PAKISTAN TRADE PROJECT

QUARTERLY TRADE BULLETIN

FY 2011 (OCTOBER – DECEMBER 2010)

01 MARCH 2011

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CONTENTS

ACRONYMS

ADB	Asian Development Bank
APTTA	Afghan Pakistan Transit Trade Agreement
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FBS	Federal Bureau of Statistics
FDI	Foreign Direct Investment
FY	Fiscal Year
GoP	Government of Pakistan
IMF	International Monetary Fund
IPR	Intellectual Property Rights
KPK	Khyber Pukhtoonkhwa
LSM	Large Scale Manufacturing
MoC	Ministry of Commerce
NHA	National Highway Authority
NTICP	The National Trade Corridor Improvement Program
PFVA	All Pakistan Fruit & Vegetable Exporters, Importers & Merchants Association
PGJDC	Pakistan Gems and Jewelry Development Company
PIAF	Pakistan Industrial and Traders Associations Front
PITAD	Pakistan Institute of Trade and Development
PTP	Pakistan Trade Project
ROZ	Reconstruction Opportunity Zones
SBP	State Bank of Pakistan
SEZ	Special Economic Zones
TRTA	The Trade Related Technical Assistance
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WB	World Bank
WTO	World Trade Organization
YoY	Year on Year

INTRODUCTION

PROJECT BACKGROUND

In response to Pakistan's worsening trade situation as indicated by declining exports and low ranking (84 out of 118 countries) in the 2008 Global Enabling Trade Report Index, the USAID launched the USAID Pakistan TRADE Project (PTP) on June 22, 2009 with three key aims: 1) to improve Pakistan's overall trade environment through improved regulations, policies, systems and capacity; (2) to increase cross-border trade with Pakistan's neighbors, especially with Afghanistan through implementation of the Afghan Pakistan Transit Trade Agreement; and (3) to support the implementation of sustainable and competitive Special Economic Zones (SEZs) and the Reconstruction Opportunity Zones (ROZs) program.

HOW THIS REPORT IS STRUCTURED

The present report's structure begins with the introduction; a brief overview of macroeconomic outlook, export/import of goods, export/import markets, and introduction of trade related projects other than the USAID. This report also includes a series of data tables collected from different sources, primarily the State Bank of Pakistan (SBP) and the Federal Bureau of Statistics (FBS). In addition, various news sources such as the Business Recorder, Dawn, The News, etc. have also been used for acquiring background information. The report is required as part of the project work plan to make available up-to-date market information and a current trade scenario in the country to all relevant stakeholders.

MACROECONOMIC OUTLOOK

For the period under review (Oct-Dec FY 2011), Pakistan's economy continued to deal with considerable challenges. The economy still has not fully recovered from the devastating impact of the floods last summer. According to Asian Development Bank (ADB), recovery of Pakistan's agricultural sector may take as much as two years.[1]

SN	Indicator	FY (Oct-Dec)	FY11 (Oct-Dec)
1.	Consumer Price Index % (12mma)	9.97	15.42
2.	Current Account Deficit (% of GDP)	2.17%	2.36%
3.	Exports (fob) US$ billion	4.661	5.892
4.	Imports (cif) US$ billion	8.408	10.096
5.	GDP growth rate (%)	4.12 (FY 10)	3 (FY 11 est)[2]
6.	Forex Reserves (US$ billion)[3]	14.35	17.01
7.	Foreign Direct Investment (US$ Million)	540.947	433.658
8.	Remittances (US$ billion)	2.199	2.645

The economy also continued to deal with several other problems. So far there has been no major letup in the energy crisis. Besides the electricity shortfall, the country has recently witnessed considerable natural gas shortages. The deficit between supply and demand of gas is estimated to be 26 mmscm/day in 2011, which is expected to climb to 77mmscm/day by 2015. The largest user of natural gas in the country is the power sector which consumes 35.5% of the country's gas.[4] In order to forestall the energy crisis from worsening, it is important to change the presently imbalanced energy mix of the country. That is, reduce dependence on conventional fuels and increase the utilization of alternative / renewable energy resources.

