

# DISCUSSION ON TRADE PERCEPTION SURVEY

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# Selection of Indicators

- Indicators used are comprehensive
- However, under market access:
  - Lack of 'Made in Pakistan' brand in India may have been useful
- Impact of unnecessary contact with:
  - intelligence services on either side affects trade
- 'Process variance'
  - Common complaint by Pakistan side

# Survey Sample

- The weights of the selection represent
  - Share of sector in current exports
    - Discounts representation of sectors with potential
      - For example: Machinery and Mineral products
- Sample selection from Pakistan
  - What cities and products?

# City Wise Results

- Match with other previous studies
  - Most feel a positive change
- Larger number of firms in India see no change
  - In market access and business facilitation
  - What are the reasons for this?
- Ability to meet standards is not a barrier
  - Yet exporters feel the heat
    - Lack of “made in Pakistan” brand becomes important
- Can the data allow product wise comparison?

# TRADE PERCEPTION OF KEY INDUSTRY CHAMBERS OF PAKISTAN

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A qualitative assessment done by LUMS  
University (2012)

# Sialkot Chamber

- Industry representation:
  - Surgical Instruments Industry, Sports Goods Industry, Textile and Apparel, Leather Tanning, Gloves, Leather Garments and Allied Light Engineering Industry
  - General sentiment extremely positive
  - All sectors to gain via exports and cheaper import
  - Currently exporting surgical instruments to India
    - Mostly unfinished items which is a cause of concern for industry

# Sialkot Chamber (Cont.)

- Key issues:
  - Experienced high rates of default on credits
  - Inconsistency in application of procedures
  - Lack of knowledge and clarity on tax rate on Indian importers
  - Some bad experiences with respect to undue contact with IS
  - Irrational approach of governments on both sides
    - To deal with sensitive activity on either side
      - Business feel at risk of losing investment in case of a bad event
  - Need to have more land route openings

# Lahore Chamber

- Group of manufacturers vs. traders
  - clear divergence of views between
    - the manufacturers and traders
- manufacturing community is
  - cautious and circumspect about the potential gains from trade
    - Due to internal factors impeding competitiveness
- the traders are much more
  - confident and enthusiastic about the prospects of trade
    - 20% reduction in cost when directly imported & not Dubai



# Lahore Chamber (Cont.)

- Key Issues:
  - Acceptance of certifications of Pakistani labs.
  - Weak infrastructure at Wagah
  - Agriculture subsidies given by India
  - India eyeing to use Pakistan as a trade route
    - To what extent this should be allowed
    - It will hurt Pakistan's trade with Afghanistan
  - Calculation of import duty is an issue.
    - For example, on fabrics duty is charged either by weight or value whichever way the duty is higher. As Pakistan's fabric is of slightly less quality, and therefore less in value but much more in weight, the effective duty makes it infeasible to export.

# Faisalabad Chamber

- Industry represented:
  - Textiles, chemicals and agriculture machinery
- General sentiment positive with reservations
- More benefits from direct import
  - For example dyes & chemicals used in textiles
    - Currently it takes around 4 weeks to import dyes made in India via Dubai and the freight cost is about 35% of the total value. Once the trade opens up it will only take 3 working days and the freight cost will be less than 2%
- Pakistani made beddings and curtains have a large market in India

# Faisalabad Chamber (Cont.)

- Key Issues:
  - Indian textile lobby is fairly strong preventing access
    - The duty structure is such that even with MFN minimal textile export to India
  - Internal competitiveness and other industry issues will hurt Pakistan more initially
  - Trust deficit exist on both sides

# Karachi Chamber

- Karachi Chamber represent over 17,000 business in diverse industry categories
- Extremely positive about trade prospects
- See this as an opportunity to strengthen regional trading block
- Felt Indian NTB's were a result of Pakistan's delay in reciprocating MFN status
  - Example is yarn trade (significantly increased after MFN but then died out due to protection measures from Indian side)

# Karachi Chamber (Cont.)

- Energy crises in Pakistan
- Perception that India will wipe out local industry is flawed
  - The local brands have significant brand loyalty
- Economic ties with a way to enhance energy production and trade
- Negative/Sensitive lists should be bilaterally removed
- Joint ventures and projects with transfer of technology
- Trade will result in savings made on freight
  - A key competitiveness driver in future

# Summary Slide

- FPCCI, KP Chamber, Multan Chamber and Gujranwala Chamber also had similar inputs
- Broadly trade is likely to grow with surplus being in favor of India – but total exports of Pakistan likely to increase
- Stronger harmonization of standards and development of brands will relieve artificial NTBs
- More facilitation especially in visa, improvement in trade infrastructure and avoidance of undue contact will IS will improve exchange