



**Multi-year Expert Meeting on Enhancing the Enabling Economic Environment  
at All Levels in Support of Inclusive and Sustainable Development (2nd session)**

*Towards an enabling multilateral trading system for inclusive and sustainable  
development*

**Geneva, 8 – 9 December 2014**

**COUNTRY PAPER**

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UNCTAD'S MULTI-YEAR EXPERT MEETING ON ENHANCING THE ENABLING ECONOMIC ENVIRONMENT AT ALL LEVELS IN SUPPORT OF INCLUSIVE AND SUSTAINABLE DEVELOPMENT (GENEVA, 8-9 DECEMBER 2014) AT THE PALAIS DES NATIONS, GENEVA

Country Paper: Pakistan

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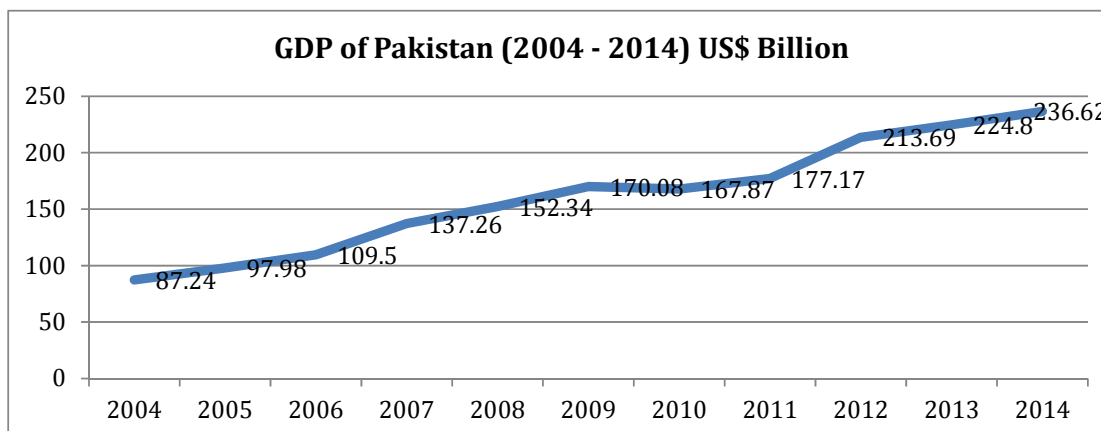
a. **Evolving contribution of trade and the multilateral trading system to inclusive growth and sustainable development;**

Pakistan, since coming into being, has been an ardent supporter of open, transparent and rules-based multilateral trading system and thus a founder member both of GATT and the WTO. In the formative phase, various compulsions like protection of nascent industry and strain of foreign exchange reserve limited the pace of liberalization, the process in true sense started in the 80's; its gained momentum since then. Abolition of licensing regime, removing restrictions on flow of capital and shift to floating exchange rate mechanism were some steps in that direction.