While the security situation has improved, the country still remains economically fragile. The trend of increase in remittances sent by overseas workers also persisted in the period under review. The constant inflows of remittances helped push Pakistan's total liquid foreign exchange reserves to an all-time high of $17.3 billion in the week ending January 22nd 2011.[5] Rising interest rates are believed to be one of the major causes behind increasing remittances.[6] The government has also been operating a "Pakistan Remittance Initiative" (PRI) to boost the flow the remittances through formal channels.

Inflation for the period under review (Oct-Dec FY 2011) stood at 14.61%. According to the Economic Coordination Committee of the Cabinet (ECC), in the year 2010 Pakistan experienced the highest inflation in the South Asian region with 15.7% (CPI). Furthermore, as a result of rising oil prices in the international market, it is feared that inflation may further rise as the government is likely to significantly increase petroleum prices from March 2011.

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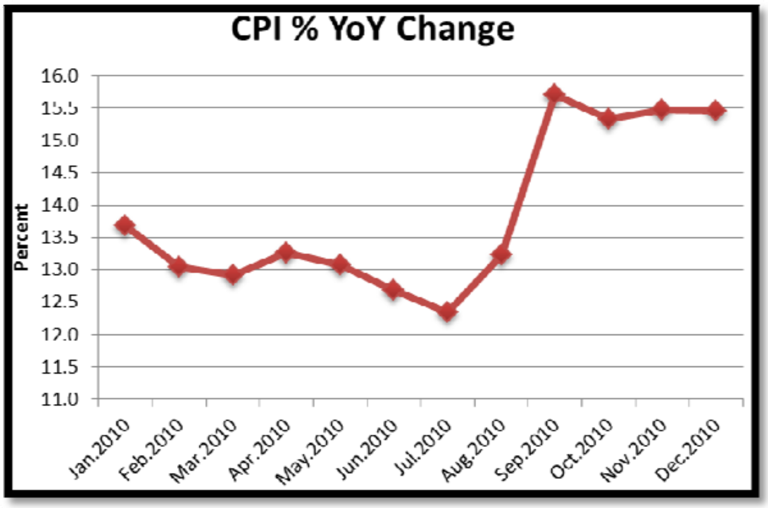
[1] *http://thenews.com.pk/TodaysPrintDetail.aspx?ID=5665&Cat=3&dt=1/2/2011*
[2] *http://www.dawn.com/2011/02/02/pakistan%E2%80%99s-real-gdp-may-grow-up-to-three-per-cent-in-fy11-sbp.html*
[3] *Average of SBP month end levels for Oct-Dec 2009 and 2010.*
[4] *Pak & Gulf Economist, January 10-16, 2011*
[5] *http://www.dawn.com/2011/01/28/reserves-jump-to-record-17-3bn.html*
[6] *http://www.thenews.com.pk/TodaysPrintDetail.aspx?ID=27793&Cat=3&dt=1/27/2011*

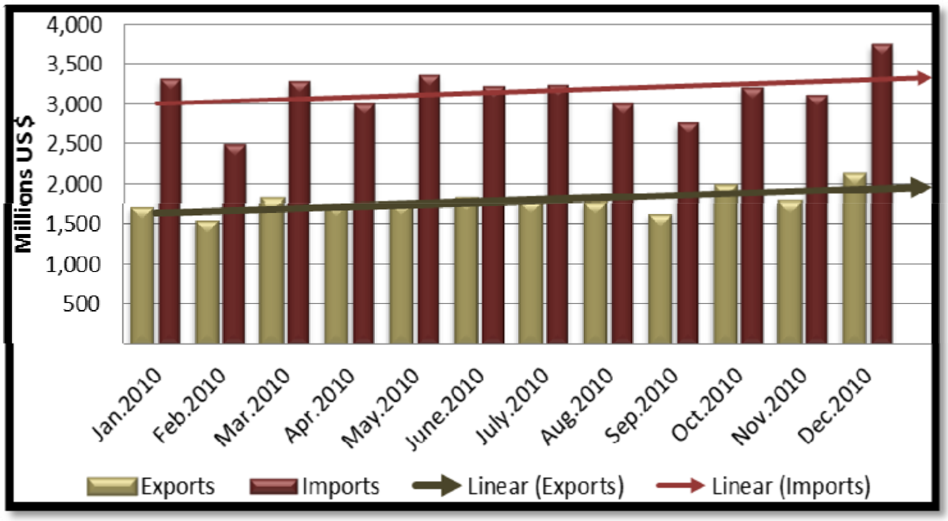


In an attempt to curtail the rising inflation, the base interest rate was raised by 50 basis points to 14% in November 2010 by the SBP as it continued to adopt a tighter monetary policy. After increasing interest rates in July and September 2011, this is the third time in the first six months of FY 2011 that the State Bank has resorted to increasing the base rate. The State Bank has cited increased government spending leading to higher borrowing from the central bank as one of the major reasons for the rising inflation. In order to reduce its reliance on borrowing from the central bank, the government needs to increase the existing tax-to-GDP ratio.

