

**Secretary Commerce Opening
Statement**

24th March 2014

Pakistan's 4th Trade Policy Review

Good morning Excellencies, Ladies and Gentlemen.

1. I would like to begin today by thanking the Chairman, **Ambassador Paparizov**- Our discussant, **Ambassador Al-Otaibi** as well as the Secretariat for their support and encouragement during our Trade policy review.
2. We believe that this periodical exercise is an excellent opportunity for Pakistan; it acts as a catalyst for change, invites greater openness and transparency in trade policy formulation, as well as an impetus for Pakistan to move forward in its reform process.
3. We are grateful to the Members for their interest in this review. We have received over 200 questions so far and have responded in writing; Our team from the Capital, various Ministries as well as the Mission have done their best to ensure that we continue to respond to all questions.
4. Mr. Chairman, Pakistan is an active member of the WTO and a believer in the benefits of multilateralism in an increasingly polarized world order; we take this opportunity to reaffirm our commitment to the advancement of better and more trade through rules that are agreed to by all Nations.

5. We continue to engage meaningfully with the WTO, and are ardent supporters of the Doha round of negotiations. We believe that the successful completion of the Doha round would have more of an impact on world order and stability than any political agreement.
6. Ladies and Gentleman, this is Pakistan's 4th trade policy review since the establishment of the WTO and is being held at a time when the world is faced with many challenges, as is Pakistan.
7. The three biggest challenges to our economic and social growth are the ongoing security concerns, acute energy shortages and natural calamities. The scourge of terrorism that manifested in a chilling attack on school-going children in December 2014 in Peshawar, my hometown, had the potential to break our spirits; yet we are moving along, slowly but surely, with collective determination and greater national resolve.
8. Despite this backdrop, the economy has recorded a real GDP growth of 4.14%, the highest in five years and is projected to reach 5.1% by end of the Fiscal Year 2014-2015. Since the last trade policy review, Pakistan has experienced historic political developments which included the first orderly transition from one democratically elected government to another in May 2013, the 18th constitutional amendment devolving a number of federal functions to the provinces, and the 7th National Finance Commission Award which redistributed and shifted greater funds to the Provinces.
9. The new Government has set in motion a major reform agenda, particularly focusing on revival of the economy. Pakistan's key attractive qualities lie in its investment policies, growing Financial Markets, trade connectivity due to our

unique geographical placement with the world's two major trade hubs and finally, a growing consumer market comprising 180 million + people out of which two-thirds are under the age of 30.

- 10.** A significant move forward in Pakistan’s trade policy formulation has been the replacement of an annual trade policy by a 3-year Strategic Trade Policy Framework (STPF). Currently, we are in the process of formulating our third Policy Framework and intend to use the input from the TPR for better cohesion with our WTO commitments as well as plans to further expand trade. Some of the largest shifts that have taken place in the realm of trade policy formulation and implementation is the rapidly changing landscape on social compliance, namely Labour, environment as well as enhanced transparency laws.
- 11.** In the area of **trade and environment**, Pakistan has ratified many key environmental agreements. While a “green economy” has been a part of the Policy Framework 2012-2015, these new agreements shall ensure that Pakistan provides a fertile ground for a new generation of products and services. In this regard, a “National green export strategy” is being formulated.
- 12.** Secondly, Pakistan is fully committed to enhancement of better working conditions for its labour force by continuing to implement the ILO’s core **labour conventions**. Through the “Decent Work Country Programme”, we have developed priorities for access to viable employment for vulnerable groups, enhanced social protection coverage, provisions for strong and independent workers organizations, and elimination of child labour including its worst forms. Pakistan is sending strong signals that we are committed to moving away from the “business as usual model” and towards fair and equitable labour standards.