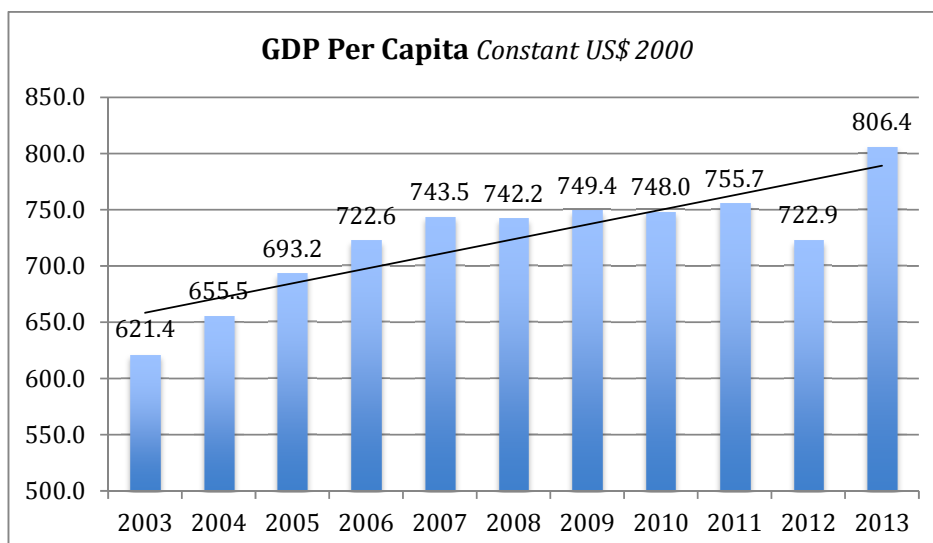
With a population of 180 Million, Pakistan has the 6th largest human resource and consumer base in the world. Pakistan is the 4<sup>th</sup> largest exporter of rice and 4th largest producer of milk in the world; on the industrial side, Pakistan's textile industry is amongst the world's leaders. Furthermore, Pakistan is fast becoming the destination of choice for a significant number of international Information Technology companies. The availability of skilled professionals, an appropriate IT infrastructure and affordable rates result in considerable time and cost-savings for entrepreneurs.

Pakistan's average economic growth rate since independence has been higher than the average growth rate of the world economy during the period. The economic growth rate has averaged 5 percent annually since 1947—a feat achieved by very few countries. Average Annual GDP growth rates were 6.8% in the 1960s, 4.8% in the 1970s, and 6.5% in the 1980s. Despite extraneous and internal factors the GDP, with one or two rare exceptions had been growing.

A significant tool of gauging a county's economic progress is the GDP per capita. The Gross Domestic Product per capita of Pakistan at constant US\$ of 2000 grew from US\$ 621.4 to US\$ 806.4 at the end of 2013. An average growth of around 3% despite the shocks that happened in



that period speaks of sound fundamentals of the economy.



Sustainable development, in Pakistan, has to translate into promotion of pro-poor economic growth that is also environmentally sensitive. The social development challenges for Pakistan include achieving high and sustained and broad-based economic growth particularly in rural areas; providing essential social services and infrastructure to the poor and vulnerable; creating job opportunities, and improving the overall governance for effective delivery. Pakistan’s priorities enlist the detailed strategic goals pertaining to each particular challenge. The focused “green action plan” provides the strategic direction that can lead towards greening of the, traditionally, pro-poor economic growth model employed in Pakistan.

Being cognizant of the required needs, the Government of Pakistan has taken several positive trade measures to promote sustainable trade and industrial production. For example the duty on the import of environmental abatement equipment and machineries has been reduced to facilitate compliance with the National Environmental Quality Standards (NEQs) and ISO 14000. The Government also provides 50% contribution in the processing fee, to the industries applying for ISO 14000 certification. The Government also launched a program called “SMART” (Self Monitoring and Reporting Tool) to monitor release of effluents and emissions from the Industries. Also, Pakistan has developed product and process standards, such as NEQs, which are of great relevance to the environment-trade interface.

**b. Measures needed to make trade integration inclusive and sustainable, and build productive capacities**

Trade by its very nature enables specialization, exploits economies of scale, and generates competition in markets. This results in efficient allocation of resources and enhancement of productivity, which are at the heart of economic progress. Pakistan’s external trade in goods has increased from US \$ 35 billion in FY 2004-5 to US\$ 70 billion in last financial year at an average growth rate of 10%. In period the exports grew at an average of little over 7% whereas imports that were US\$ 20.5 billion surged to US\$70 billion, at an average rate of increase that was around 12%.