Foreign direct investment (FDI) received by Pakistan declined by almost 20% in Oct-Dec FY 2011 in comparison to the same period last year. Major sectors affected include the construction, telecommunications, power and automobile sector (see Appendix, Table H). Security risk, energy crisis and the volatile political situation have all contributed towards making Pakistan less attractive for foreign investors. Another significant factor in the decline in the FDI is the saturation of the telecommunication sector - for the past few years, the FDI in Pakistan has been primarily concentrated in two sectors, telecommunication and oil & gas exploration. To bring investment in telecom sector back to significant levels, there is a need for technological advancement in the industry (such as deployment of 3G technology, which will require huge investment by telecom operators to upgrade existing infrastructure).

Exports & Imports					
Export (Thousands US$)			Import (Thousands US$)		
FY 2009-10 (Oct-Dec)	FY 2010-11 (Oct-Dec)	Growth	FY 2009-10 (Oct-Dec)	FY 2010-11 (Oct-Dec)	Growth
4,661,485	5,892,210	26.40%	8,407,507	10,096,448	20.09%

Despite all the challenges, the country's export still managed to jump by a substantial 26% to $5.89 billion. It is also worth mentioning that for the month of December 2010, Pakistan's exports climbed to $2.13 billion. This is the highest ever monthly export figure achieved by the country. This portrays the resilience shown by the Pakistani economy despite confronting multiple challenges simultaneously.



Imports also increased by nearly 20% which contributed to Pakistan's increased 12.23% trade deficit in the period under consideration. It is feared that the widening deficit is likely to exert more pressure on the rupee, which will contribute to higher inflation figures. Pakistan's food imports have been rising considerably recently. In the first half of Financial Year 2011 (July-Dec), food imports witnessed an increase of 75%.[7] Experts are of the view that Pakistan needs to encourage production of oilseed crops in order to reduce its dependence on non-stable food imports.

[7] *http://www.dawn.com/2011/01/20/food-imports-surge-75pc.html*

EXPORT OF GOODS

The table below shows Pakistan's top export commodities for the period under review sorted by value. The trend of rising exports continues to reinforce itself owing to rising consumer demand in the global economy. Exports by Pakistan continue to be dominated by the textile sector. Higher prices of cotton in the international market have helped push up export figures. Lower global output of cotton, caused by destruction of a significant number of cotton bales due to floods in Pakistan, China and more recently Australia, coupled with the Indian government's decision to restrict cotton exports have contributed to cotton prices touching record levels recently. Industry experts believe that cotton prices may rise further in the future as global demand is expected to remain healthy and production cost is likely to increase.[8]

TABLE 1: TOP 10 EXPORT COMMODITIES (BY VALUE)

Top 10 Export commodities	Oct-Dec (Thousand US$)		% Change
	FY 2009-10	FY 2010-11	
Knitwear	484,013	652,833	34.88%
Cotton Cloth	473,661	585,456	23.60%
Bed Wear	416,542	490,039	17.64%
Cotton Yarn	326,986	353,021	7.96%
Petroleum Products	239,558	318,708	33.04%
Basmati Rice	305,480	296,247	-3.02%
Readymade Garments	227,002	246,804	8.72%
Non-Basmati rice	183,863	189,561	3.10%
Raw Cotton	111,038	163,021	46.82%
Towels	148,151	148,885	0.50%

Major textile products which witnessed increased exports included knitwear, cotton cloth, bed wear, towels, and readymade garments. In addition, Pakistan's textile exports constituted around 58% of the country's total exports in the first half of the current fiscal year (July-Dec FY 2011).[9] While it is impressive that Pakistan is one of the key players in the international textile market, clearly there is a dire need for diversification of exports.