- 13.** Another critical area for even-keeled social and economic development is the integration of women into the economy by providing sustainable and meaningful livelihoods. We continue to focus on the prevention of violence against women, reduction of gender inequalities, primary education and maternal health care, as well as fuller participation in the political arena. The Government has put in place programmes to target major bottlenecks such as lack of finance, restrictions on mobility, discrimination at the workplace, as well as providing entrepreneurial skills, and market access opportunities for women.
- 14.** Mr. Chairman, a key theme that we have witnessed in this review process is the matter of **transparency**. A few positive but strong developments that we are proud of are as follows. Firstly, on the nexus between **transparency and the public sector**, we are in the process of incorporating the Convention against corruption into our domestic legislation. Secondly, our commitment to streamline more transparency into public procurement systems is evidenced by becoming an observer to the **Government procurement agreement (GPA)** at the WTO
- 15.** Thirdly, on transparency and competition, **the Competition Commission of Pakistan** is fast becoming a guarantor of investment and ensuring protection against cartelization. Speedy legal proceedings and efficient tribunals, a transparent Board and a core team are responsible for ensuring a new age of doing business in Pakistan. Major interventions made in the automobile, private airlines and energy sectors are some examples to illustrate the commitment and vision of the Government to promote genuine competitiveness.

- 16.** The most important elements in this quintet are the relationship between **transparency, investment and the effective protection of intellectual property rights**. The sole vision of Intellectual Property Rights Organisation of Pakistan is that we become a model nation guaranteeing protection of investment and enforcement of IPRs. Pakistan has revamped key IP legislation to ensure that all investments are protected and promoted in a manner conducive to 21st century business models. The Organisation has deep linkages with the Federal Investigation Agency and Customs for smooth working procedures and effective enforcement. Another recent achievement is the establishment of tribunals in major economic centres for resolution of IP disputes.
- 17.** On the relationship between **Transparency and SROs**- Pakistan has undertaken to eliminate all discriminatory SROs granting tax exemptions by the end of the Fiscal Year 2016-2017. As a giant step forward, in the fiscal year 2013-2014 alone, we have abolished exemptions and concessionary SROs worth over 1 billion US dollars and no new concessionary SROs have been issued till date. In addition, we are preparing the necessary legislation to permanently prohibit the practice.
- 18.** Closely related to enhancing external trade as well as better facilitation is the matter of **tariff rationalization**. This exercise will result in a coherent and clean tariff structure which facilitates the ease of doing business in Pakistan. The process was initiated in the fiscal year 2013-14 when the number of slabs was reduced from 7 to 6. Our aim is a simple and transparent framework having a maximum of four slabs by July 2017.

19. As members are aware, Pakistan has been a key contributor to the conclusion of the **Trade Facilitation Agreement**. According to one estimate, proper implementation has the potential to create 21 million new jobs world-wide and we are looking forward to increased coordination with the WTO and member states. We have also requested the WTO for a needs assessment to demonstrate our seriousness in wishing to fully implement this Agreement; we have provided our category “A” notifications and we will deposit the instrument of ratification as soon as possible.
20. Two institutions that will promote stronger trade relations and help businesses deal with disputes are National Tariff Commission and Trade Dispute Resolution Organization. We are in the process of revamping the **National Tariff Commission** as a priority; the Government has taken the first step by promulgating 4 trade remedy laws and procedures that are in greater compliance with WTO laws and procedures. This is geared towards helping businesses operate smoothly without undue government interference and inordinate delays in obtaining redressal.
21. The Government has also established the **Trade Dispute Resolution Organization** and is taking steps to provide efficient settlement of trade disputes between foreign and local businesses.
22. Mr. Chairman, I will now draw your attention to the efforts undertaken to improve our economic policy and environment. Our comprehensive reform agenda is focused on inclusive economic growth. We aim to maintain price stability, provide jobs to our youth and rebuild key infrastructure of the economy through removal of energy shortages, management of circular debt in the energy sector and privatization of Public Sector Enterprises.

