(i) Importable subject to drawing of samples and testing of quality by Federal Seed Certification Agency and Department of Plant Protection of Ministry of National Food Security & Research, Government of Pakistan; (ii) import of rice seeds shall be subject to strict quarantine measures prescribed under the Seed Act 1976 (XXIX of 1976), and any other related law; (iii) import of opium poppy seeds shall be allowed from those countries only where it is legally produced
Fresh and dry fruits	Importable subject to production of aflatoxin report to the effect that the consignment is free from any pests/diseases, to be certified by Department of Plants Protection, Ministry of National Food Security & Research, Government of Pakistan
Betel nuts (Areca)	Importable subject to production of phytosanitary certificate issued by the competent authorities of the country of origin/export confirming that the exported goods are free from infestation; and are fit for human consumption
Red chillies, (whole)	Importable subject to production of aflatoxin report to the effect that the consignment is free from any pests/diseases, to be certified by the Dept. of Plant Protection, Ministry of National Food Security & Research, Government of Pakistan
Wheat	Importable subject to the specifications notified by the Ministry of National Food Security & Research, Government of Pakistan from time to time and subject to pre-shipment inspection by approved PSI agencies as per Appendix D
Cotton seed	Importable with prior approval of the Ministry of National Food Security & Research, Government of Pakistan
Crude palm oil	(i) Importable only by the manufacturers having valid licence and registration from Pakistan Standard Quality Control Authority (PSQCA) for further processing and refining. Manufacturers who import oil shall not be allowed to sell palm oil in crude form to non-manufacturers; (ii) commercial importers importing bulk crude palm oil for storages shall also be allowed to import subject to safeguard mechanism to be notified by the Federal Board of Revenue
Palm Stearin	It will have distinct fat soluble colour to conform to the lovibond colour range of 10 red minimum on tintometer 5 ¼ Cell to ensure that palm stearin is not misused for edible oil/ghee making
Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	Packets should carry the warning "smoking is injurious to health"

Commodity description	Conditions
All edible products	Imports shall be subject to following conditions: (i) it must be fit for human consumption; (ii) they shall be free of any "haram" element or ingredients; (iii) edible products shall have at least 50% of the shelf life, calculated from the date of filing of Import General Manifest (IGM) (iv) where conditions at (iii) above are not printed on the packing, certificate issued by the Manufacturers or Principals in respect of these conditions shall be accepted by Customs Authorities; (v) that, in case of meat, it was obtained from "halal" animals and slaughtered in accordance with the Islamic injunctions; (vi) import of edible oil in bulk quantity shall be on landed weight and quality basis
Radioactive materials and radiation apparatus	Import of Radioactive materials and apparatus as specified in Annex B-1, will be subject to the prior approval of Pakistan Nuclear Regulatory Authority
Asbestos	Import of asbestos of chrysotile type of following specification only shall be allowed: Specification: Colour-white to Grey; and Density 2.4g/cm^3 to 2.6g/cm^3 Conditions: Certificate from the exporter confirming that type of asbestos being exported is chrysotile asbestos with the above specifications. The importers of asbestos will clearly mention the type of the asbestos being imported in the import documents
Arsenic and arsenic compound	Importable by industrial consumers who have valid licenses issued by the concerned Environment Protection Agency/ Department under PEPA 1997
Calcium carbide, whether or not chemically defined	Importable with prior approval of the Department of Explosives
Ozone Depleting Substances	Import of ozone depleting substances specified at Appendix F shall be subject to the policy/quota allocations to be laid down by the Ministry of Climate Change from time to time
Acetic anhydride	Importable by concerned industrial consumers after obtaining NOC from the Ministry of Narcotics Control. However, the quantity to be imported by the Industrial consumers will be determined by the FBR and for the concerned Pharmaceutical Units, by the Ministry of Health. Provided that acetone, hydrochloric acid and sulphuric acid appearing against Sr. Nos. 32, 35 and 38 shall also be importable by the Research Laboratories both in public or private sector & educational institutions subject to NOC from the Ministry of Narcotics Control
N-Aceylanthranilic acid	-do-
Isosafrole	-do-
Ephedrine	-do-
Ergometrine	-do-
Ergotamine	-do-
Lysergic acid	-do-
3-4-Methylenedionyphenyl-2-propanone	-do-
Norephedrine	-do-
1-Phenyl-2-propanone	-do-
Piperonal	-do-
Pseudoephedrine	-do-
Safrole	-do-
Acetone	-do-
Anthranilic acid	-do-
Ethyl ether	-do-
Hydrochloric acid	-do-
Phenylacctic acid	-do-
Piperidine	-do-
Sulphuric acid	-do-
Potassium permanganate	Importable by industrial consumer, pharmaceutical units and commercial importers subject to NOC by the Ministry of Narcotics Control