## Pakistan's Trade performance

Value in Million US\$

Years	Trade in Goods			
	Exports	Imports	Total	Trade Balance
2004-05	14,391	20,598	34,989	(6,207)
2005-06	16,451	28,581	45,032	(12,130)
2006-07	16,976	30,540	47,516	(13,564)
2007-08	19,052	39,966	59,018	(20,914)
2008-09	17,688	34,822	52,510	(17,134)
2009-10	19,290	34,710	54,000	(15,420)
2010-11	24,810	40,414	65,224	(15,604)
2011-12	23,624	44,912	68,536	(21,288)
2012-13	24,460	44,950	69,410	(20,490)
2013-14	25,109	45,073	70,182	(19,964)

Source: P.B.S.

Pakistan is the world's sixth most populous country and growth is critical for job creation and associated progress in poverty reduction and shared prosperity. The economic outlook for the country is improving, with predictions of steadily increasing growth, lowering inflation, improved economic fundamentals and reduced country risk. As soon as it took office in mid-June 2013, the new Government articulated an ambitious emergency response so as to prevent a balance-of-payments crisis, correct fiscal imbalances and put the economy on the road to stabilization and rapid recovery. Immediately thereafter, the new government entered into successful negotiations of an Extended Fund Facility (EFF) with the International Monetary Fund (IMF). Approved on September 4th, 2013, the Government's program goes beyond merely rebuilding the reserve position and fiscal consolidation. It also contains a growth-oriented agenda in the areas identified as the major constraints to growth — energy reform, as well as growth, investment, and competitiveness.

According to the recently released IMF World Economic Outlook, Pakistan's GDP growth is expected to fall to 3.1pc in 2014 from 3.6pc in 2013, before steadily growing back to the respected 5pc mark by 2018, provided the security and energy concerns are addressed dynamically. Exports are expected to grow in the remainder of the forecasted years, as benefits from the Generalized Scheme of Preferences-Plus (GSP +) are realized; hence, the expected yearly growth of 8.8pc in 2014. Meanwhile, the rate of growth in imports is projected to decline to 4.6pc in 2019.

Pakistan's National Sustainable Development Strategy 2012 is focused to define sustainable development and the pathway to a "green economy" in Pakistan's context. It lays out an adaptive system and approach that can be continuously improved, through regular updates, to respond to evolving challenges. Economic growth and development in Pakistan over the past decade has faced certain unique and unprecedented challenges which are in addition to the global stresses brought on by the financial crisis and the rampant fuel and food commodities inflation. Economic, security, human and social impacts of the ongoing war in Afghanistan and the continued demands for dealing with security challenges and humanitarian needs of affected people, in particular, dealing with millions of Internally Displaced Persons (IDPs) apart from supporting the continuing burden of millions of Afghan refugees.

A broad set of reforms have been carried out in almost all facets of economy. Economic reforms have been reoriented towards de-regulations, liberalization and privatization. As a result of these reforms, the government's role has been reduced to formulating policies, providing an enabling environment, and facilitating independent regulators. Almost all sectors

of economy have been opened up with a level playing field for both domestic and foreign investors.

The Social safety nets for the vulnerable in Pakistan include Workers Welfare Fund (WWF), Food Support Program, Pakistan Bait-ul-Mal (PBM), Zakat Fund and Benazir Income Support Program. Under these programs safety net transfers include cash transfers; Food-based programs; in-kind transfers such as school supplies; Conditional cash transfers; Price subsidies for food or electricity; Fee waivers and insurance for health care.

### **c. Role of the multilateral trading system in containing all forms of protectionism**

WTO and its agreements are based on the principle of “substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis.”

According to its mission: “The WTO is the international organization whose primary purpose is to open trade for the benefit of all.” A statement from the Director-General begins with: “The WTO provides a forum for negotiating agreements aimed at reducing obstacles to international trade and ensuring a level playing field for all, thus contributing to economic growth and development. The WTO also provides a legal and institutional framework for the implementation and monitoring of these agreements, as well as for settling disputes arising from their interpretation and application”.