- 23.** Pakistan's macroeconomic indicators have shown visible signs of improvement. The economy grew by 4.14% in fiscal year 2013-14 as compared to 3.7% during the previous financial year. Inflation has remained in the single digit for over a year. For the current fiscal year GDP growth target has been set at 5.1%. The international financial institutions are also acknowledging the positive improvements in our economy.
- 24.** We are presently engaged with the International Monetary Fund (IMF) under an Extended Fund Facility (EFF) amounting to USD 6.64 billion. We have successfully completed five quarterly reviews and are on track as far as prior actions, benchmarks, and policy actions for the sixth review are concerned.
- 25.** Pakistan recognizes that an improved monetary policy framework requires central bank autonomy- We are thus taking both legislative and non-legislative measures for better internal operations and enhance the autonomy of the State Bank of Pakistan. The reserves, which were at the lowest level of \$7.58 billion in February, 2014 have increased to over \$16 billion in the current month.
- 26.** Fiscal consolidation is one of the major objectives of our economic program. In the year 2014, fiscal deficit was recorded at 5.5% of GDP against 8.2% for the previous financial year. The budget deficit has been brought down successfully through prudent expenditure management strategy. Additionally, the government is following a comprehensive resource mobilization strategy with the aim to increase tax-to-GDP ratio to 15 % by the FY 17-18. It comprises broadening of the tax base, removing anomalies in the taxation system, improving tax compliance, eliminating the SRO regime and developing an integrated, risk-based IT system for all taxes. Resultantly our tax collection posted a healthy growth of 16.4% in the last financial year.

27. On social protection, the Benazir Income Support Programme was launched in July 2008 with the objective to protect the most vulnerable segments of society through the provision of cash transfers. The Nationwide Poverty Scorecard Survey prepared for the program is the first of its kind in South Asia. It has led to the creation of a large and reliable national database of the socio-economic status of almost 27 million households across Pakistan. The Programme has disbursed more than PKR 269 billion among its 4.83 million beneficiaries so far.

28. Mr. Chairman, to cater to growing demands, we are in the process of legislating three separate bills for regulating the financial sector, namely **the Futures Trading Bill, the Deposit Protection Fund Act** as well as **the Corporate Restructuring Companies Act.**

29. The Government has developed the National Power Policy (2013) which envisages a roadmap for providing affordable energy in the country through an efficient generation, transmission and distribution system. We are pursuing a time-bound strategy to tackle price distortions, insufficient collections, costly and poorly targeted subsidies.

30. We are also trying to address the issues of energy conservation, governance, regulatory deficiencies, low efficiency in energy supply, distribution, and privatization of government-owned power generation and distribution companies.

31. Under the public sector enterprises reform strategy, the Government is focused on improving corporate governance, restructuring public sector

enterprises, and Strategic Partnerships through Privatization. The recent divestment of United Bank Limited, Allied Bank Limited and Pakistan Petroleum Limited has attracted an encouraging response.

- 32.** In view of these developments, the multilateral donors and international markets have also reposed confidence in Pakistan's economic future which will go a long way in building up a strong economy. We have successfully completed two major transactions in international capital markets. These include two Euro bond transactions of 1 billion USD each and a Sukuk transaction of 1 billion USD.
- 33.** Consequently, a revival of investor confidence has been captured in better returns on investment in the Karachi stock market. The stock market witnessed its highest level in history and is presently trading above 33,000. In terms of market capitalization, it improved from 51.3 billion USD in May 2013 to 73.8 billion USD by 2nd March, 2015 thus posting a growth of 43.9 %.
- 34.** In the short span of less than two years since this Government was elected, we have made noticeable improvements in our trade and economic conditions. Clearly, there is a long road ahead of us. Our structural and institutional reforms for an open trade and investment regime shall bear results and we look forward to securing cooperation from our trade partners to improve our competitiveness and business environment.
- 35.** Mr. Chairman, I would like to end my statement by reminding the Members that multilateral trade negotiations remain a top priority for Pakistan. Although it has been more than a decade since the Doha Round was launched, we firmly

believe that the WTO is the only forum which can help create a level playing field for the poorest segments in the developing world, including millions of resource-poor farmers in Pakistan.

36. The Bali ministerial provided an opportunity to reinvigorate the Doha Round and we expect that the deadline set by our Ministers for developing the post-Bali work program by July this year will be met.

37. For Pakistan, meaningful market access in Agriculture, NAMA and Services remains a priority and we look forward to seeing these issues addressed effectively in the work program.

38. I thank you and look forward to a fruitful discussion over the next two days.