According to the Federal Minister for textile industry, the textile policy of 2009-14 has achieved considerable success in the last two years and the country is steering in the right direction to achieve goals of the policy.[10] The policy aims to increase exports to $25billion by the end of its period.[11] However, there are some causes of concern for the textile industry that have recently sprung up, such as the recent decision by the Turkish administration to impose anti-dumping duties on exports of Pakistani garments and fabrics. This has the potential to hamper textile exports worth $240 million.[12]

Pakistani Rice exports continued to witness high demand in the Middle East, although exports of the Basmati variety experienced a slight decline, figures largely remained stable in the period under review despite the recent floods. Major importers of Pakistani basmati rice for the period include

[8] *http://www.thenews.com.pk/TodaysPrintDetail.aspx?ID=28173&Cat=3&dt=1/29/2011*
[9] *http://www.thenews.com.pk/TodaysPrintDetail.aspx?ID=26579&Cat=3&dt=1/20/2011*
[10] *http://www.dailytimes.com.pk/default.asp?page=2011\01\13\story_13-1-2011_pg5_9*
[11] *http://www.pak.gov.pk/textilepolicy.pdf*
[12] *http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/Business/23-Jan-2011/Pakistan-likely-to-take-issue-with-Turkey*

UAE, Iran, Oman, Afghanistan, Qatar, and Saudi Arabia. In 2011, it is also expected that Pakistan will export up to three million tons of wheat owing to a bumper crop in 2009-10 and surplus stocks in the country. This also allowed the government to lift its ban on export of Pakistani wheat in December.[13]

As far as emerging exports are concerned. The textile sector showed the highest value increase in exports. Export of petroleum products also saw a significant rise during this period. This can be attributed to multiple reasons. Firstly, average oil prices in Oct-Dec FY2010 hovered around $75.51/barrel in comparison to $85.46/barrel average in Oct-Dec FY2011.14 Secondly, the increase was also driven by high demand for petroleum products including jet fuel, diesel oil, kerosene, motor spirit etc in Afghanistan. Thirdly, since Pakistan's own petroleum product imports climbed about $223 million in Oct-Dec FY2011 in comparison to the same period last year, there is a natural resultant increase in production and export of petroleum byproducts.

TABLE 2: TOP 10 RISING EXPORT COMMODITIES (BY VALUE)

Top 10 Rising Export commodities	Oct-Dec (Thousand US $)		Increase in value	% Increase
	FY 2009-10	FY 2010-11		
Knitwear	484,013	652,833	168,820	34.88%
Cotton Cloth	473,661	585,456	111,795	23.60%
Petroleum Products	239,558	318,708	79,151	33.04%
Bed Wear	416,542	490,039	73,497	17.64%
Raw Cotton	111,038	163,021	51,984	46.82%
Art, Silk & Synthetic Textile	96,814	147,491	50,677	52.34%
Plastic Materials	78,320	127,746	49,426	63.11%
Cotton Yarn	326,986	353,021	26,035	7.96%
Readymade Garments	227,002	246,804	19,801	8.72%
Leather Garments	46,107	64,409	18,302	39.69%

Exports of plastic materials also increased considerably. High amount of plastic material exports to Turkey and Afghanistan were recorded during this period. Other significant export commodities which posted high growth rates include tobacco, gems, onyx, auto parts, cutlery, transport equipment, and leather products (see Appendix, Table B for details).

While export of cement witnessed a slight decline in the period under review in comparison to the same period last year (see Appendix, Table D), exports of cement in January 2011 fell 20% in comparison to December 2010.[15] This can be mainly attributed to decline in cement exports to Afghanistan and India. According to official sources, the increase in transit fee by the Afghan government and non-renewal of export licenses to some Pakistani cement manufacturers by India have caused the decline.[16]

Jewelry exports witnessed a considerable decline in the period under review. This may be attributed to the use of obsolete tools and techniques for gems and jewelry processing in the country. There is a dire need to work towards technological advancement of the industry, so that Pakistan can establish itself as a competitive player in the international market. Smuggling of precious stones in raw form also takes place, harming local exporters as well as the tough competition faced by the industry as a whole from neighboring India and China.