The global trading system has reduced protectionism to a considerable extent in recent years, though a lot is to be done. Pakistan, in-line with its WTO commitment has brought tariff down from very high to reasonably low slabs. Pakistan has taken remarkable strides in recent years to streamline its tariff schedule and reduce barriers to international trade. In the past decade, the simple average tariff rate declined from 51 percent in 1995 to around 11 percent in 2013-14. When measured in terms of import tariffs’ effect on domestic prices, both simple and weighted average tariff rates fell by 22 percent between 1995 and 2013. This decline is large by recent historical standards, the biggest decline came between 1998 and 2010, but the remarkable thing is the sustained momentum of tariff liberalization during this period. Virtually all tariffs (99.3%) are ad-Valorem and revolve around only six slabs including 1%. Local content requirements have been eliminated in all sectors and policies have been brought in compliance with Trade Related Investment (TRIMS) agreements.

Pakistan has taken following measures for a freer and liberal trade regime:-

- The trade policy is for three years with the objective of giving a policy commitment of not changing the trade regime frequently.
- The high tariff protection sectors have been abolished.
- Raw material and semi finished goods are at zero or very low tariff.
- National Treatment principle is applied in letter and spirit providing level playing field to foreign and local goods.
- Pakistan’s investment and monetary policies are very liberal and providing number of incentives to foreign and local investors.
- Through market access arrangements embedded in WTO agreements, Pakistan has concluded number of agreement for freer trade in goods and services.

Besides the above measures it may also be noted that Government procurement has been restricted to a few selected items only and that too not on a regular basis or under monopoly conditions. All public sector corporations engaged in trading activities have been disbanded except one i.e. Trading Corporation of Pakistan (TCP). TCP intervenes selectively to cope with domestic demands of essential conditions as and when explicitly decided by the Cabinet.

The number of concessionary notifications in tariffs Statutory Regulatory Orders (SROs) has been reduced substantially. Customs clearance system and international trade related procedures have been streamlined to bring them at par with international best practices and make them complaint with international standards and conventions. Export facilitation and promotion have been the main focus of Export policies and export subsidies, rebates and refunds have been gradually phased in scope and coverage.

**d. The impact of non tariff measures/barriers on trade and development prospects of developing countries;**

With ever diminishing tariffs, especially in developed countries' markets, the focus of trade policy makers and analysts is logically turning towards non-tariff barriers. There remains much to be done, both in terms of policy decisions to dismantle these barriers – the current WTO negotiations have not effectively touched upon the subject. It is well known that tackling non-tariff barriers poses many additional challenges because of their diverse and complex nature, and the lack of available evidence, which all make modeling their effects more complicated.

The eight GATT rounds of multilateral trade negotiations led to a substantial fall in tariff rates. In two decades, applied tariffs around the world have been halved. It has been observed that in 1994 the average number of lines per country affected by any type of NTBs was around 1880. In 2004 this figure jumped to 5620. Hence tariffs decline likely have raised the relative importance of NTBs both as protection and regulatory trade instruments feeding comments that NTBs are perhaps substitutes for more traditional forms of protection..

Over the time, Pakistan has managed to establish institutions meant to ensure compliance to the SPS standards. Some of these are: -

1. Department of Plant Protection
2. Federal Seed Certification and Registration Department
3. Grain Quality Testing Laboratories (Islamabad and Karachi)
4. National Veterinary Laboratory
5. Department of Agricultural and Livestock Product Marketing and Grading
6. Animal Quarantine Department
7. Marine Fisheries Department

All the above institutions have been assigned respective mandates relating to their respective products. The food safety and quality standards issues are being addressed by National Animal & Plant Health Inspection Services (NAPHIS) as a national focal point for SPS issues. NAPHIS is a contact point for Codex Alimentarius Commission (CAC) and EU Rapid Alert System for Food and Feed (RASFF). Further to the above, the NAPHIS is working on two level activities. This would further be transformed into a regulatory body to oversee SPS issues in Pakistan. NAPHIS is also providing inputs on SPS related issues for the international meetings/ seminars/ conferences etc. The bill to establish a national SPS regulatory body has been drafted in consultation with Federal and Provincial Departments.

