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Trade policy consultative mechanisms in Pakistan

A national study

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Abbreviations

APTMA	All Pakistan Textiles Manufacturers Association
CBR	Central Board of Revenue
CSP	Civil Service of Pakistan
EPB	Export Promotion Bureau
EU	European Union
FAP	Farmers Association of Pakistan
FPCCI	Federation of Pakistan Chambers of Commerce and Industry
ITC	International Trade Centre UNCTAD/WTO
LCCI	Lahore Chamber of Commerce and Industry
LUMS	Lahore University of Management Sciences
NUST	National University of Science and Technology
MINFAL	Ministry of Food, Agriculture and Livestock
MOC	Ministry of Commerce
MOIP&SI	Ministry of Industry, Production and Special Initiatives
NGOs	Non governmental organisations
NPOs	Non profit organisations
NTC	National Tariff Commission
NUST	National University of Science and Technology
PPMA	Pakistan Pharmaceutical Manufacturers Association
PTA	Pakistan Tanners Association
SIMAP	Surgical Instrument Manufacturers Association of Pakistan
SMEDA	Small and Medium Enterprise Development Authority
SBP	State Bank of Pakistan
TRTA	Trade Related Technical Assistance
UNCTAD	United Nations Committee on Trade and Development
WTO	World Trade Organisation

Executive summary

This national study was commissioned by the International Trade Centre UNCTAD/WTO (ITC) as part of the European Union (EU) Trade Related Technical Assistance (TRTA) programme in Pakistan, which is being implemented by ITC. The focus of the study was to analyze the current Trade Policy consultation mechanisms employed in Pakistan and to gather views and perceptions from the public and private sectors regarding the effectiveness of this consultation process.

During the compilation of the study, over 50 interviews were conducted in Islamabad, Lahore, Faisalabad, Karachi, Sialkot, Quetta and Peshawar. Public sector interviewees included:

- Officials at all levels in the Ministry of Commerce (MOC), Ministry of Food, Agriculture and Livestock (MINFAL), and Ministry of Industries, Production and Special Initiatives (MOIP&SI), and
- Representatives of the National Tariff Commission (NTC), Pakistan's WTO Mission to Geneva, Export Promotion Bureau (EPB), State Bank of Pakistan (SBP) and Small and Medium Enterprises Development Authority (SMEDA).

Private sector interviewees included:

- Business persons/exporters and industrialists,
- Business associations, such as the All Pakistan Textiles Manufacturers Association (APTMA), Pakistan Pharmaceutical Manufacturers Association (PPMA), and Surgical Instrument Manufacturers Association of Pakistan (SIMAP),
- Farmers associations, such as Farmers Association of Pakistan (FAP),
- Chambers of Commerce at Karachi, Lahore, Peshawar, Quetta and Sialkot,
- Representatives of academia at the Lahore University of Management Sciences (LUMS), National University of Science and Technology (NUST), and University Agriculture, Faisalabad, and
- Non-Governmental Organizations (NGOs)/Non Profit Organizations (NPOs), such as The Network.

During the course of the study, a picture of an extensive and two-tiered process of consultation emerged. The first tier involves consultation at and within MOC, and between MOC and a wide range of stakeholders. The second tier involves consultations conducted by the Chambers of Commerce and Industry, business associations, other ministries and different arms of the Government – such as SMEDA, EPB and Central Board of Revenue (CBR) – with their members or ‘client’ industry groups. The outputs from the ‘second tier consultations’ supply inputs to the first tier. Private sector stakeholders considered the first tier of consultations to be a one-way flow of information from themselves to the MOC, whereas the second tier was more of a dialogue, albeit a limited one.

Academia and NGOs/NPOs expressed strong dissatisfaction at not being included in either tier of the consultation process.

Perceptions and themes emerging from the interviews in the public and private sector are as follows:

- An overwhelming majority (90%) of public sector interviewees indicated satisfaction with the meaningfulness and transparency of the Trade Policy consultation process.
- In contrast, an overwhelming majority (90%) of private sector interviewees indicated severe dissatisfaction with the current Trade Policy consultation mechanism. While some respondents acknowledged some improvement in recent years, private sector interviewees expressed repeatedly that the current consultation mechanism was ineffective and the Government, even if it heard their views, always ended up doing exactly as it pleased. Nearly all private sector interviewees expressed the view that the current consultation mechanism was not a proper dialogue but a mere ‘rubber stamping’ exercise conducted by the Government to give legitimacy to its ‘pre-cooked’ plans and policies.
- An overwhelming majority of private sector interviewees expressed the view that powerful vested interests and lobbies influenced the consultation process and the Trade Policy consultations leaned heavily in favour of these.
- A majority of public sector interviewees thought the Government required more technical expertise in MOC. The private sector unanimously expressed the view that the Government, and in particular MOC, did not have the in-house technical expertise to handle Trade Policy formulation in this day and age and this impacted strongly on quality consultation.
- Chambers and business associations continually expressed that the consultations were meaningless because the ‘secret’ Trade Policy draft document was never shared with them before the Trade Policy was finalized. They felt they could not be expected to comment ‘blind’ on a document they had not seen and which would be presented to them as a fait accompli.
- A majority of public sector interviewees expressed strong dissatisfaction with the capacity and commitment of the trade and business associations to perform their function. A small number of the private sector interviewees agreed with this view.