Commodity description	Conditions
Toluene	-do-
Formaldehyde	Import shall be allowed only to industrial consumers who have valid license issued by the environmental agency/dept. concerned under the Pakistan Environmental Protection Act, 1997
All narcotic drugs and psychotropic substances, except items on Banned List	Importable only by those pharmaceutical units having valid drugs manufacturing licence on the authorization of Ministry of Health. Such imports shall however be subject to meeting the conditions prescribed for imports of pharmaceutical raw materials vide S.No.7 of Part II of Appendix B
Human blood and its fractions	Consignment shall be released on production of AIDs and hepatitis B & C free certificate
Contaminated blood samples for laboratory test	Importable on the recommendation of Ministry of Health subject to following conditions: (i) the importing laboratory is duly approved by Ministry of Health prior to import of contaminated blood samples; (ii) the laboratories have qualified staff and state of the art equipment to ensure: a) bio safety of lab environment b) safety of waste disposal; and (iii) the importing laboratory complies with the procedure prescribed by Ministry of Health, for import, handling and waste disposal of contaminated blood samples
Food colours	Food colours as specified *vide* Annex B-2 shall be allowed subject to production of certificate from the Government of the exporting country that it is in use or registered in that country, and carrying fair and true labelling
Food colour lakes, prepared from colours of heading No. 3204.9000	-do-
Dyes	Importable subject to certificate from the suppliers that the dyes are neither based on benzidine, nor contain any contents thereof
Explosives	Department of Explosives of Ministry of Industries shall allow import of explosives only on the production of NOC by the importers from the Defence Production Division
Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products, disinfectants and similar products, excluding plants growth regulators, put up in forms or packing for retail sale or as preparation, or articles (for example sulphur, treated bands, wicks and candles and fly-papers)	Importable in accordance with the provisions of the Agricultural Pesticides Ordinance, 1971 (II of 1971), as amended from time to time, and the rules made there under, and those drugs which are registered under the Drugs Act, 1976 (XXXI of 1976), and the rules made there under
Waste, parings and scrap of Plastics, excluding hospital waste of all kind, used sewerage pipes and used chemical containers falling under their respective PCT codes (Sr. No. 26 of Appendix A refers)	Importable by industrial consumers subject to the fulfilment of 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 to be notified by the Federal government from time to time that the imported consignment does not contain any hazardous waste, as defined in the Basel Convention
Granules made by the recycling of plastics waste	Importable subject to certification from the exporting country that the granules being exported are free from hazardous substance as defined in Basel Convention. Customs Authorities shall ensure strict compliance of the condition
Used or refurbished cryogenic containers	Import shall be allowed only by the industrial consumers or users subject to the following conditions: (i) refurbished prior to shipment; (ii) inspected by notified independent certifying body that such containers or cylinders are compliant with international safety standards; (iii) such containers or cylinders shall not be older than 10 years
Used or refurbished cylinders (for liquefied gas) for use in motor vehicles only	Production of safety certificate from the Department of Explosives

Commodity description	Conditions
Passport printers, visa printers, laminators and laminate rolls	Import of the following types of passport printers, visa printers, laminators and laminate rolls shall be allowed only by Directorate General Immigration and Passports: (i) Diletta 330i, 400i & 500i (Passport Printers) (ii) Diletta RL 90, CPL90, PL 90 (Passport Visa Printers) (iii) Diletta (Laminators) (iv) Advantage Make (Laminate Rolls)
Steam and vapour generating boilers (other than central heating hot water boilers capable also of producing low pressure steam) and super-heated water boilers	Importable subject to prior approval of the Chief Inspector of Boilers Provided that used boilers will also be allowed to be imported subject to the following conditions: (i) certification by any of the prescribed PSI companies as listed at paragraph 5 sub paragraph (6) for safety and remaining life of at least ten years; and (ii) production of certificate from Chief Inspector of boilers
Machinery for arms and ammunition, high explosives, Radioactive substances, security printing, currency and mint	Import shall be allowed to only such industrial units as have been duly sanctioned by the relevant Government agency
Transmission apparatus whether or not incorporating reception apparatus, (excluding fax machines and mobile phones) T.V. transmission antenna system, field pick-up units STL equipment, VHF set, TV modulator and demodulator, video projection systems and video switching system	Importable by PTV, concerned public sector agencies, and others licensed by the Federal Government. Companies having agreement with the concerned Government agencies for supply of cellular and mobile phone facility may also import this equipment
Waste and scrap of exhausted batteries of automobiles	Import of such scrap shall be allowed only in favour of industrial consumers only for their own use subject to the condition that importer shall furnish to Customs Authorities: (a) a certificate from the concerned Federal or Provincial Environment Protection Agency that they have adequate manufacturing facility capable of handling hazardous wastes in accordance with the provision of Basel Convention; and (b) permission or authorization specifying quantitative entitlement for the import of waste and scrap of electric accumulators issued by the or concerned Federal/Provincial Environment Protection Agency
Armoured security vans, (new or second hand)	Importable by banks and security companies for their own use, subject to special number plates to be obtained from the concerned provincial authorities
Non-sterilized surgical needles and syringes	Importable only by the industrial units duly registered with the concerned Federal or Provincial public health agency, for further processing of these goods into value added, final and finished products
Active ingredients for formulation/manufacturing of pesticides	Importable by industrial users only
Arms and ammunition, not otherwise banned	Importable in accordance with the procedure laid down by the Federal Government
Air pistols, their parts and slugs	Importable by Pakistan Sports Boards, Provincial Sports Boards, National Rifle Association, Rifle Associations of armed forces and recognized or specialized sporting clubs, subject to the procedure to be notified by the Federal Government
Barrel blanks for recoilless rifles, guns and mortars, and other parts and accessories of arms	Importable by units authorized to manufacture arms
Parts and accessories of arms and ammunition non-prohibited bores	Importable, irrespective of import status, by duly sanctioned export oriented units for manufacturing of arms and ammunition meant for 100% export. Customs Authorities will ensure that all requirements for manufacture-cum-export are met
Sporting ammunition	(i) registration or affiliation with the relevant authorities (ii) endorsement of their requirement by: National Rifle Association of Pakistan (NRAP); Administrator of the Gun Club Islamabad; and Respective Armed Forces Headquarters in case of sportsmen of the Armed Forces; and (iii) import will be affected directly and shall be subject to a maximum limit of the 35,000 cartridges or bullets per year