Given that Pakistan implements qualitatively or quantitatively lower SPS standards than developed countries, in principle the SPS Agreement should help to facilitate trade from Pakistan to developed countries by improving transparency, promoting harmonization and preventing the implementation of SPS measures that cannot be justified scientifically. Much of this is dependent, however, on the ability of the government to participate effectively in the Agreement. The Agreement itself tries to facilitate this by acknowledging the special problems that Pakistan and many other developing countries face in complying with SPS measures and allowing for special and differential treatment. However, the pace of

compliance is required to be faster in order to cope up with all requirements of WTO with particular reference to the Agreement on Sanitary and Phytosanitary Measures.

**e. Role of regional integration and cooperation, including South-South, triangular and other forms of cooperation, to complement the multilateral approaches in realizing an enabling environment**

Past efforts at regional integration have often focused on removing barriers to free trade in the region. Closer integration of neighboring economies has often been seen by governments as a first step in creating a larger regional market for trade and investment. Bilateral and sub-regional trading arrangements have been advocated by governments as economic development tools, as they have been designed to promote economic deregulation. Regional agreements are seen to have increased the free movement of people, labour, goods and capital across national borders. These have contributed to greater regional development by reducing the possibility of regional armed conflict and adopting cohesive policies on issues, such as the environment, climate change and migration.

Trading Blocks and Intra-regional trade between countries of the same region or economic zone is another aspect of regional integration. In recent years, countries within economic-trade regimes such as ASEAN, for example have increased the level of trade and commodity exchange between themselves which has manifested in inclusive growth and sustainable development of the region.

Pakistan believes firmly in the regional integration at all levels. Due to its geo strategic importance it's a most suitable route for trade with South Asian economies to Afghanistan and central Asia and vice versa. We have concluded various market access agreements with our partner countries in the region which includes, SAFTA, ECO Free Trade Agreement, Bilateral Comprehensive economic partnership with China, FTA with Sri Lanka and a PTA with Iran. These agreements are at different stages of implementation and business communities are utilizing the immense benefits through these arrangements. Pakistan's total trade stood at of more than 70 Billion dollars in 2010-14, out of which the share of SAARC countries was recorded at 8.22 percent.

**Regional Trade (SAARC)**

Country/Region	2013-2014			
	Exports	Imports	Total	Percent share
<b>SAARC</b>	<b>3,246.14</b>	<b>2,527.22</b>	<b>5,773.36</b>	<b>8.2</b>
Afghanistan	1,870.52	359.18	2,229.70	<b>3.2</b>
Bangladesh	698.20	55.86	754.06	<b>1.1</b>
Bhutan	0.00	0.00	0.002	0.0
India	408.37	2,049.38	2,457.75	<b>3.5</b>
Maldives	8.44	0.02	8.46	<b>0.0</b>
Nepal	0.65	0.74	1.39	<b>0.0</b>
Sri Lanka	259.98	62.03	322.01	<b>0.5</b>

Considering the trade and transport as the backbone for the enhancement of the trade linkages Pakistan has concluded the following transit transport agreements with their partner countries:-

- Afghanistan Pakistan Transit Trade Agreement, (APTTA)
- Agreement between Pakistan and Iran on bilateral Road Transportation of Goods,
- Agreement between Pakistan and China on International Road Transport (Goods & Passenger)
- Agreement for Traffic in Transit among China, Kyrgyzstan, Kazakhstan and Pakistan
- Agreement between Pakistan and Iran on International Transport of Passengers and Goods by Road
- ECO Transit Transport Framework Agreement (TTFA) (Road, Rail and Ports)
- Agreement between Pakistan and Turkey on Road Transport (Passenger and Goods)

In this regard, Transit transport infrastructure is being developed for increased regional connectivity.

