



**International Trade Centre**  
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**European Commission (EC) Trade Related Technical  
Assistance Programme (TRTA) for Pakistan**

# **Strengthening of public-private trade policy consultation mechanisms in Pakistan**

Concept paper

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The International Trade Centre is the technical cooperation agency of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) for operational and enterprise-oriented aspects of international trade development. As the United Nations focal point for technical cooperation in trade promotion, ITC works with developing countries and economies in transition to set up effective trade promotion programmes to expand their exports and improve their import operations.

ITC works in six areas:

- ▶ Product and market development
- ▶ Development of trade support services
- ▶ Trade information
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- ▶ International purchasing and supply management
- ▶ Needs assessment, programme design for trade promotion

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## Overview

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This paper sets out the rationale for inclusion of this issue within the programme and conceptualises how the programme objective will be achieved during the remainder of the project. It summarises the progress made to date, and details the activities planned for 2006 and the outputs they will produce.

### Objective

**The objective of this project component is to assist the Government of Pakistan to strengthen the public-private trade policy consultation dialogue in Pakistan by offering for their consideration a series of concrete recommendations based on views expressed by both private and public sector stakeholders in a series of interviews and structured dialogues.**

To achieve this objective, programme activities will:

- Document the current trade policy consultation mechanisms in Pakistan,
- Review international “best practice“ in government/business sector consultations and the possibility of their application to Pakistan,
- Discuss the recommendations of the studies mentioned above with the public and private sectors, in separate and joint meetings, and
- Based on the discussion in the meetings mentioned above, develop concrete recommendations for the establishment of a more effective mechanism for public-private trade policy consultations.

# Rationale<sup>1</sup>

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## Development of public-private dialogue

Public-private dialogue on trade policy develops out of national circumstances, and existing constitutional, social and industrial structures as well as economic history, including the history of trade negotiations. Countries have adopted a wide range of approaches to policy consultation over the past 20 years, largely driven by the phenomena of large multilateral trade negotiations with comprehensive agendas and, later, by the advent of detailed ‘free trade’ agreements.

Governments’ willingness to undertake negotiations that go beyond the level of external tariff barriers and to reach inside national borders to regulations on tradeable services, intellectual property, farm supports, industrial and safety standards and trade policy administration and transparency, has developed over this time. It has grown in conjunction with, and to some extent has been motivated by, greater private sector interests in these aspects of market regulation and greater private and public sector capacity to analyse the impacts of impediments in these policy domains.

Countries have adopted a wide range of approaches to policy consultation, a process that has no single ‘best practice’ model.

## Common themes

Although no single ‘best practice’ model exists, a number of common themes emerge from looking at successful approaches to policy consultation:

- **‘Tops-down’ and ‘bottoms-up’ approaches** – both have strengths and weaknesses, and sometimes a hybrid combination of the two can capture the strengths of both approaches.
- **Broad representation** – the process of consultation is not a decision-making process; it is an information flow in both directions and a means of generating consensus on public policy. Broad representation is an effective means of achieving that consensus.
- **Transparency of participation** – a public register of individuals and organisations that participate in trade policy consultation helps to improve the representativeness of the consultations by encouraging the public to use these representatives as a conduit to the consultations.
- **Timely information and agenda setting** – practical requirements that are crucial to the success of a national trade policy consultative process. Information for meetings should be available well in advance, and short reports should be produced and distributed on every meeting.
- **Policy consultation and parliaments** – parliaments generally have a trade policy oversight role, rather than being an integral part of the process of consultation itself.
- **Role of peak organisations and alternatives** – reliance on peak sectoral organisations to ensure depth of representation has proved very effective in some countries, although it can expose the consultative mechanism to industry politics.

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<sup>1</sup> Taken from *Business-Government Consultative Mechanisms in Trade Policy: An international comparative study*. ITC, written by P.W. Gallagher, Inquit Pty Ltd, November 2005.