Commodity description	Conditions
All equipment used for reception, broadcast and distribution of satellite signals pertaining to the field of electronic media such as satellite dishes, decoders receivers, digital satellite news gathering (DSNG), encoder, modulator, high power amplifier (HPA), integrated digital receiver (IRD), broadband global access network (B-GAN), LNA (low noise amplifier), LNB (low noise block), camera with satellite transmission Facility, digital head end, etc.	Import shall be allowed into the country only after obtaining specific permission/NOC from the Pakistan Electronic Media Regulatory Authority (PEMRA)
Toys for infant	Importable subject to certification from the exporting countries that the toys imported shall be in accordance with the international standards and are free from hazardous; toxic elements
Auto pilot kits	Import shall be allowed only in favour of authorized agencies/departments subject to NOC from Ministry of Defence

Source: Ministry of Commerce, *Trade Policy 2012-15*, Part I, Import Policy Order, Appendix B.

Table A3. 4 Customs active / operative notifications / SROs export

	SRO	Title	Issue date
1	755(I)/2014	The Federal Board of Revenue is pleased to authorize repayment of customs-duties	21-08-2014
2	327(I)/2008	The Federal Board of Revenue is pleased to make the rules	29-03-2008
3	326(I)/2008	The Federal Government is pleased to exempt from the whole of customs duties, sales tax and federal excise duty leviable on all the goods imported into and exported from an Export-Oriented Unit subject	29-03-2008
4	209(I)/2009	This notification allows duty drawback rates on export of textile and allied products	05-03-2009
5	210(I)/2009	This notification allows duty drawback rates on export of leather and allied products and sports goods	05-03-2009
6	212(I)/2009	This notification allows duty drawback rates on export of miscellaneous products like packing materials, edible products, plastic products, etc.	05-03-2009
7	594(I)/2009	Regulatory duty at the rate of 25% *ad valorem* levied on export of goods classifiable under the H.S. Codes in the table on the above mentioned SRO	25-06-2009
8	323 (I)/2010	Levy of regulatory duty at the rate of 15% *ad valorem* on export of all types of yarn for sixty days with immediate effect	13-05-2010
9	888(I)/2009	The Federal Board of Revenue is pleased to make the following further amendment in the Export Oriented Units and Small & Medium Enterprises Rules, 2008	15-10-2009
10	805(I)/2009	Federal government is pleased to rescind its Notification No. SRO 1185 (I)/2007, dated 5 December 2007 with immediate effect	16-09-2009
11	482(I)/2007	Regulatory duty on ferrous and non-ferrous waste and scrap	09-06-2007
12	321(I)/2009	Federal government is pleased to direct that a regulatory duty at the rate of 15% *ad valorem* shall be levied on export of molasses with immediate effect	10-04-2009
13	1080(I)/2005	The CBR is pleased to direct that blankets, tens and tarpaulins shall be deemed to have been exported if supplied for the earthquake victims subject to the following conditions, namely: (a) the supplies are made through the Federal Relief Commissioner or Provincial Relief Commissioners and a certificate to this effect is produced to the concerned Collector of Customs or the Collector of Sales Tax, as the case may be; and (b) the supplies are made on the basis of f.o.b. prices	22-10-2005
14	211(I)/2009	This notification allows duty drawback rates on export of engineering/metal and allied products	05-03-2009
15	1185(I)/2007	Regulatory duty at the rate of 35% *ad valorem* on export of wheat products	05-12-2007
16	946(I)/2008	Regulatory duty equivalent to the Price Differential Claims (PDC), in Rupees per litre, of High Speed Diesel (HSD) and Superior Kerosene Oil (SKO) as notified by the Ministry of Petroleum and Natural Resources	04-09-2008
17	1186(I)/2007	Rescind the notification No. SRO 474(I)/2006, dated 22 May 2006	05-12-2007
18	1065(I)/2005	This Notification issued in suppression of SRO 410/2001 dated 18 June 2001. According to the new Notification, the facility of temporary importation is available to exporters also registered	20-10-2005
19	(I)/2007	ATA Carnet Rules	28-07-2007
20	492(I)/2006	35% Regulatory duty on export of pulses	26-05-2006
21	1211(I)/2005	Amendment in SRO 450(I)/2001, dated 18 June 2001, Customs rules, 2001	09-12-2005
22	1011(I)/2005	20% Regulatory duty on export of raw and wet blue hides	27-09-2005
23	783(I)/2005	This notification rescinded 7 standard DDB notifications	06-08-2005
24	259(I)/2004	Duty Draw Back - Fibre cement pipes	07-05-2004
25	1028(I)/2003	Duty Draw Back - Central Excise on export of lubricating oil	06-11-2003
26	315(I)/2004	Duty Draw Back - Artificial leather (PVC binding material)	21-05-2004
27	416(I)/2002	Reward Rules (Customs)	26-06-2002
28	(I)/2010	Imposing of regulatory duty at the rate of 25% *ad valorem* on export of waste and scrap of copper and aluminium and on bars, rods, ingots, slabs, and billets	13-03-2010
29	811(I)/2013	Composition of the Directorate General of Input Output Coefficient Organization (IOCO), Pakistan Customs in Karachi for the purpose of exercising powers and duties	20-09-2013

Source: Federal Bureau of Revenue.