Background to Trade Policy formulation in Pakistan

In Pakistan, trade policy is not only, as in most economies, a collection of statements made from time-to-time by the Government or the sum of the Government's trade-related actions. It is also a formal document, issued once each year, which authorizes changes in trade instruments (tariffs, subsidies and the like) that have fiscal impacts and, obviously, impacts on private interests, including through the revenues arising due to trade protection. The Trade Policy usually contains a rationale for the proposed changes as well as, possibly, statements on broader trade matters.

Since Pakistan's independence in 1947, a long-established practice has emerged in the formation of the Trade Policy. The responsibility for formation of the Trade Policy and Import and Export restrictions lies with the Federal Government, specifically with the Ministry of Commerce (MOC).

Pakistan's Trade Policy has always been guided by the economic and political backdrop of the time. The current climate of globalization and the WTO has influenced the Trade Policy in the direction and vision of an export-focused, liberal economy. An overview of the historical economic perspectives influencing Pakistan's Trade Policy is presented at Annex A.

Summary of findings

Overview of the Trade Policy consultation mechanism

From the interviews conducted in various ministries, in particular MOC as well as other arms of government and the private sector, a jigsaw emerged of the various pieces of the Trade Policy consultative mechanism. The picture is one that is viewed differently from the public *vis-à-vis* the private sector points of view.

MOC is responsible for formation of the annual Trade Policy, which is announced in July/August every year, closely following the announcement of the Federal Budget in June.

MOC does not have a specific cell or commission *exclusively* in charge of formulation of the Trade Policy. Through long-established practice, various wings of MOC work together, from the embryonic stages of formulation through to the final draft of the Trade Policy. The Federal Secretary and the Minister of Commerce oversee the procedure at various stages. Within MOC, Section Officers in the Trade Policy Wing, the Joint Secretary (JS) Imports, the JS Exports, the JS WTO Wing, the Secretary and the Minister of Commerce all play a role in the Trade Policy formulation and consultative mechanisms.

The informal review of the previous year's Trade Policy commences some three months after the announcement of the policy, in around November/December of the same year. The Secretary of Commerce holds monthly reviews of the current Trade Policy and the Minister of Commerce holds quarterly reviews of it. Any gaps, successes and failures in the Trade Policy are identified for consideration in the next year's Trade Policy.

From December/January, MOC issues a letter inviting proposals and comments for the formulation of the next Trade Policy. This standard letter, issued by a Section Officer in the Trade Policy Wing of MOC, is widely circulated to selected government agencies and to most business and industry associations, who may make direct written or face-to-face submissions to MOC officials in response to the invitation. Some stakeholders also make representations to officials or the Minister during the year, in addition to their response to the letter of invitation. The letter is not published in newspapers or advertised on the Internet. Furthermore, it is not sent to *all* relevant stakeholders: indeed academia and NGOs/NPOs report they have never received an invitation from MOC inviting their input into the Trade Policy.

From our interviews we identified six groups of stakeholders, not all of whom were formally part of MOC's consultative process:

1. The Chambers of Commerce and Industry,
2. Business/manufacturers' associations,
3. Specialized government agencies,
4. Pakistan's Missions abroad, provinces and international donors,
5. Academics (not consulted during the Trade Policy cycle), and
6. NGOs/NPOs (not consulted during the Trade Policy cycle).

We also identified three phases of the consultation process:

1. Inter-Ministerial consultation with relevant Ministries,
2. Stakeholders' meeting in April, and
3. Internal consultations at the MOC.

Stakeholders

Chambers of Commerce and Industry

There are currently 32 such Chambers in Pakistan, affiliated with the Federation of Pakistan Chambers of Commerce and Industry (FPCCI). The Chambers exist to promote business and industry, to provide a platform for and to safeguard the interests of the private sector, and to act as a bridge between the private sector and the government.¹

The Chambers interviewed reported they receive the letter from MOC inviting proposals in March/April (i.e. three to four months after MOC's consultation process begins) and are given 2-3 weeks to send in their proposals. They report this is too late and too short a time frame. Nevertheless, a flurry of meetings is triggered on receipt of the letter. Generally, the Lahore and Karachi Chambers are more active compared to, for example, the Quetta Chamber of Commerce and Industry.

On receipt of the invitation for proposals, the Chambers issue a circular to their members, via post and/or e-mail, requesting their input. Following this circular, meetings are held in the sub-committees on relevant issues, as well as individually with different sectors/businesses wishing to convey their views to MOC. Sometimes contradictory interests appear in the same sector; for example in the paper sector, there may be a duty- or tariff-related issue directly in competition between the paper manufacturers and the paper wholesalers. The Chambers collect and collate all the proposals and forward these to MOC, as well as MOIP&SI and any other relevant government arm, such as EPB or CBR.

