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TRADE FACILITATION IN PAKISTAN

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by

Syed Irtiqa Ahmed Zaidi
Project Director
Trade and Transport Facilitation Project
Ministry of Commerce
Islamabad

TRADE FACILITATION IN PAKISTAN

INTRODUCTION

1. Trade facilitation measures have been receiving increasing attention in recent years in Pakistan, due to Trade and Transport Facilitation Project (TTFP) that has been implemented by the Ministry of Commerce since August 2001. Financed by a loan from World Bank, with technical assistance provided by UNCTAD, the TTFP is premised on the belief that a new institutional framework for commercial trade and transport facilitation reforms needed to ensure that existing transport and freight facilitation practices imposed minimum cost constraints on cargo movements and the minimum disincentives for the development of modern transport logistics systems, thereby improving Pakistan's commercial and industrial efficiency and trade competitiveness.

2. In Pakistan, as in many other countries, there is no single, formal definition of "trade facilitation." The focus or emphasis may vary, depending upon the mandate of the Government agency or the business of a commercial enterprise, but the basic understanding of trade facilitation is in line with the definition offered by the WTO: "the simplification and harmonization of international trade procedures." These procedures are defined as the "activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade."

3. Based on an analysis of the logistics costs of selected key commodities, the 1996 Pakistan Logistics Cost Study concluded, "that for a selected number of commodities, savings equivalent to 16.5 percent of the export value could be achieved." This indicates the potential savings, which could result if improved trade and transport logistics systems were implemented.

TRADE & TRANSPORT FACILITATION PROJECT

4. Trade and Transport Facilitation Project mentioned in para 1 above, was completed in 2006 with the following achievements:-

- i) A National Trade and Transport Facilitation Committee (NTTFC) was established as a public-private sector forum to develop trade facilitation initiatives and ensure their implementation. The committee was created by a resolution of the Ministry of Commerce in 2001, with a membership of 18 experts.
- ii) The Goods Declaration Form as Single Administrative Document implemented in all Collectorates of Customs in Pakistan.
- iii) Standard documents for port clearance of ships in accordance with FAL Convention of International Maritime Organization (IMO) introduced.
- iv) Minimum standards of professional qualifications and standard trading conditions for the freight forwarders developed.
- v) Substantial work on legislation of various Acts for carriage of goods (i.e. Road Act, Sea Act, Air Act and Marine Insurance Act), completed.
- vi) A model commercial invoice i.e. certificate of origin based on UN Layout Key introduced.

- vii) Phytosanitary Certificate based on UN Layout Key introduced.
- viii) Pakistan has ratified ATA Carnet (Istanbul Convention 1990) in 2004. The process for accession to the TIR Convention 1975 is underway.
- ix) Security Compliance.
 - International Maritime Organization's (IMO) International Ship and Port Facility Security (ISPS) Code has been implemented by the Ports and Shipping Wing since July 2004.
 - Pakistan and US have signed the Declaration of Principles (DoP) in 2006 for implementation of integrated Cargo/Container Control (IC³) Programme.

TRADE & TRANSPORT FACILITATION PROJECT : Phase-2

5. The successful implementation of TTFP was appreciated by all stakeholders both from public and private sector and also by the donor (World Bank). World Bank offered to provide financial assistance for the second phase of the project which may include Planning Commission, for further improving the implementation through better coordination among various concerned Ministries. The phase-2 of the project has started from July 2006, and will be completed in 2011. The objective of TTFP-2 is to streamline and integrate trade data exchange and official controls in order to reduce transaction cost. The Project will have positive impact on the policy frameworks of the several Ministries responsible for various aspects of international trade transactions including compliance with WTO obligations and development of non-traditional exports.

6. During almost three years of its implementation, following achievements have been made:-

- i) National Trade Facilitation Strategy (NTFS) has been prepared which has a time line Action Plan for implementation by concerned ministries, organizations and relevant stakeholders. NTTFC Secretariat monitors the implementation status of NTFS on regular basis.
- ii) A new Afghanistan-Pakistan Transit Trade Agreement has been drafted which will replace Afghan Transit Trade Agreement of 1965, after completing negotiations with Afghanistan (which have started with the 1st meeting of Afghan-Pakistan Joint Working Group held in Islamabad on May 14, 2009) and signing the Agreement before end 2009.
- iii) Certification Rules and Code of Conduct for Freight Forwarders have been approved. A Committee has been constituted in Ministry of Commerce to implement Mechanism for Freight Forwarders Performance.
- iv) Consensus has been developed between concerned ministries on Accession to TIR Convention and the process is at final stages.
- v) Capital Based Support Group (CBSG) for WTO Trade Facilitation needs assessment has been formed with broad Terms of Reference. The work on this activity is in progress.
- vi) Initial Study on Pakistan Electronic Trading Platform (PAKET) to simplify the logistics process and increase efficiency has been carried out.

- vii) Ad-hoc advisory services are being provided to National Trade Corridor Improvement Programme (NTCIP) for reducing the cost of doing business through various research studies.

CONCLUSION:

7. The experience of implementing trade facilitation project has been broadly very successful and beneficial. This is evidence from the results of second Logistic Cost Study prepared by Logistic Consulting Group, Denmark in 2006. The study has compared the results of Logistic Cost Study carried out in 1996. According to the study average logistic cost has decreased from 11% in 1996 to 6% in 2006. The study confirms that the major logistic challenges in Pakistan today are related to domestic transport, IT development and implementation of contemporary “in house logistic.” The finding of the report have been useful in designing a broad based programme known as National Trade Corridor Improvement Programme (NTCIP) being implemented by Planning Commission since 2008.

8. Although substantial success have been achieved in implementation of trade facilitation measures, progress has been slow in certain areas specially on legislation of various Acts for carriage of goods (i.e. Road Act, Sea Act, Air Act and Marin Insurance Act). Implementation of some trade facilitation measures took more time than expected due to coordination problems. The Issues of coordination are being given special attention by monitoring the implementation of trade facilitation measures through various committees i.e. NTTFC, inter-ministerial steering committees and Tri-partite Review (TPR) meetings among Ministry of Commerce, World Bank and UNCTAD.
