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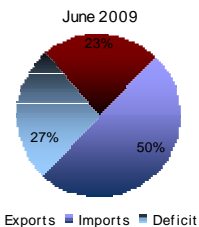
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Trade Policy 2009-12

THE GOVERNMENT IS DETERMINED TO AMPLIFIED THE COUNTRY'S EXPORTS UP TO 25 % DURING THE NEXT THREE YEARS UNDER ITS TRADE POLICY FRAMEWORK. WORLD TRADE ORGANIZATION (WTO) ESTIMATED A 9 PER CENT SHRINKAGE IN GLOBAL TRADE, BUT PAKISTAN WAS LESS HURT THAN OTHER COMPETITORS.

The trade policy, 2009-12 was announced by the government on July 27, 2009. A number of measures have been proposed in the trade policy to improve competitiveness and quality of products, and to develop small and medium sized sector to increase its share in total exports. Trade Policy deposits 23% export growth in three years. The three year frame work has envisioned an export growth of 6%, 10% and 13% for FY10, FY11 and FY12 respectively. However, the government would soon declare incentives including tariff rationalization for the textile sector through a separate Textile Policy. On the other side, the government should have announced textile policy abruptly after trade policy as holdup in announcing textile and monetary policies meant that textile sector would lose first quarter of current financial year to improve exports, which would be an immense loss to the economy.



■ Exports ■ Imports ■ Deficit

CONFRONT FACTORS.

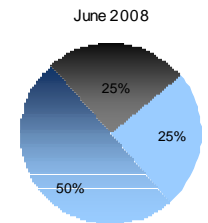
External Fronts

On the external front the most difficult issues include; the speculation process in international oil prices per barrel during the year. The increase in international prices of food items that Pakistan needed to import during the year, especially wheat and edible oil. The slowdown in the US economy and turmoil in the international financial markets thereby reducing external demand for our exports.

Sources: FBS

Internal Fronts

- Infrastructure deficit, particularly in energy.
- Poor innovation and technological infrastructure
- Low labour productivity.
- Low levels of manufacturing value addition.
- Little Foreign Direct Investment in manufacturing and exportable sectors.
- Anti-export bias in taxation.
- Increasing costs of exports as compared to imports
- Lack of product and geographical diversification in exports.
- Absence of economies of scale in the production processes, especially in the Small and Medium Enterprise sector which accounts for a vast.



■ Exports ■ Imports ■ Deficit

Sources: FBS

FOREMOST REFORMS

Insurance Cover: To persuade international buyers visiting Pakistan so that local industries are able to fetch export orders. The ministry has examined to provide insurance cover to international buyers intending to visit Pakistan for signing import-export contract with local export-oriented industries. An arrangement would be made available to local insurance companies to underwrite the insurance cover for the foreign insurance companies, which do not make available insurance cover for visitors intending to visit Pakistan. Export-oriented industries to be allowed to approach ministry bearing the cost of insurance cover to international buyers.

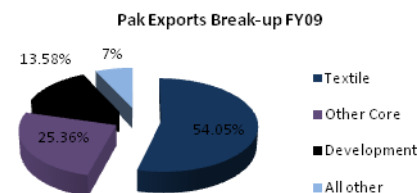
Enterprise and Entrepreneur Fund (EEF): The fund worth PRs3bn will be setup to improve exports of higher valuation addition products. The fund would be utilised to keep minimum the cost of capital, cost of imports and inflation for the export-oriented industries. In case the cost of capital goes up; the government would facilitate the export-oriented industries by bearing additional cost from the fund.

Inland Freight Subsidy: The Trade Policy has also offered inland freight subsidy to the export-oriented industries as the prices of especially diesel is increasing and in future are likely to increase further. At this point of time, when transportation charges are skyrocketing the government would divide up the transportation charges through Inland Freight Subsidy with the export-oriented industries. Inland freight subsidy for export of cement, soda, light engineering, leather, ash, hydrogen peroxide, marble/onyx/granite products, furniture and sanitary products including files.

FURTHER MAJOR REFORMS

- Raise allocate for engineering products in exports from 1.5% in FY09 to 5% in FY12.
- Regional trade activities will be encouraged to increase its share from 17% of trade to 25% by FY12.
- Services Export development fund to endorse and assist feasibility and profitability studies.
- Commerce and Finance Ministry to jointly develop fund to provide hedge aligned with interest rate volatility.
- A fund will be setup to promote brand development in textile industry.
- 25% freight funding for export of live seafood through air.
- Water and Power Ministry and Discos will develop framework in association with industrial come together to downsize electricity usage and avoid unannounced load-shedding.
- Small export-oriented industries like fans, auto parts, furniture, handicrafts, jewelry and pharmaceuticals will be zero-rated.
- Limit for physicians' samples may be enhanced to 20% from the current limit 10% at the time of launch with first shipment.
- 6% R&D subsidy for export of routed food items.

Sources: TDAP



OPTIMISTIC OUTLOOK

The trade policy 2009-12 a conceivable one provided it is implemented immediately, for announcements have always been made for the betterment of business-doing environment. The projected exports target for the fiscal year 2009-10, observance in view the declining trend in the size and share of Pakistan's export in the global trade. Furthermore, the dollar-rupee exchange rate parity has declined massively since the beginning of FY09 as the value of the rupee down by 35 per cent during last fiscal year. This projection could reduce the volume of Pakistan's exports in the foreign trade by declining the quantum of our exports in trading with major partners if the current pace of volatility in exchange rate is persistent in upcoming months. Balance of Payments is a hectic issue over economic boosting, Pakistan total exports stood at \$19.5 billion while the rupee was traded at Rs60 against local currency in local forex market. However, in the last financial year, 2008-09, the total exports of the country amounted to \$17.7 billion whereby the US currency crossed the level of Rs 80. The tangible export value was amounted at \$ 19.5 billion but in terms of quantity our exports witnessed \$14 billion during FY09. It is important to mention here that currently, the US dollar is hovering around at Rs83 against Pak rupee. The government is taking interest in stabilising the business scenario, and for that they should pay attention to on real issues of the industry. Moreover, in addition to power outages, there would be reduction in gas supply to industrial units starting from September as announced by water and power minister, which would hit the production badly.