Table A3. 5 Customs active / operative notifications / SROs import

	SRO	Title	Issue date	Last amended date	Amended vide	
					SRO number	Issue date
1	568(I)/2014	The Federal Government is pleased to levy regulatory duty on import of goods	26-06-2014	16-07-2014	631(I)/2014	11-07-2014
2	559(I)/2008	Exemption from customs duty and sales tax on import of specified items for manufacture of specified goods for AJ&K (Survey based)	06-11-2008	16-07-2014	580(I)/2014	28-06-2014
3	499(I)/2013	SRO 499(I)/2013 superseded SRO 607(I)/2012, dated 2 June 2012	12-06-2013	26-06-2014	567(I)/2014 607(I)/2012 607(I)/2012 607(I)/2012	26-06-2014 02-06-2012 02-06-2012 02-06-2012
4	565(I)/2006	Exemption from customs duty on import of raw materials, sub-components, components, sub-assemblies and assemblies, for manufacture of specified goods (survey based)	05-06-2006	26-06-2014	565(I)/2014 164(I)/2013 120(I)/2013 767(I)/2012	26-06-2014 01-03-2013 19-02-2013 22-06-2012
5	577(I)/2005	Exemption from customs duty on machinery and equipment	06-06-2005	26-06-2014	562(I)/2014 275(I)/2011 (I)/2010 25(I)/2009 560(I)/2008	26-06-2014 26-03-2011 15-02-2010 12-01-2009 11-06-2008
6	280(I)/2014	Pakistan - Sri Lanka Free Trade Agreement (FTA)	08-04-2014	23-04-2014	854(I)/2014	26-09-2014
7	450(I)/2001	Customs rules, 2001	18-06-2001	05-03-2014	202(I)/2014 121(I)/2014 174(I)/2013 54(I)/2013 48(I)/2013 47(I)/2013 22(I)/2013 1409(I)/2012 1332(I)/2012 1345(I)/2012 601(I)/2012 264(I)/2012 204(I)/2012 18(I)/2012 10(I)/2012 601(I)/2011 250(I)/2011 136(I)/2011 688(I)/2010 601(I)/2010 581(I)/2010 510(I)/2010 (I)/2010 (I)/2010	18-03-2014 27-02-2014 05-03-2013 31-01-2013 30-01-2013 24-01-2013 18-01-2013 30-11-2012 24-10-2012 24-10-2012 01-06-2012 14-03-2012 27-02-2012 05-01-2012 02-01-2012 13-06-2011 16-03-2011 21-02-2011 27-07-2010 28-06-2010 24-06-2010 11-06-2010 24-05-2010 24-05-2010

	SRO	Title	Issue date	Last amended date	Amended vide	
					SRO number	Issue date
					339(I)/2010	20-05-2010
					340(I)/2010	20-05-2010
					124(I)/2010	01-03-2010
					1091(I)/2009	10-12-2009
					612(I)/2009	29-06-2009
					600(I)/2009	26-06-2009
					493(I)/2009	13-06-2009
					176(I)/2009	19-02-2009
					90(I)/2008	29-01-2008
					(I)/2007	08-11-2007
					1070(I)/2007	31-10-2007
					943(I)/2007	14-09-2007
					889(I)/2007	01-09-2007
					704(I)/2007	10-07-2007
					483(I)/2007	09-06-2007
					506(I)/2007	09-06-2007
					286(I)/2007	31-03-2007
					143(I)/2007	20-02-2007
					(I)/2006	08-12-2006
					945(I)/2006	05-09-2006
					574(I)/2006	05-06-2006
					171(I)/2006	24-02-2006
					94(I)/2006	07-02-2006
					1174(I)/2005	23-11-2005
					1100(I)/2005	24-10-2005
					1019(I)/2005	29-09-2005
					867(I)/2005	24-08-2005
					844(I)/2005	16-08-2005
					714(I)/2005	13-07-2005
					563(I)/2005	06-06-2005
					492(I)/2005	23-05-2005
					271(I)/2005	24-03-2005
					198(I)/2005	28-02-2005
					210(I)/2005	28-02-2005
					623(I)/2004	19-07-2004
					461(I)/2004	12-06-2004
					859(I)/2003	29-08-2003
					704(I)/2003	10-07-2003
					482(I)/2003	07-06-2003
					490(I)/2003	07-06-2003
					801(I)/2002	15-11-2002
					(I)/2002	13-11-2002
					634(I)/2002	16-09-2002
					375(I)/2002	15-06-2002
					376(I)/2002	15-06-2002
					247(I)/2002	08-05-2002