The Chambers make recommendations on those subjects their members agree on more or less unanimously. For example, the Lahore Chamber of Commerce and Industry (LCCI) recommended that MOC should consult with the Chambers before entering into any Free Trade Agreements, a view wholly supported by its members. However, LCCI also reported that, where there are conflicting interests between different members, it does not 'filter' these conflicting demands but simply forwards them to MOC for final decision.

Business/manufacturers' associations

There are currently several hundred business/manufacturers' associations in Pakistan. Some 65 of these are deemed² 'A' class associations, mainly because they represent important export-focused industries or those more likely to be affected by WTO-oriented policies. Certainly, the powerful industrial sectors, such as the textiles, leather and sugar associations, are brought into the

¹ Currently, the Lahore Chamber of Commerce and Industry (LCCI) has some 12,000 members, composed of business and manufacturers' associations as well as other business entities. The LCCI has 80 sub-committees on areas such as Sales Tax, Imports Policy, WTO, SMES, Cottage Industry, and Textiles etc. Similarly, the Sialkot Chamber has 6,000 members and 43 sub-committees.

² By the Federation of Pakistan Chambers of Commerce & Industry (FPCCI).

consultative loop. Other prominent businesspersons and groups who carry huge economic influence were asked by MOC for their opinion on various trade policy related issues, including the formulation of the Trade Policy.³

The associations interviewed reported receiving a letter from MOC inviting proposals for the Trade Policy in April, May or even June. Following receipt of the letter, the associations consult with their members and hold meetings. As a result of these meetings, the associations formulate their proposals internally and forward these to MOC or MOIP&SI.

Some business associations receive the invitation for proposals, but at a redundant point in time. For example, SIMAP receives the letter from MOC in June, some 15-20 days before the announcement of the Trade Policy⁴. Some associations say they are never approached for consultations or invited to make proposals by anyone, including MOC. Furthermore, small and medium-sized farming enterprises complained of never being consulted at all.⁵

Some large business associations also initiate consultation with MOC directly, such as the All Pakistan Textile Mills Association (APTMA) and Pakistan Tanners Association (PTA). Representing the largest export sectors in Pakistan, APTMA and PTA frequently initiated dialogue with MOC and were also invited by MOC to discuss different issues throughout the year, not just during the Trade Policy cycle. APTMA and PTA expressed satisfaction with the consultation mechanism. However, this satisfaction is in contrast to the dissatisfaction expressed by other, perhaps less organized or 'important', business/manufacturers' associations.

Public sector interviewees were frequently of the opinion that the business/manufacturers' associations in Pakistan were severely lacking in awareness, capacity and capability to advance their interests. They pointed out that many proposals from the business sector tended to focus on narrow and immediate issues, such as sales taxes and utility connection charges, without taking account of broader or longer-term trade issues or strategy. Government officials felt strongly that, with such poor awareness and vision coming from the private sector, they had no choice but to rely on their own knowledge and perception to formulate the best policies in Pakistan's interests. Some private sector interviewees acquiesced to this view, holding that the private sector and the business associations needed to have much better awareness and planning in the current globalized environment in order to meet the challenges of the future and to strategize accordingly.

³ Several private sector stakeholders thought the government placed too much store on the opinions of these influential businesspeople, who sometimes offered views that benefited their own operations while causing harm to others.

⁴ As is apparent from the Trade Policy flow chart, the Trade Policy proposals are more or less finalized by May of the year it is announced.

⁵ This was despite MINFAL claiming to have broad and comprehensive consultation mechanisms. Moreover, the farmers interviewed felt strongly that the interests of large landholders and industrialists (e.g. in the sugar, wheat or cotton industries) would always overshadow those of small landholders or producers.

Specialized government agencies

Specialized government agencies, including EPB, CBR, SMEDA and SBP, are consulted during the Trade Policy cycle. It was noted that MOC is moving towards a year-round consultation with these arms of government, rather than an annual consultation, i.e. their inclusion in the Trade Policy formulation process is in addition to ongoing consultations on various issues throughout the year, some of which are also relevant to the Trade Policy.

EPB plays a major role assisting MOC in coordinating consultations with business/manufacturers' associations, as does SMEDA. EPB, in particular, is asked to meet with business associations referred to it by MOC; EPB offices in all four provinces are looped in to this task. The EPB is approached by the private sector and also claims to reach out to the private sector during the Trade Policy cycle. Proposals collected by the EPB are forwarded to MOC.

CBR is also consulted by MOC throughout the Trade Policy formulation cycle on various tariff-related issues. SPB may be consulted on or issued directions concerning certain Trade Policy issues, as is the CBR. It appears that SBP and CBR do not have a significant consultation role with the private sector, merely referring any queries received to MOC. NTC, the National Planning Commission and other government departments or authorities are also consulted.

SMEDA reported it receives a letter from MOIP&SI (its parent department) inviting proposals around January/February. It is given 2-3 weeks to provide its input, which it considers too short a time frame. Nevertheless, following receipt of the letter, SMEDA initiates its own consultative mechanism with the Chambers and business/manufacturers' associations, respectively.