## Public sector role

National decisions on trade policy involve a range of public institutions and agencies with a variety of economic, social and regulatory mandates that must work together to ensure that trade and investment exchanges contribute to development. Consultation and consensus-building among ministries and agencies involved in trade policy-making and negotiations is essential to good economic governance, ensuring commitment to trade reform and full understanding of the reform's legislative, regulatory, and financial implications, as well as its effects on human resources.

Constructive dialogue on trade policy *between* government agencies, and with the private sector and civil society, is essential. Poor coordination among government agencies can adversely impact development if policies intended to expand trade and competitiveness are undermined by other economic policies, or if the pace or sequencing of adjustment related to trade and global competition reduces support for other development programs.

## Private sector role

Trade policy and negotiations help to create the regulatory environment for many aspects of commerce, whether in the national market or abroad. Trade policy decisions and negotiation strategies that are refined through a consultative process that engages legislatures, business groups and civil society are frequently more effective. Such dialogue ensures that trade policies are better attuned to the commercial environment and likely to be more broadly endorsed, making them also more sustainable.

## The Pakistan context

Pakistan recognises that a continuing and constructive dialogue between the public and private sectors is necessary for the economic development of the country.<sup>2</sup>

The government's trade policy-making process was previously considered too sensitive to involve the private sector, or even other government departments. However, the government decided in 2001 to increase transparency and participation in the trade policy-making process by inviting business associations to submit proposals for budgetary or trade policy measures. Initial concerns that this would result in conflicting or unreasonable demands have, largely, not been the case.

The increased transparency and participation in the trade policy processes has been recognised as enhancing trust and confidence in the process, in turn making the implementation of trade policy decisions easier. In summary, it allows for:

- The tapping of new resources and gathering of more information, and
- Building trust and enhancing capability and credibility of policy making.

This, in turn, directly feeds into and increases gains in Pakistan's WTO negotiating capability.<sup>3</sup>

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<sup>2</sup> Humayan Akhtar, Pakistan Minister for Commerce. *Speech on Trade Policy 2005-06*. Delivered on 21 July 2005.

<sup>3</sup> Dr Manzoor Ahmad, Pakistan Ambassador to the WTO. *Transparency and Participation in the Trade Policy Process*. Presentation to the WTO Public Symposium. 25 April 2005.

## Progress to date

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### Project purpose

These activities are taking place within the EC-TRTA for Pakistan, the purpose of which is to enhance awareness among the public and private sectors about the implications of the WTO Agreements on Pakistan's economy, and to assist Pakistan to build the necessary capacity to address issues resulting from its participation in the WTO.

These activities are specifically intended to look at the dialogue on trade policy between government departments, and with the private sector and civil society, and consider how it can be further strengthened.

### International study

An international comparative study was completed in November 2005. The study reviews the trade policy consultation mechanisms in a number of other countries (Brazil, Canada, China, India, Malaysia, Mexico, Philippines, United States), and looks at the purposes, participation, design and risks involved.

The study found that, while different national consultation mechanisms seem to have certain basic "building blocks" in common, they are actually characterised more by their differences than their similarities, reflecting the need for local solutions to meet local situations. Rather, the key value in looking at other national consultation mechanisms is the demonstration that this activity has taken on much more prominence in many economies over the past decade.

### National study

A national study was completed in January 2006, presenting an overview of the public-private trade policy consultation mechanisms currently in place in Pakistan. The study is based on interviews with over 50 stakeholders in the public and private sectors.

The study finds a clear divergence of opinion between the public and private sectors on the efficiency and effectiveness of the government's trade policy consultation process. The business sector, in particular, saw the current annual request for input into the development of the government's Trade Policy as top-down and distant from the reality of their market situations. On the other hand, the government felt that the private sector needed to develop its capacity to respond in a meaningful and informed way.