	SRO	Title	Issue date	Last amended date	Amended vide	
					SRO number	Issue date
8	693(I)/2006	Levy of additional customs duty on import of specified goods	01-07-2006	29-10-2013	939(I)/2013 09(I)/2013 1403(I)/2012 576(I)/2012 1098(I)/2011 491(I)/2009 711(I)/2008 561(I)/2008 (I)/2007 498(I)/2007 1124(I)/2006 1089(I)/2006	21-10-2013 04-01-2013 30-11-2012 01-06-2012 16-12-2011 13-06-2009 02-07-2008 11-06-2008 02-08-2007 09-06-2007 10-11-2006 01-11-2006
9	656(I)/2006	Exemption of customs duty for OEMs of automotive sector	22-06-2006	29-10-2013	940(I)/2013 496(I)/2013 334(I)/2013 1402(I)/2012 490(I)/2009 563(I)/2008 496(I)/2007 1123(I)/2006 1007(I)/2006 990(I)/2006	20-10-2013 12-06-2013 08-04-2013 30-11-2012 13-06-2009 11-06-2008 09-06-2007 10-11-2006 25-09-2006 18-09-2006
10	492(I)/2009	Supersession of FBR Notification No. SRO 1065(I)/2005, dated 20 October 2005	13-06-2009	29-10-2013		
11	741(I)/2013	Federal government is pleased to exempt, with effect from 1 September 2013, the import into Pakistan from Indonesia of the goods specified in Notification (Customs) of 28 August 2013	06-09-2013	10-09-2013		
12	482(I)/2009	Review of regulatory duty on luxury/non-essential goods under SRO 482(I)/2009 dated 13 June 2009	13-06-2009	30-08-2013	742(I)/2013 577(I)/2012 479(I)2011 1056(I)/2010 _(I)/2009	28-08-2013 01-06-2012 03-06-2011 29-11-2010 22-08-2009
13	576(I)/2006	Exemption of duty and taxes on vehicle imported by privileged person /organization/office at the stage of their disposal	05-06-2006	01-08-2013	239(I)/2013	22-03-2013
14	655(I)/2006	Exemption of customs duty for vendors of automotive sector	22-06-2006	01-08-2013	495(I)/2013 1401(I)/2012 489(I)/2009 562(I)/2008 497(I)/2007 1122(I)/2006	12-06-2013 30-11-2012 13-06-2009 11-06-2008 09-06-2007 10-11-2006
15	172(I)/2013	Amnesty scheme for smuggled/seized vehicles	05-03-2013	11-03-2013	_(I)/2013 209(I)/2013 185(I)/2013	02-04-2013 13-03-2013 08-03-2013
16	176(I)/2013	Provisions of Chapter XVI-A of Customs Act, 1969 (Roll-out of WEBOC Project)	05-03-2013	07-03-2013		
17	682(I)/2006	Fixed amount of duty/taxes on passengers baggage	29-06-2006	20-02-2013	1471(I)/2012	13-12-2012

	SRO	Title	Issue date	Last amended date	Amended vide	
					SRO number	Issue date
18	1404(I)/2012	SRO 1404(I)/2012 dated 30 November 2012	30-11-2012	30-11-2012		
19	41(I)/2009	Incentive package for special industrial zones/economics	19-01-2009	31-08-2012	1097(I)/2012	31-08-2012
20	42(I)/2009	Incentive package for the development of Pak-China investment zones	19-01-2009	31-08-2012	1098(I)/2012	
21	1090(I)/2010	FBR is pleased to entrust to the officers of the Pakistan Rangers, Frontier Corps	01-12-2010	29-07-2012	682(I)/2014 797(I)/2012 66(I)/2012	
22	522(I)/2012	Extension in warehousing period and waiver of panel surcharge on overstayed warehoused goods	21-05-2012	20-06-2012	751(I)/2012	
23	1261(I)/2007	Free Trade Agreement with Malaysia	31-12-2007	01-06-2012	583(I)/2012 393(I)/2010	
24	894(I)/2006	Exemption from customs duty on imports from Iran under Pak-Iran PTA	31-08-2006	01-06-2012	587(I)/2012 501(I)/2007	01-06-2012 09-06-2007
25	659(I)/2007	FTA with China	30-05-2007	01-06-2012	582(I)/2012 86(I)/2011 14(I)/2011	01-06-2012 04-02-2011 08-01-2011
26	558(I)/2004	Exemption from customs duty on goods imported from SAARC and Eco countries	01-07-2004	01-06-2012	585(I)/2012	01-06-2012
27	1296(I)/2005	Exemption from duty under PAK-CHINA early harvest programme (EHP)	31-12-2005	01-06-2012	584(I)/2012 502(I)/2007	01-06-2012 09-06-2007
28	1274(I)/2006	Exemption of customs duty on import of goods into Pakistan from SAARC countries under SAFTA Agreement	29-12-2006	01-06-2012	1073(I)/2013 588(I)/2012 1297(I)/2008 1260(I)/2007 504(I)/2007	27-12-2013 01-06-2012 30-12-2008 31-12-2007 09-06-2007
29	413(I) /2012	Tracking and monitoring of cargo rules, 2012	25-04-2012	25-04-2012		
30	666(I)/2006	Baggage rules 2006	28-06-2006	30-01-2012	69(I)/2012 980(I)/2006 805(I)2006	30-01-2012 15-09-2006 08-08-2006
31	566(I)/2005	Notified goods in terms of Section 2(s) of the Customs Act, 1969	06-06-2005	24-11-2011	1060(I)/2011 36(I)/2011 _(I)/2010 651(I)/2009 174(I)/2007	24-11-2011 13-01-2011 11-02-2010 08-07-2009 21-02-2007
32	499(I)/2009	Supersession of its Notification No. SRO 487(I)/2007 dated 9 June 2007	13-06-2009	25-08-2011	794(I)/2011 604(I)/2009	25-08-2011 27-06-2009
33	646(I)/2011	The Federal government is pleased to remit whole amount of penalties and surcharge under Section 202A	25-06-2011	29-06-2011	664(I)/2011 667(I)/2011	29-06-2011 29-06-2011
34	595/2011	FBR extends warehousing period and waiver off penal surcharge on overstayed warehoused goods	10-06-2011	10-06-2011		