SMEDA is represented on 27 Chambers across Pakistan. These representatives, as well as other SMEDA officers, sit with the Chambers' sub-committees in special meetings arranged by SMEDA to collect views on the Trade Policy formulation. Given its mandate, SMEDA pays special attention to the SME-related committees in the Chambers in order to gather their specific proposals.

Furthermore, SMEDA sends letters to 134 or so business/manufacturers' associations inviting their views and proposals for the year's Trade Policy formulation. Some associations are inactive, whereas others, such as those for poultry, cutlery, footwear and fans, are more aggressive and send in proposals as well as hold meetings with SMEDA. SMEDA collects the proposals from the Chambers and business associations, sorts out the 'doable' or 'worthy' from the 'ridiculous' proposals, and forwards them to MOC and MOIP&SI.

Missions abroad, provinces and international donors

Pakistan's Diplomatic Missions in important markets are also formally invited to send proposals for the Trade Policy. MOC considered that the comments from the Missions provided important input from Pakistan's key export markets into the Trade Policy process. Pakistan's Mission to the WTO in Geneva also appears to play an important role in providing its input during the Trade Policy cycle.

Inter-provincial consultative meetings also take place at MOC, commencing some 6 months prior to the formulation of the Trade Policy. A bottoms-up approach is adopted, with the meetings progressing to senior level as time progresses. The Secretary and Minister of Commerce, representatives of other ministries, CBR, SBP, EPB, and Governors and Chief Secretaries of Provinces are all looped into consultative meetings at various stages.

Donors and international agencies may also be consulted in the formulation of the Trade Policy, especially if there are any conditions attached to Pakistan's structural agreements with the World Bank or the International Monetary Fund.

All proposals gathered end up in MOC for consideration.

Academics

The academics interviewed during the course of this study expressed strong dissatisfaction with at exclusion from the process of consultation. They pointed out that, throughout the world, academics and think tanks are looped into consultations and can provide the Government with excellent research and strategic planning advice. The intellectual capital existed in academic institutions, such as LUMS, and the Government should tap into this capital. It was suggested that an endowment or a Chair could be set up specifically for the Trade Policy or any other agenda set by MOC and the academic institutions could produce ongoing research and working papers as well as identify the relevant stakeholders and areas of focus in the rapidly changing global trade environment.

The concept of a 'partnership' between academia and the MOC was stressed, rather than an *ad hoc* hiring of academic consultants on a temporary basis.

The importance of government-academic partnerships in the agricultural sector was also stressed.

NGOs/NPOs

NGOs and NPOs are not consulted during the Trade Policy cycle. A consumers' organization representative reported that the ultimate effect of trade policies was borne by the consumer, be these an increase in the prices of agricultural commodities or copyright issues in the computer industry. It was strongly felt that NGOs should be included in the policy formulation process to act as a check and balance in, for example, citizens' rights regarding fair trading practices.

Phases of consultation

The following phases were identified in the Trade Policy consultation process. However, it should be noted that, although distinct, the phases do not take place on a precisely run time schedule. Many consultations during these phases may take place simultaneously and in tandem.

Inter-ministerial consultation mechanism with relevant Ministries

Several government Ministries are formally asked by MOC to provide proposals for the Trade Policy, including, particularly, MOC, MOIP&SI, MINFAL, Ministry of Finance, Ministry of Communications, Ministry of Science & Technology, Ministry of Narcotics Control, and other 'relevant' trade related ministries. Deciding which Ministry is relevant to the Trade Policy inter-ministerial consultation appears to be at the discretion of MOC. None of our interviewees suggested changes in the breadth of these consultations.

When the request for proposals reaches the concerned Ministries, certain mechanisms are triggered. MOIP&SI reported that it consults regularly with relevant stakeholders within its scope, such as the engineering sector, services sector, and Intellectual Property (IP) and pharmaceutical-related sectors. MOIP&SI sends letters to its stakeholders, including the Chambers of Commerce and SMEDA, asking for their proposals on the Trade Policy being formed. Any proposals

received by it are forwarded to MOC. Separate interviews with SMEDA and the Chambers confirmed the receipt of this letter from MOIP&SI.

MINFAL reported that it consults with farmers' organizations on a nation-wide basis. The National Standing Committee on Agriculture (where Parliamentary representatives are present) takes views from farmers, ginners, livestock breeders and sellers. It holds discussions and seminars on seeds-related issues *vis-à-vis* the Agreement on Trade Related Intellectual Property Rights (TRIPs). MINFAL officials reported these consultations take place throughout the year, but extra meetings are held during the Trade Policy formulation cycle and proposals formed are reported back to MOC.

Large stakeholders meeting in April

Central to MOC's efforts at Trade Policy consultation is a large stakeholders' meeting held annually in April in Islamabad. The purpose of the meeting is to discuss proposals received or put forward by private sector stakeholders either before or during the course of this meeting. Interviewees from both the public and private sectors reported varying numbers (between 200-490 people) attending this meeting. Senior officials from all relevant ministries, such as MINFAL and MOIP&SI, the Minister and Federal Secretary of Commerce, representatives of the Provinces, as well as various business associations and other stakeholders, are all invited and attend. Stakeholders attending give PowerPoint presentations and/or put forward verbal and written proposals. MOC officials collect these proposals for review.