### Roundtable

A roundtable, held in Lahore on 26 November, started the process of discussion and debate about the current public-private trade policy consultation mechanisms in Pakistan. Roundtable participants represented a range of federal and provincial government agencies and private sector chambers of commerce and business associations.

The roundtable was given an overview of international comparative practices that highlighted experience that could be considered in the Pakistani context. In addition, a national expert

presented a snapshot of current opinion on Pakistan's public-private trade policy consultation mechanisms.

The roundtable concluded that the biggest challenge was not to increase the *number* of contacts between the government and stakeholders but to improve their *quality*, i.e. the timely and continuous two-way flow of information on trade policy and the market. This, in itself, would help improve the capacities of both business and the government to understand the complex environment within which trade policy is made.

A high priority was also placed on current plans to build better partnerships with academic institutions, to ensure better future access to both expert advice and trained personnel. These conclusions will help to inform discussion at the series of meetings planned for 2006.

### Round table conclusions

Consultation between the public and private sectors on trade policy in Pakistan should feature:

**Dialogue** – Consultation needs to be based on an **interactive dialogue** between responsible government officials and private sector stakeholders, sharing information and views.

**Continuity** – The current annual schedule for consultation, prompted by the Trade Policy document, does not provide the sort of **continuous dialogue** needed to deal with the fast-evolving global trade environment.

**Quality** – The biggest challenge is not to increase the *number* of contacts between the government and stakeholders on trade policy. Rather, it is to **improve the quality of such contacts** by, among other things, ensuring a timely, continuous, two-way flow of information on market developments and trade policy.

A dialogue along these lines would improve the capacity of the business sector to respond to the needs of policy makers for coherent, well-supported market information.

It is desirable to improve the capacity of **both** the business and government sectors to understand the complex environment within which trade policy is made.

**Strategic focus** – New opportunities for dialogue should be created that will enable both government and private sector stakeholders to identify priorities for Pakistan's trade policy, to focus on areas that have the greatest **strategic impact**, and to jointly plan to manage developments in the trade environment.

**Supported by technical input** – A high priority must be placed on plans to build better partnerships with academic institutions in future, to ensure better access to **expert advice and trained personnel**.

Roundtable participants also suggested that coordination of the results of the improved dialogue on trade policy issues between the government and private sector stakeholders, and within the government itself, called for the creation of a standing, high-level body, such as a **National Trade Policy Council** (NTPC) comprising government agencies, peak business and client service organisations, to advise the government at a strategic level on Pakistan's trade policies.

Membership should include:

- Federal Secretaries of peak government agencies
- Peak Chambers of Commerce
- Peak industry bodies.

## Planned activities and outputs

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### Activities planned for 2006

Following on from progress made during 2005, a series of meetings is planned during 2006 with both the private and public sectors to discuss in more detail the international and national studies undertaken, and potential recommendations for strengthening the trade policy consultation dialogue.

An initial meeting with private sector representatives will be held in April, ideally concurrent with the large stakeholders meeting hosted in Islamabad by the Ministry of Commerce as part of the annual trade policy consultation process.

A second meeting will be held with senior government officials involved in the trade policy consultation and policy setting process. The meeting will be held in June, in Islamabad.

A third meeting to be held in September, in the form of a retreat of senior representatives from ITC and the EC Delegation, as well as the Government of Pakistan and key private sector stakeholders, will bring both public and private sector stakeholders together to identify and discuss recommendations for strengthening the consultation framework.

Following the retreat, the resulting recommendations will be formally documented and presented to the Government for consideration by November 2006.

Further details of these [proposed meetings](#) are provided below.

### Other project activities

Other activities taking place within the project (e.g. sectoral meetings and studies, support for WTO reference centres, customisation of publications for Pakistan, etc) are also designed to also assist in building the capacity of public and private sector stakeholders to engage in dialogue on the multilateral trade environment and WTO agreements.