	SRO	Title	Issue date	Last amended date	Amended vide	
					SRO number	Issue date
35	678(I)/2004	Exemption from customs duty and sales tax to exploration and production (E&P) companies on import of machinery, equipment , specialized vehicles/vessels and helicopter etc.	07-08-2004	03-06-2011	478(I)2011 558(I)/2008 875(I)/2007 398(I)/2007 437(I)/2006 571(I)/2005	03-06-2011 11-06-2008 29-08-2007 17-05-2007 10-05-2006 06-06-2005
36	277(I)/2010	Duty free import of new car of engine capacity not exceeding 1350cc by a Pakistani disabled national	27-04-2010	27-04-2010		
37	497(I)/2009	Exemption of customs duties beyond specified rates on items of no concession list imported from China	13-06-2009	26-02-2010	104(I)/2010 595(I)/2009	22-02-2010 26-06-2009
38	71(I)/2010	Exemption from whole of the amount of default surcharge penalty	11-02-2010	11-02-2010		
39	1025(I)/2009	Declaration of Customs Station	07-12-2009	12-12-2009		
40	340(I)/2009	The Federal government is pleased to levy a fee of rupees three hundred per piece of all types of seals to be used for Pakistan Customs Container Security System (PCCSS) and such fee shall be inclusive	16-04-2009	30-09-2009	837(I)/2009	30-09-2009
41	809(I)/2009	The Federal government is pleased to exempt machinery and equipment, if imported by textile industrial units	19-09-2009	19-09-2009		
42	808(I)/2009	Levy of regulatory duty at the rate of 25% *ad valorem* on the import of ware potato	19-09-2009	19-09-2009	712(I)/2014 339(I)/2014	05-08-2014 02-05-2014
43	1151(I)/2007	Preferential Trade Agreement between Pakistan and Mauritius	26-11-2007	13-06-2009		
44	391(I)/2009	The Federal Board of Revenue is pleased to direct that Mr. Ghulam Serwar Shah, Deputy Collector, Model Customs Collectorate, Multan, shall exercise the powers of the Additional Collector of Customs Co.	18-05-2009	18-05-2009		
45	268(I)/2009	The Federal Board of Revenue is pleased to specify the following to be the customs limits of Dera Ghazi Khan Airport, Dera Ghazi Khan	28-03-2009	28-03-2009		
46	269 (I)/2009	The Federal Board of Revenue is pleased to approve the proper places in the customs airport (Dera Ghazi Khan Airport), Dera Ghazi Khan	28-03-2009	28-03-2009		
47	270 (I)/2009	The Federal Board of Revenue is pleased to specify the following to be the customs limits of Sheikh Zayed Airport, Rahim Yar Khan	28-03-2009	28-03-2009		
48	271(I)/2009	The Federal Board of Revenue is pleased to approve the proper places in the customs Sheikh Zayed Airport, Rahim Yar Khan	28-03-2009	28-03-2009		
49	267(I)/2009	The Federal Board of Revenue is pleased to direct that the following further amendment shall be made in its Notification No. SRO 101(I)/83, dated 12 February 1983	28-03-2009	28-03-2009		
50	77(I)/2009	The Federal government is pleased to levy regulatory duty at the rate of 25% *ad valorem* on the import of ware potato	29-01-2009	03-02-2009 106 (I)/2009		03-02-2009
51	1250(I)/2008	The Federal government is pleased to extend up to 31 December 2008, the period for which warehoused goods may remain in the warehouse	06-12-2008	06-12-2008		
52	896(I)/2008	Levy of Regulatory Duty on Non-Essential and Luxury Items	27-08-2008	27-08-2008	198(I)/2009 105(I)/2009 55(I)/2009	28-02-2009 03-02-2009 24-01-2009