Interviewees from both the public and private sectors confirmed that this meeting has recently become a feature in the consultation mechanism for the Trade Policy. Some private sector interviewees had reservations about the efficacy of such a meeting, pointing out that the problems and proposals of hundreds of people could not be effectively discussed in one day. They thought it better to have focused, sector-wide discussions in a series of meetings with MOC, rather than one big meeting. Private sector interviewees reported strong dissatisfaction with the effectiveness of this meeting as a consultation tool.

Internal consultative meetings at MOC

Various private sector stakeholders also approach MOC throughout the year. MOC also reportedly invites private stakeholders, such as APTMA, for consultation on various issues. Therefore, a set of consultations also takes place internally at MOC with some private sector stakeholders in tandem with the Trade Policy formulation process. The scope of these consultations is unclear. However, it does appear that the bigger players are better able to have dialogue with MOC due to these meetings.

Decision-making after consultation

From the interviews, it is clear that an extensive set of consultative meetings take place prior to the announcement of the Trade Policy. The proposals collected in various ways all end up, in one way or another, at MOC.

Around April, the Trade Policy is still in a 'matrix' form at the MOC. There is no written text at this stage. However, final brainstorming sessions start to take place at meetings held by MOC between senior officials, the Joint Secretaries and the Secretary of Commerce, as well as officials from other relevant ministries, the CBR, EPB, SBP, and the Provinces.

There may be contradictory interests emanating from the same sector, e.g. the gemstone and gold manufacturers may disagree over a subsidy in the jewellery sector, the prawn farmers and prawn net producers may have a contradictory duty issue in the fisheries sector, and so on. These, too, are debated in various cross-sector meetings convened by MOC.

The ultimate decision as to which proposal to accept or decline for inclusion in the Trade Policy rests with MOC. Final decisions are taken after a flurry of long, high level meetings, involving the Minister and Secretary of Commerce, Joint Secretary (JS) Trade Policy, JS Imports, JS WTO Wing and other MOC officials, as well as inter-ministerial representatives, inter-provincial representatives, EPB, CBR, and certain private sector representatives, such as textile or sugar, or those able to plead a strong case to the Government.

In May, the ‘matrix’ is replaced by the first text draft of the Trade Policy. This is a secret document not available for comment by the public. The private sector expressed strong reservations about this secrecy. The Chambers and business associations felt they could not be expected to comment ‘blind’ on a document that they had not seen and that would be presented to them as a *fait accompli*.

Nevertheless, around May/June, the Prime Minister views the draft Trade Policy and calls various meetings with stakeholders, including inter-ministerial representatives, provincial representatives, private sector representatives, CBR and EPB.

Finally, the Trade Policy is presented to the Cabinet in July at a ‘cooked’ stage. Any amendments proposed by the Cabinet are added, around 10,000 copies of the Trade Policy are printed, and the Minister of Commerce announces it on the same day. The Trade Policy is translated into the Import Policy Order and the Export Policy Order of the year and becomes legally effective and binding.

Trade Policy flow chart

Detailed flow charts of the Trade Policy consultation mechanism are set out at Annex B.

Perceptions and themes on the Trade Policy consultative mechanism

Meaningfulness of the consultative mechanism

All public sector interviewees expressed satisfaction with the meaningfulness of the Trade Policy consultative mechanism, whereas an overwhelming majority (90%) of private sector interviewees expressed dissatisfaction with it. The private sector felt they were not adequately looped into the consultation process. Moreover, they felt that, even if their voices were heard, their views were not generally included in the final Trade Policy document and the Government gave no reasons for this.

Wider distribution of the invitation to submit comments

The interviews suggested that MOC's letter inviting comments and proposals for the formation of the Trade Policy should be more widely distributed. Some stakeholders, such as academia and NGOs/NPOs, never receive this letter and are left out of the process entirely. Equally, some business associations and other stakeholders reported receiving the letter in March/April or even June – clearly not in time to make a meaningful input to the process.

Is there a need for an annual process?

Comments from the private sector suggested that an annual Trade Policy was not needed; indeed, very few countries in the world followed this route. Some interviewees thought that such an annual process resulted in uncertainty and a lack of cohesiveness in the Government's policy-making. They stressed that what was really required was a clear, precise and consistent trade policy direction rather than a formal document published every year. Rather than having an annual Trade Policy document, the Government ought to create a trade-facilitating environment whereby consistency of policy was ensured.

Is there a need for a secret document?

Several private sector stakeholders objected to the 'secrecy' of the Trade Policy document. One recurring view was that the Government expected stakeholders to comment 'blind'. Instead, they felt the Government should submit a draft of the Trade Policy to stakeholders and provide a reasonable time frame for them to comment on the proposals set out in the draft.

