

TRADE POLICY REVIEW OF PAKISTAN

23 and 25 January 2002

Concluding Remarks by the Chairperson

1. This, the second Trade Policy Review of Pakistan, has been an open, frank and very useful discussion of Pakistan's trade and related policies. Our work has been greatly facilitated by the active involvement of Secretary Beg and his delegation and by that of many Members. We now have a far better understanding by Members, and thus their collective evaluation, of Pakistan's trade and trade-related policies as well as of planned changes therein. The Review has also provided Members with the opportunity to acknowledge the recent progress made by Pakistan and to express their strong support for Pakistan's ongoing liberalization efforts. The outcome, I believe, has been a highly successful consideration of Pakistan's trade policies, practices and measures
2. Members expressed appreciation for the continued, successful implementation of the Economic Revival Programme that was launched to address Pakistan's economic and other impediments to sustained, strong growth. In this context, they noted the major market-driven measures adopted by Pakistan to liberalize its trade and investment regime; they referred in particular to the sharp cuts in and simplification of the customs tariff, Pakistan's main trade policy instrument, and the fact that 100% foreign ownership is now allowed in most sectors of the economy. However, they also noted the narrowness of the tax base, the impact of loss-making state-owned enterprises on the economy as well as the reduction in state involvement and monopoly rights in certain areas; they encouraged a continuation of the privatization process. In addition, Members noted the size of Pakistan's external debt and voiced some concern over the persistently narrow production/export base on the grounds that Pakistan's long term growth depended on export diversification; at the same time, however, it was pointed out that such diversification depends in turn on Members' willingness to open their markets further to Pakistan's exports.
3. Members noted Pakistan's strong commitment to the multilateral trading system and its limited involvement in preferential and regional trade initiatives. Members recalled Pakistan's active role in defending developing-country interests within the WTO. Despite difficulties and capacity constraints, Pakistan had, by and large, honoured its WTO commitments and had undertaken legislative and institutional reforms in this respect. Members praised efforts to improve transparency in trade and investment areas as well as the introduction of trade facilitation measures.
4. While expressing their appreciation of past and forthcoming tariff reductions and simplification, Members nevertheless voiced some worry over the persistence of high tariffs on a few sensitive items, the limited coverage of tariff bindings in manufacturing, the breached bindings, for which corrective steps are envisaged, and the widening gap between applied and bound rates, although acknowledging that this widening gap was the consequence of Pakistan's unilateral tariff cuts. Certain Members noted Pakistan's heavy dependence on customs duties for tax revenues. Members congratulated Pakistan for, *inter alia*, reducing the number of items on its negative list and for phasing out restrictions on balance-of-payments grounds ahead of schedule. Members recognized Pakistan's efforts to strengthen protection of intellectual property rights.
5. On sectoral policies, certain Members expressed particular interest in and appreciation of Pakistan's efforts to liberalize services and its undertakings under the GATS. Pakistan was commended for extending multilateral rules to the textiles and clothing sector.

6. Members also sought further clarification in a number of specific areas, including:

- WTO notifications and technical assistance;
- the application of MFN treatment;
- registration, customs valuation and minimum (import) values;
- revised disciplines on the use of regulatory duties and elimination of zero rate duties;
- government procurement (price preferences, bidding procedures, foreign suppliers);
- technical standards and SPS requirements;
- export subsidies and export-processing zones;
- TRIMS and plans for their elimination
- adherence to intellectual property rights treaties and conventions;
- the Pakistan Intellectual Property Rights Organization;
- applied tariffs, subsidies, State involvement (rice, cotton), and export measures in agriculture;
- measures pertaining to textiles and clothing and the automobile sectors; and
- deregulation, privatization, GATS commitments and MFN exemptions in financial services and telecommunications.

7. The Pakistan delegation gave written and oral replies to questions posed by Members during the Review, and undertook to provide responses at a later date on some outstanding matters. The replies provided have made a major contribution to this meeting, and were clearly appreciated by Members.

8. In conclusion, through this Review we have gained appreciation of Pakistan's achievements since the previous Review, and the challenges that lie ahead. It is my sense that Members greatly appreciate Pakistan's efforts to improve the fundamentals of its economy; they encouraged it to continue down this road in order to further improve its prospects for sustainable economic growth and social development. Economic growth goes hand-in-hand with trade liberalization and other modernization efforts, and Members invited Pakistan to count on the help of the international community both to secure lasting institutional stability and enhance its participation in the global economy.

9. Purely as an aside, and as much a comment on the review process as on this Review, I was struck by Secretary Beg's remarks that questions had given his delegation food for considerable thought and that sources of information had been found of which he was unaware. This goes to the heart of our work: not only do we learn a lot about the Member, but often the Member learns a lot about itself. Moreover, this is put into a multilateral setting, thus serving to strengthen our system. Increasingly our work highlights the value of the Trade Policy Review Body.