### Planned outputs

The following outputs will be delivered under this project component:

- An international comparative study of public-private consultation mechanisms (November 2005),
- A national study on the current public-private trade policy consultation mechanism in Pakistan (January 2006),
- Two issues papers, one identifying areas for discussion by the private sector and the other issues for discussion by the public sector,
- A paper synthesising, from the previous two meetings, issues for discussion by the private and public sectors, with a view to identifying potential recommendations to the government,
- A final report to the Government of Pakistan presenting recommendations for strengthening of the public-private trade policy consultation dialogue in Pakistan.

## Proposed meetings

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### Private sector – Strengthening the trade policy dialogue

#### Format

We will hold a **1-day** meeting with the private sector stakeholders consulted as part of the development of the annual trade policy (including academia and civil society), ideally concurrently with the large stakeholders meeting held as part of the trade policy consultation process in **Islamabad** in **April**.

#### Objectives

The objectives of this meeting are to:

- Build the capacity of private sector stakeholders to engage in dialogue, among themselves and with the government, on the multilateral trade environment and WTO agreements.
- Discuss the strengths and weaknesses of the current trade policy dialogue with the public sector and how these might be further improved.

#### Issues for discussion

An issues paper will be prepared, which:

- Summarises the strengths and weaknesses in the current trade policy consultation mechanism identified in the national study, with particular reference to consultations currently or potentially undertaken by the private sector,
- Highlights particular aspects of other countries' consultation mechanisms for consideration in the Pakistan context, and
- Presents other suggestions for strengthening of the dialogue.

#### Conclusions

Conclusions from this meeting will inform the issues paper to be developed as a basis for discussion at the subsequent retreat, in September, by key public and private sector representatives.

## Public sector – Strengthening the trade policy dialogue

### Format

We will hold a tightly focussed ( $\frac{1}{2}$  to **1 day**) meeting with key public sector officials involved in consultation for, and development of, the government's trade strategy and annual trade policy. It is proposed that the meeting take place in **July**, in **Islamabad**.

### Objectives

The objectives of this meeting are to:

- Build the capacity of public sector stakeholders to engage in dialogue, between themselves (i.e. intra-government consultations) and with the private sector, on the multilateral trade environment and WTO agreements.
- Discuss the strengths and weaknesses of the current trade policy dialogue with the private sector and how these might be further improved.

### Issues for discussion

An issues paper will be prepared, which:

- Identifies on the strengths and weaknesses in the current trade policy consultation mechanism identified in the national study, with particular reference to consultations currently or potentially undertaken by the public sector,
- Highlights particular aspects of other countries' consultation mechanisms for consideration in the Pakistan context, and
- Presents other suggestions for strengthening of the dialogue.

### Conclusions

Conclusions from this meeting will inform the issues paper to be developed as a basis for discussion at the subsequent retreat, in September, by key public and private sector representatives.

## Strengthening the Public-Private Trade Policy Dialogue

### Format

We will hold a **1-day retreat** with key public sector officials and private sector stakeholders involved in consultation for, and development of, the government's trade strategy and annual trade policy. It is proposed that the meeting take place in **September**, if possible just outside of **Islamabad (Bhurban)**.

### Objectives

The objectives of this meeting are to:

- Build the capacity of both public and private sector stakeholders to engage in dialogue on the multilateral trade environment and WTO agreements.
- Identify and discuss specific recommendations for how the current trade policy dialogue might be further improved.

### Issues for discussion

An issues paper will be prepared that:

- Summarises the discussions of the previous meetings held with the private and public sector representatives,
- Presents the particular aspects put forward by each meeting for further discussion in the Pakistan context, and
- Presents any other suggestions for strengthening of the dialogue.

### Conclusions

Conclusions from this retreat will be drawn into a formal report, with concrete recommendations for a more systematic and effective dialogue between the public and private sectors on trade policy, which will be presented to the Government of Pakistan for their consideration.