Private sector stakeholders also commented in this context that the Government did not provide stakeholders with sufficient information on trade policy issues, e.g. on issues such as the Government's negotiating position in various Free Trade Agreements, for them to respond with wholesome, well-informed comment. They stressed that such secrecy was unnecessary and even damaging in the present global trading environment.

Greater dialogue between decision makers and stakeholders

The interviews indicated a need for more two-way dialogue between the decision makers (i.e. the Government) and stakeholders. Many private sector interviewees expressed great frustration at sending their views through their Chamber or business association, then seeing no steps taken on their suggestion by the eventual decision makers, i.e. MOC. Although MOC itself claims to be an open-door ministry, many stakeholders felt a lack of direct communication with it. They would

like representatives from MOC to share information with them, hear their views and be able to justify the policy decisions it takes.

Justification of policy decisions

A vast majority of private sector interviewees were frustrated that, even when they had expressed their views to MOC, whether directly or through their association/Chamber, none of their suggestions were actually taken into account when the Trade Policy document was made public. Many interviewees were very dissatisfied with the lack of transparency with which the final decisions were made. Almost all private sector interviewees considered that vested interests lay at the root of some trade policy decisions made by the Government and expressed strong dissatisfaction with this situation.

A better process for reconciling different views

During the consultative process, the Government was at times faced with contradictory views and interests emanating from the same sector or even cross-sector. Some interviewees wished to see more focused, consultative meetings conducted on a sector-wide basis, in an open, transparent and well-publicized way. Some interviewees thought the one-day consultative meeting held by MOC in April was simply not enough to constructively and fruitfully understand the proposals and resolve the differing opinions of the entire business community of Pakistan. They felt MOC should instead hold smaller, more focused, sector-based, stakeholders-government meetings, so that professional and constructive discussions could take place in an open and transparent manner.

Need for information dissemination and implementation mechanisms

Some interviewees pointed out that the proposals contained in the Trade Policy were not adequately disseminated to the intended beneficiaries. They felt the proposals ought to be widely published and advertised, including the details or incentives, funding and operating mechanisms, etc, so that the intended benefits can be properly realised.

Moreover, they pointed out that many of the proposals were not accompanied by appropriate implementation mechanisms. Even if a beneficiary is aware of a proposal, if the implementation mechanisms are not in place by the time the Trade Policy is announced, there can be insufficient time for the benefit to be effectively realised. By the time the bureaucracy put the implementation mechanisms in place, it was already time for the next year's Trade Policy and that proposal was already seen as a 'failure'.

Capacity to understand issues on both sides

Technical and systemic issues

Interviewees were asked whether the Government, and in particular MOC, had available to it the technical expertise required to formulate trade policy in this day and age. Did MOC and other relevant arms of government have access to the highly qualified international and local lawyers, economists and trade experts it needed? A large majority (80%) of public sector respondents thought the technical expertise was not sufficient and needed improvement. Private sector respondents unanimously agreed that MOC did not have the required technical expertise and that the bureaucracy was not equipped for the extremely technical trade-related demands of the day and age.

Interviewees were also asked if systemic practices in the Civil Service of Pakistan (CSP), such as the frequent transfer of bureaucrats from one department to another, were a problem as far as the capacity of relevant ministries and departments to conduct quality consultations.

The 70% of public sector interviewees who responded to this question thought transfers were a problem, in that they affected the continuity of consultations. If an on-the-job trained bureaucrat is replaced by a someone fresh who needs to spend 36 months learning the ground reality and technical issues involved in the particular sector, this must impact on consultations. Moreover, 100% of private sector respondents thought that frequent transfers in the CSP were a major source of ineffective and low quality consultative mechanisms. Several cited international examples, where continuity and a technocratic culture were in force.

Research & development

Interviewees were asked if the government sector, particularly MOC and other relevant ministries, had adequate research and development (R&D) mechanisms, and whether high quality, sector-wide studies comparing Pakistan's competitiveness, potential and problems were conducted.

100% of private sector respondents expressed the view that the Government's R&D facilities and procedures were extremely inadequate and that this added a cost to industry.

None of the academics, think tanks, NPOs and NGOs interviewed were ever invited by MOC to express their views. All of these respondents thought that a government-academic nexus was crucial to the formation of strategic trade policy. A recurring opinion expressed by these respondents was that the Government had not commissioned any institutionalized, permanent, independent think tanks to assist it as partners in the research and policy planning process. While ad hoc consultants from IMF or World Bank were looped in sporadically, an institutionalized set-up of academics and think tanks was an essential missing link in the Trade Policy formulation and consultative mechanism in Pakistan. Several international examples, particularly India, EU and US, were quoted.

Asked about similar capability in the private sector, 100% of public sector respondents expressed the view that business associations were inadequately prepared to undertake R&D in this area.

50% of private sector respondents agreed that they, too, must build their capacity in this area. In addition, they felt strongly that their business associations must also build their capacity to meet the challenges of globalization and be better prepared with adequate supporting documents and statistics to plead a strong case to the Government when required. A recurring view expressed was that institutional support from the Government was essential, such as in China and India, as the private sector could not be expected to take over government-related responsibilities.