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[13] *http://www.dawn.com/2011/02/03/pakistan-to-export-up-to-three-mln-tonnes-of-wheat-minister.html*
[14] *http://www.indexmundi.com/commodities/?commodity=crude-oil&months=60*
[15] *http://tribune.com.pk/story/116121/cement-exports-decline-20/*
[16] *http://www.thenews.com.pk/TodaysPrintDetail.aspx?ID=28113&Cat=3&dt=1/28/2011*

Pakistan’s furniture exports have declined due to heavy increase in the price of timber and competition from several countries. However, the government is presently considering granting duty concessions to the furniture sector which will support the industry in increasing its exports in the future.[17] Pakistan’s furniture industry is still very small in comparison to other players in the market.

Since the floods had a severe impact on many crops, export of vegetable products experienced a decline e.g., the local onion crop was 20% lower due to floods, and the arrival of the crop was delayed as well.

Lack of implementation of modern agricultural techniques and shortage of cold storages facilities are also causing several problems for fruit/vegetable exporters in the country. Similarly, export of molasses also declined in the period under review as floods damaged or destroyed about 80,000 hectares of sugar cane crop valued at $600 million.[18] Since molasses are a by-product of the sugar industry, therefore, lower sugarcane production has a direct impact on their export.

Pakistan’s share in the world football market seems to be declining as it faces increasing competition from other producers such as China and India. There is a need for introducing modern technology in the industry as the market of local hand stitched footballs is being affected by foreign machine made balls. In addition, the industry is also dealing with rising production costs.[19]

The decline in handicrafts exports can possibly be attributed to ineffective promotion of Pakistani handicrafts and rising production costs. Pakistan is now facing increasing competition from countries such as India, which is enjoying rising handicraft exports due to effective development and promotion of handicrafts. Local handicraft manufacturers have also been seeking incentives and subsidies from the government.

[17] *http://www.dailytimes.com.pk/default.asp?page=2011\02\26\story_26-2-2011_pg5_12*
[18] *http://www.wsws.org/articles/2010/aug2010/pkst-a26.shtml*
[19] *http://tribune.com.pk/story/17435/inflating-pakistan%C3%A2%E2%82%AC%E2%84%A2s-football-industry/*

IMPORT OF GOODS

In the period under review, Petroleum again topped the import list. Imports of petroleum products by value witnessed an increase of 14.28%, while import of crude petroleum posted a decline. It is also important to note that the average crude oil price for Oct-Dec FY 2011 was 13.18% higher than the same period last year.[20] Petroleum products that witnessed an increase in the period under review include furnace oil, high speed diesel oil, motor spirit and jet fuel. Since Pakistan is increasingly relying on furnace oil to meet its power generation needs, the rise in petroleum imports can be partly attributed to rising electricity demand in the country.

TABLE 3: TOP 10 IMPORT COMMODITIES (BY VALUE)

Top 10 Import commodities	Oct-Dec (Thousand US $) FY 2009-10	Oct-Dec (Thousand US $) FY 2010-11	% Change
Petroleum Products	1,565,272	1,788,836	14.28%
Petroleum Crude	962,467	727,646	-24.40%
Palm Oil	303,687	480,100	58.09%
Sugar	78,448	374,956	377.97%
Plastic Materials	261,835	336,310	28.44%
Iron and Steel	297,660	307,422	3.28%
Raw Cotton	90,928	188,515	107.32%
Aircrafts, Ships and Boats	89,564	161,122	79.90%
Telecom Apparatus (excluding cell phones)	186,533	157,903	-15.35%
Electrical Machinery & Apparatus	183,474	142,095	-22.55%

Pakistan's food imports in general also rose considerably. The main reason for high food imports is the damage to local agriculture sector cause by the recent floods. There are some other challenges faced by the agriculture sector as well: unavailability of easy credit; outdated crop management practices; and rising input costs. Pakistani economy largely remains an agrarian economy, with the sector accounting for nearly half of the labor force and 21% of the GDP[21]; but it is still dependent on food imports.

Import of Palm oil grew considerably due to rising price of palm oil in the international market and increasing demand in the local market.[22] It is also important to understand that there is no local production of palm oil in the country and it is dependent completely on imports. Most of Pakistan's refined and crude palm oil imports arrive from Malaysia, the second-largest producer of the palm oil in the world after Indonesia.