	SRO	Title	Issue date	Last amended date	Amended vide	
					SRO number	Issue date
53	487(I)/2007	Smuggled Goods and Vehicles in violation of import policy order not to be released	09-06-2007	23-06-2008	(I)/2008 656(I)/2008 568(I)/2008 202(I)/2008 139(I)/2008 95(I)/2008 1098(I)/2007 968(I)/2007	23-06-2008 23-06-2008 11-06-2008 01-03-2008 12-02-2008 29-01-2008 08-11-2007
54	316(I)/2007	Exemption on customs duty and sales tax on import of plant and machinery for development of special industrial and economic zones	12-04-2007	11-06-2008	556(I)/2008	11-06-2008
55	553(I)/2008	Rescinds regulatory duty SRO 947(I)/2007, dated 12 September 2007 and SRO 1172(I)/2007 dated 5 December 2007	11-06-2008	11-06-2008		
56	555(I)/2008	C.E/M.D. of WAPDA, KESC, Sui Northern Gas Pipeline Limited and Sui Southern Gas Company have been authorized to issue installation/consumption certificate instead of S.T & F.E. Department...	11-06-2008	11-06-2008		
57	412(I)/2008	The Federal government is pleased to direct that the cooling towers, heat recovery steam generators and feed water pumps if imported by the New Independent Power Producers (IPPs), as specified below	30-04-2008	30-04-2008		
58	(I)/2007	Rangers in Punjab, Sindh authorized to carry out anti-smuggling functions	26-12-2007	26-12-2007		
59	1121(I)/2007	Exemption from customs duty leviable on import of vehicle classifiable under PCT 8703 meant for transportation of persons having bullet-proofing and other security features	17-11-2007	17-11-2007		
60	(I)/2007	Regulatory duty on imports	12-09-2007	12-09-2007		
61	822(I)/1991	Exemption from warehousing surcharge on certain goods	20-08-1991	29-08-2007	888(I)/2007 25(I)/2005 541(I)/98 406(I)/96 888(I)/92 11(I)/92 1252(I)/1992	29-08-2007 06-01-2005 12-06-1998 13-06-1996 15-09-1992 11-01-1992
62	(I)/2007	Regulatory duty on import of sugur	05-12-2007	02-08-2007		
63	485(I)/2007	Amnesty from payment of penalty, fine and surcharge	09-06-2007	09-06-2007		
64	488(I)2007	Rescinding SROs (SRO 1074(I)/2006, SRO 1089(I)/2006, SRO 44(I)/2007)	09-06-2007	09-06-2007		
65	489(I)2007	Rescinding SROs	09-06-2007	09-06-2007		
66	491(I)/2007	General amnesty has been notified for liquidation of financial securities	09-06-2007	09-06-2007		
67	492(I)/2007	Exemption has been granted to vehicle tracking systems	09-06-2007	09-06-2007		
68	1298(I)/2005	Exemption from duty under PAK Malaysia Early Harvest Programme (EHP)	31-12-2005	09-06-2007	503(I)/2007	09-06-2007
69	43(I)/2007	Exemption from customs duty on copper cathodes and aluminium ingots	17-01-2007	09-06-2007	500(I)/2007	09-06-2007

	SRO	Title	Issue date	Last amended date	Amended vide	
					SRO number	Issue date
70	554(I)/1998	Exemption from customs duty and sales tax on import of machinery for setting up a manufacturing unit or for the expansion, balancing, modernization and replacement (BMR) of existing units	12-06-1998	09-06-2007	493(I)/2007 149(I)/2007 896(I)/2005 452(I)/2004 354(I)/2002 732(I)/1999	09-06-2007 24-02-2007 30-08-2005 12-06-2004 07-06-2003 15-06-2002 12-06-1999
71	395(I)/2007	Exemption from customs duty on import of vehicles by war-disabled defence force personnel or by a civil disabled person	14-05-2007	14-05-2007		
72	577(I)/2006	Exemption of duty and taxes on vehicles imported by diplomatic representatives/missions at the stage of the disposal	05-06-2006	25-04-2007	342(I)2007	25-04-2007
73	224(I)/2007	Extension of warehousing period and remission of surcharge	10-03-2007	10-03-2007		
74	888(I)/2004	Alternate Dispute Resolution	30-10-2004	24-11-2005	209(I)/2005 84(I)/2005	26-02-2005 27-01-2005
75	71(I)/1995	Exemption from customs duty on import of raw materials for manufacture of goods by such industries which commenced commercial operation up to 30 June 1999 in Special Industrial Zones	19-01-1995	24-11-2005	449(I)/2004 (I)/2001 703(I)/1999 84(I)/1996	12-06-2004 10-12-2001 12-06-1999 30-01-1996
76	125(I)/1999	List of perishable goods under the Customs Act, 1969	27-02-1999	24-11-2005	895(I)/2005	29-08-2005
77	559(I)/2000	Exemption from payment of customs duties and sales tax on specified goods, if imported by British Airways	12-08-2000	24-11-2005		
78	486(I)/2003	Concessionary additional customs duty as surcharge	07-06-2003	24-11-2005		
79	487(I)/2003	Takeover of Imported Goods Rules, 2003	07-06-2003	24-11-2005	459(I)/2004	12-06-2004
80	497(I)/1991	Conditions regulating the import of acetic anhydride	30-05-1991	24-11-2005		
81	371(I)/2002	Notified Appropriate Officers under various sections of the Customs Act, 1969 (IV of 1969)	15-06-2002	15-12-2004		
82	249(I)/1981	Customs Export Processing Zones (EPZ) Rules, 1981	25-03-1981	24-11-2004	1022(I)/2012 627(I)/2000 941(I)/97 142(I)/88	27-08-2012 04-09-2000 06-10-1997 25-02-1988
83	224(I)/2010	Customs notification	02-04-2010			
84	SRO 337(I)/2010	Extension of Warehouse Period (penal surcharge)	18-05-2010			
85	486(I)/2009	The Federal government is pleased to rescind its Notification No. SRO 767(I)/2000, dated 23 October 2000	13-06-2009			
86	487(I)/2009	The Federal government is pleased to rescind notification No. SRO 492(I)/2007, dated 9 June 2007	13-06-2009			
87	494(I)/2009	Amendments to the Export Oriented Units and Small and Medium Enterprises Rules	13-06-2009			
88	495(I)/2009	Federal government is pleased to rescind its Notification No. SRO 482(I)/2007, dated 9 June 2007	13-06-2009			
89	SRO 820(I)/2010	One time special exemption on export	18-08-2010			
90	SRO 71(I)/2010	Exemption from whole of the amount of default surcharge and penalty	11-02-2010			