Annex A – List of people interviewed

Public sector

Ministry of Commerce, Islamabad

Syed Asif Shah, Federal Secretary

Ms. Saira Abbas, Director to Minister of Commerce

Mr. Irfan, Assistant Head

Mr. Adnan, Section Officer, Trade Policy Implementation Section

Mr. Ahmed Mukhtar, Section Officer, WTO Wing

Mr. Syed Qasim Ali Shah, National Project Manager, Trade Initiatives from Human Development Perspective, UNDP (Based at Ministry of Commerce, Islamabad)

Dr. Nadeem ul Haque, Trade Policy Adviser to Government of Pakistan

Ministry of Industries and Production & Special Initiatives (MOIP&SI), Islamabad

Suleman Ghani, Federal Secretary

Ministry of Food, Agriculture & Livestock (MINFAL), Islamabad

Dr. Waqar Masood Khan, Special Secretary to the Prime Minister, Federal Secretary

Dr. Wajid Peerzada, Chief WTO Wing

National Tariff Commission (NTC), Islamabad

Dr. Faizullah Khilji, Chairman

Pakistan's Mission to the WTO, Geneva

Dr. Manzoor Khan, Ambassador

Small & Medium Enterprises Development Board (SMEDA), Lahore

Ms. Aisha Amjad, Assistant Manager Policy Planning

Export Promotion Bureau (EPB), Karachi

Mr. Rafiq Qureshi, Deputy Director

State Bank of Pakistan (SBP), Karachi

Mr. Zaheer Abbas, Assistant Director & Trade Policy Resource Person

Private Sector

Chambers of Commerce

President & Secretary, Chamber of Commerce & Industry, Sialkot

Mr. Misbah-ur-Rehman, President, Lahore Chamber of Commerce & Industry

Mr. Aftab Vohra, Senior Vice President, Lahore Chamber of Commerce & Industry

Mr. Ghazanfar Bilour, President, and Mr. Muhammad Ayub, Secretary, Sarhad (NWFP) Chamber of Commerce, Peshawar

Mr. Ishaq Subhani, Director Research, and Seema Khanum, Deputy Secretary, Karachi Chamber of Commerce & Industry

Mr. Khalid Feroze, former President, Karachi Chamber of Commerce & Industry

Representatives from Quetta Chamber of Commerce

Business / Industry Associations

Mr. Aamer Riaz Bhinder, Chairman, Surgical Instruments Manufacturers Association of Pakistan (SIMAP), Sialkot

Mr. Anis-ul-Haq, Secretary, All Pakistan Textiles Mills Association (APTMA), Lahore

M. Ibad Khan, Farmer & Member of the Farmers Association of Pakistan (FAP), Lahore

Mr. Mansoor, Chairman, Pakistan Tanners Association (PAT), Lahore

Business people

Akbar Sheikh, CEO, North Star Group (Textiles), Lahore

Mr. Muhammad Zaka-ur-Rehman, CEO, Schazoo Laboratories Private Ltd, Lahore

Mr. Masroor Ahmed Khan, Director, Syed Bhais Private Limited, Lahore

Mr. Tariq Mehmood Sheikh, CEO, Interhom Private Limited, Lahore

Mr. Muhammad Yar Rahi, General Manager, Shakarganj Sugar Mills Private Limited, Faisalabad

Mr. Khawar Khawaja, CEO, Greys of Sialkot, Sialkot

Mr. Sheikh Imran Kapoor, Managing Partner, IWHA Sports Industries, Sialkot

Mr. Zahid Malik, Director, Malik Sports, Sialkot

Mr. Asim Buksh, Director, J. Karim Buksh Private Limited / Men's Store, Lahore, Karachi, Islamabad

Academia

Mr. Mansoor Malik, Director General, Intellectual Property Wing, National University of Science & Technology (NUST), Islamabad

Dr. Ali Cheema, Associate Professor, Lahore University of Management Sciences (LUMS)

Abid Aman Burki, Associate Professor & Director, Centre for Management & Economic Research, Department of Economics, School of Arts & Sciences, Lahore University of Management Sciences (LUMS)