#### **f. New and emerging issues on trade and development.**

Global economy is in the continuous evolution process and sometime without much prediction. The rise of the Emerging South has fundamentally changed the post-Cold War global economic geography. Their contribution to global gross domestic product, trade and investment flows, development assistance, and ultimately to innovation and technology development is substantial. The emerging South also provides alternative and growing markets to other developing countries as well as lessons for inclusive growth.

#### **Trade Facilitation**

Pakistan has always been supportive of the Trade Facilitation Agreement that was concluded during the ninth Ministerial Conference of WTO in December, 2013. In the first phase, developing countries are required to submit List A or those commitments which they can meet when the Agreement is implemented in a year's time. Pakistan has also submitted its list.

Some of the issues where Pakistan may be facing problem in implementing the agreement include "Single Window" which enables traders to submit documentation or data through a single entry point. Other problematic areas include issuing "advance ruling" scheme which require Customs Department to issue binding ruling relating to how the goods will be treated when imported. Transit trade is another area where there are some reservations. However, most other requirements should not pose any problem as Pakistan has already carried out several reforms in its customs procedures in the recent past and is able to implement the new Agreement. Resultantly, its importers and exporters will see considerable decrease in the cost of moving goods across borders. In particular, small and medium-sized (SME) businesses will gain greater access to the global market. This will boost economic growth, reduce poverty, and also greatly compliment Pakistan's efforts to fully benefit from GSP plus scheme.

#### **Competition and Regulatory Bodies**

The Competition Commission of Pakistan is an independent quasi-regulatory, quasi-judicial body that was established in October 2007 under the Competition Ordinance 2007. This ordinance has been re-promulgated as an Act of Parliament in 2010. Major aim of this act is to provide a legal framework creating a business environment based on healthy competition, improving economic efficiency, developing competitiveness and protecting consumers from anti-competitive practices.



## **Protection of Intellectual Property Rights**

Pakistan has upgraded its regime for the protection of intellectual property rights (IPRs) in line with its commitments in the agreement on Trade Related Intellectual Property rights (TRIPS). This includes strengthened protection of intellectual property rights and enhanced enforcement mechanisms. An integrated umbrella in the form of "Intellectual Property Organization of Pakistan" had been established for dealing with all aspects of IPRs.

IPO Pakistan Act, 2012 was passed by the Parliament and published on 6th December 2012. IPO-Pakistan, amongst other accomplishments, has achieved a milestone in promulgation of Intellectual Property Act, 2012 which encompasses various provisions on the diverse functions of Intellectual Property Organization of Pakistan. It calls for the establishment of IP Tribunals for speedy disposal of IP Cases.

The International Intellectual Property Alliance (IIPA) recommended that Pakistan should be on the Watch-List for the year 2013. This fact is reflected in IIPA's '2013 Special 301 report on copyright protection and enforcement'. In their latest Report submitted to USTR on February 7, 2014; IIPA has removed Pakistan even from the Watch-List.

### **Conclusion**

Although the fundamentals of the world trading system will, by and large, remain unchanged, the conclusion of the recent round is likely to improve the rules of the game and expand the 'level playing field.' It will set greater responsibilities, challenges and opportunities for members. The relevance of WTO in global transactions and interaction will be enhanced through regional connectivity. Nations that are preparing for the challenges, availing the expanding market opportunities and developing their competitive domestic environment stand a better chance to benefit from Doha results.

While negotiations and commitments under the Round are being conducted at the government level, business and industry will be the main actors. The competitiveness of a nation depends on the capacity of its industry and firms to continuously upgrade their production, processes, skills and management through investment and innovative approaches. The responsibility to avail the opportunities and face the challenges rests squarely on the government and the business community of Pakistan. Greater interaction and intimate collaboration among these groups can help in preparing the country to share in greater measure the gains of the newly emerging trading environment. In short, the multilateral forums have provided Pakistan an opportunity to create stronger linkages with the world economy. Pakistan, being a completely compliant country of the WTO commitments, is deeply engaged at all multilateral forums and providing its inputs wherever required.