	SRO	Title	Issue date	Last amended date	Amended vide	
					SRO number	Issue date
91	598(I)/2013	The Federal government is pleased to remit whole amount of fine payable by a person against whom an amount of customs duty is outstanding on account of any adjudication order or who has failed to pay any amount of customs duty or claimed an admissible refund or drawback of customs duty	22-06-2013			
92	598(I)/2013	The Federal government is pleased to remit whole amount of fine payable by a person against whom an amount of customs duty is outstanding on account of any adjudication order or who has failed to pay any amount of customs duty or claimed an admissible refund or drawback of customs duty	21-06-2013			

Source: Federal Bureau of Revenue.

Table A3. 6 List of items not importable in used/second-hand condition, 2012-15

Description
Boilers (excluding used boilers subject to prior approval of the Chief Inspector of Boilers provided such used boilers are certified by any of the prescribed PSI companies as listed at Appendix H for safety and remaining life of at least 10 years)
Compressors
Air conditioners
Refrigerators
Hand tools (hand operated/power driven) by commercial importers
Household type and other miscellaneous machinery, items/articles and parts thereof
Machinery parts except the following: machinery parts and components by industrial units second-hand/reconditioned parts of the plant, machinery and equipment by construction, mining and petroleum sector companies (paragraph 9(ii)(3) refers) overhauled aircraft engines and parts (Sr. No. 27 of Part II of Appendix B)
Sugar plants, cement plants, oil refinery, chemical plants, thermal power plants, hydel power plants, cranes, road rollers and machine tools, manufactured locally as provided in relevant Customs General Order, as amended from time to time, except static road rollers below ten tons and above 12 tonnes capacity not more than ten years old
Machinery falling under PCT codes specified in Government of Pakistan, *Trade Policy: 2012-15*, Part B, Export Policy Order, line 9, column 3 shall not be importable in second-hand or used condition. The ban shall however not apply on all kinds of computer-related equipment in second hand or used condition falling under their respective PCT headings notwithstanding their inclusion in that column
Vehicles of Chapter 87 (including likewise chassis of used automotive vehicles cut into minimum of two pieces whether or not described as steel scrap) except the following: dumpers designed for off-highway use in CBU condition having payload capacity exceeding five tonnes *subject to certification by the competent Authority of exporting country or a recognized pre-shipment company listed in Appendix H to the effect that said machinery/transport equipment (a) is compliant with* EURO-II *emission standards*, and (b) is in good working condition/ has a remaining productive life of five years *bullet proof vehicles (See Sr. No. 22 of Part II of Appendix B)* armoured security vans H.S No.(8710.0010 & 8710.0090), (See Sr. No. 60 of Part I of Appendix B). spraying lorries or sprinklers (8705.9000), not older than five years shall be allowed subject to certification by a recognized pre-shipment company listed at Appendix H to the effect that the said lorries (a) compliant with Euro-II standards (b) are in accordance with the original manufacturer specifications and (c) have a useful productive life. A limited number of vehicles imported in completely built-up (CBU) condition by the Export Processing Zones (EPZs) investors under special permission granted to the industrial undertaking in the Export Processing Zones (EPZs) in terms of CBR's U.O No. 1980-81, CUS-EX/5(17), dated 11 April 1982, read with Customs General Order No. 1/83, dated 9 January 1983, shall be allowed to be disposed of in tariff area after five years of their import and usage by the importing industrial undertakings on payment of leviable duties and taxes in accordance with law. Automatic specialized mobile trolleys in wet processing textile industry (8705.9000) Mobile cranes/lorries (8705.1000) by industrial units *subject to certification by the competent Authority of exporting country or a recognized pre-shipment company listed at Appendix H to the effect that said machinery/transport equipment (a) is compliant with Euro-II emission standards* or not older than ten years, and (b) is in good working condition/has a remaining productive life of five years Mobile clinics (See Sr. No. 27 of Part II of Appendix B) Motorized wheelchairs (8713.0000) Prime movers (See Sr. No. 28 of Part II of Appendix B) Waste disposal trucks (8704.2299, 8704.2390) (See Sr. No. 24 of Part II of Appendix B) Fire-fighting vehicles (8705.3000) (See Sr. No. 25 of Part II of Appendix B) Ambulances (See Sr. No. 23 of Part II of Appendix B) Buses (87.02) not older than three years with seating capacity of forty or above, subject to the condition that such buses shall be certified by a pre-shipment inspection company, as listed in Appendix H, to the effect that such buses have a road-worthiness of at least five years from the date of importation. The formula for determining the age of vehicles provided in the procedure for import of vehicles (Appendix E) shall be equally applicable in determining the age of buses
Auto parts (including serviceable auto parts imported as steel scrap)
Apparatus and appliances

Source: Ministry of Commerce, *Trade Policy 2012-15*, Part 2, Import Policy Order, Appendix B.

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