Representatives of University of Agriculture, Faisalabad

NGOs / Consultants

Mr. Aziz-ur-Rehman, Director, The Network, Islamabad

Mr. Akhtar Mehmood, Consultant

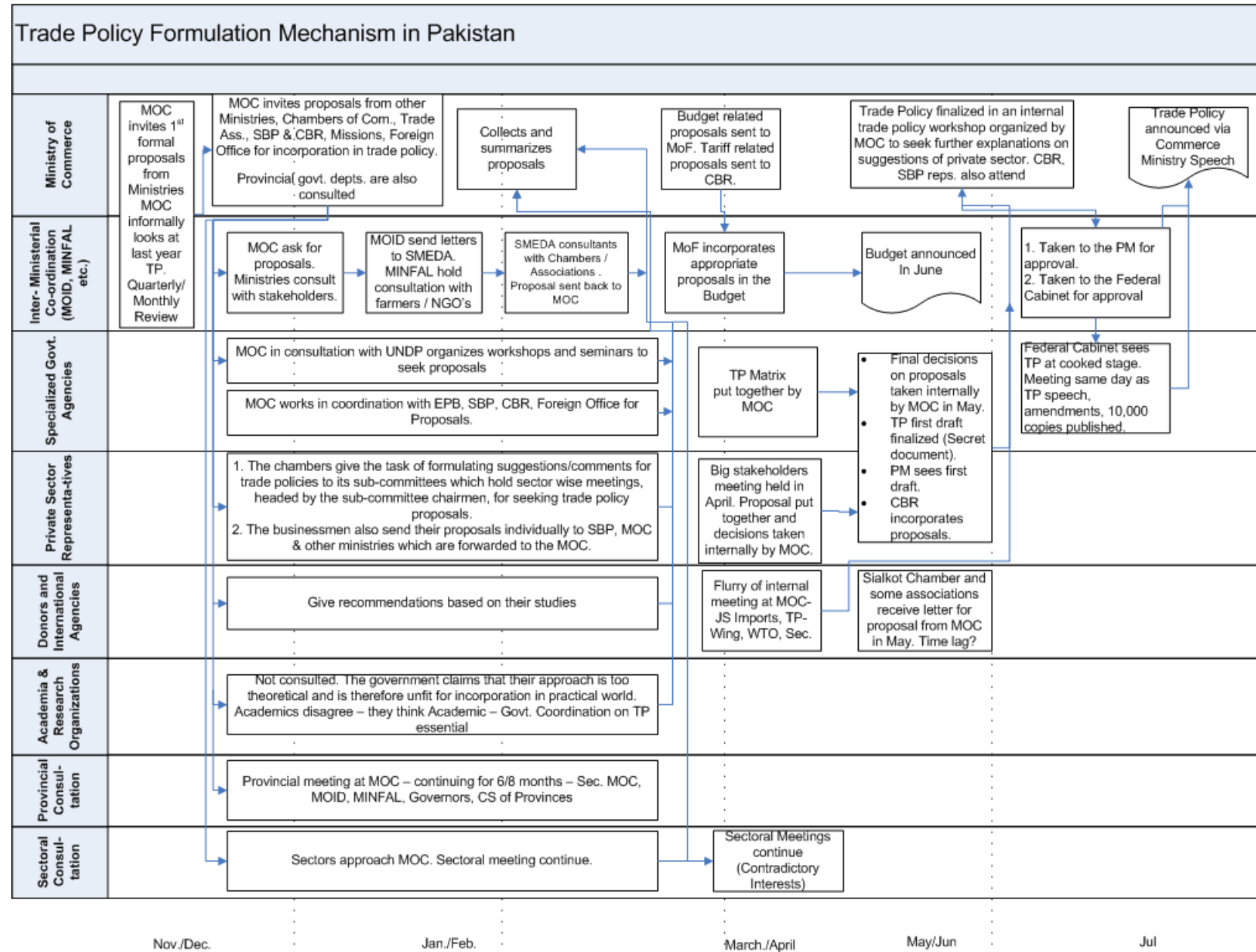
Annex B – Trade policy making in Pakistan

Historically, Trade Policy in Pakistan has been influenced broadly by the political backdrop and economic philosophy of the day.⁶

- 1947** When Pakistan came into existence in 1947, it was considered the ‘economic backwater’ of the Indian sub-continent and its industrial base was non-existent. All industry-based entities, by stroke of fortune, fell within the new Indian boundary. Indeed, TIME magazine in 1947 described Pakistan as ‘an economic wreck.
- 1947-1958:** While finding its feet, the Government’s direction on the Trade Policy formulation was underpinned by Import Substitution industrialization. High tariff protection, strict Import Licensing and Foreign Exchange controls defined the Trade Policy at the time.
- 1958-1968:** Often referred to as the ‘golden era’ of Pakistan’s development. Pakistan’s economy grew at phenomenal rates, earning accolades internationally. There was a re-ordering of the Trade Policy and more liberal policies were pursued, away from direct control to indirect control and massive support was given to encourage industrialization.
- 1968-1977:** An era of nationalization of all basic industry and financial institutions. It is considered one of the worst phases of Pakistan’s economic history. The Trade Policy was underpinned by nationalization and government controls.
- 1977-1988:** This phase again witnessed economic growth. The Trade Policy focused on encouragement of industrial enterprise, some industry was denationalized, economic regulations were eased, and export rebates were introduced.
- 1988-onward:** The Trade Policy took a definite shift towards liberalizing the economy, reducing regulatory restrictions, creating an environment for Foreign Direct Investment, easing restrictions on imports and liberalizing Foreign Exchange regulations. The World Bank and IMF took a major role in Pakistan’s economic affairs and the Trade Policy. With its entry into the WTO in 1995, Pakistan’s Trade Policy entered a period of establishing a liberal, export-focused economy.

⁶ Akbar Zaidi, S. Issues in Pakistan's Economy. Second Edition. Oxford University Press, 2005.

Annex C – Trade policy flow charts



TRADE POLICY ANNOUNCED IN TRADE MINISTERS SPEECH (JULY)