Sugar import witnessed a substantial increase mainly due to removal of 25% duty on raw sugar to offset lower local sugarcane crop production in wake of the recent floods.[23] However, in the coming months, Pakistan is not likely to see such high sugar imports due to sufficient stocks for seven months in the country.[24]

[20] *http://www.indexmundi.com/commodities/?commodity=crude-oil&months=60*
[21] *http://www.finance.gov.pk/survey/chapter_10/02_Agriculture.pdf*
[22] *http://www.indexmundi.com/commodities/?commodity=palm-oil&months=12*
[23] *http://www.dawn.com/2011/02/03/pakistan-unlikely-to-import-sugar-in-2011-gondal.html*
[24] *http://www.brecorder.com/news/agriculture-and-allied/pakistan/1152096:news.html*

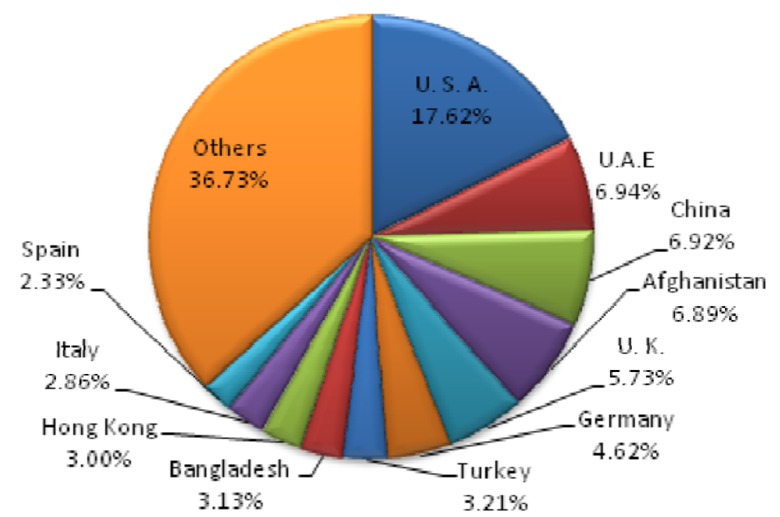
It is also worth mentioning here that recently the government adopted a more liberal automotive import policy by allowing imports of used cars which are up to five years old. This move is likely to increase automobile imports significantly in the future.[25] In the recently announced Trade Policy 2011, the Ministry of Commerce has decided to permit the import of ring blaster tools, bolder ballistic guns, riveting tools and their cartridges in order to facilitate the local cement industry. The government has also banned the import of used cooking oil in the garb of soap stock due to health concerns.

[25] *http://tribune.com.pk/story/109561/cabinet-approves-import-of-5-year-old-cars/*

IMPORT/EXPORT MARKETS

The United States continues to be the country's top export recipient, accounting for approximately 17.6% of the country's exports. Exports to the US in the period under view showed considerable improvement. This rise can be attributed to higher textile exports, helped by both rising raw material prices and improving economic conditions in the US. Pakistan's trade surplus with US seems to be showing a rise over time.[26]

FIGURE I - COUNTRY WISE SHARE IN EXPORTS (OCT-DEC FY2011)



It seems there is a dire need for Pakistan to increase its exports to more non-traditional markets in order to develop a diversified export base. The top 11 countries combined make up nearly 63% of the exports and destinations other than the top 11 comprise only 37% of the country's export. Pakistan's exports are largely concentrated around a few select countries presently; the lack of diversification makes Pakistani exports more susceptible to risk. Not only will export diversification mitigate the risks, but it will also help other less developed sectors in the local industry flourish.

Exports to the UAE declined slightly in the period under review, however, demand for Pakistani products is generally expected to grow and it is estimated that in Financial Year 2010-11 exports to the UAE will climb 10%.[27] Key commodities exported to the UAE include rice, petroleum products (oils from petrol, bituminous Mineral and coal tar, etc), textiles, jewelry, etc.

Pakistan's exports to China witnessed an increase of almost 23%. Commodities which depict healthy increases include textile, ores and mineral products, leather, fish and sea food, garments and medical and surgical instruments.[28] However, Pakistan continues to have a trade deficit with China as imports from the country's northeastern neighbor were over $1 billion in Oct-Dec FY 2011. In 2010 Pakistan-China bilateral trade grew by 28% and reached $8.7 billion. Commodities imported from China include fabrics fertilizers, tires, mobile communication equipment, gas turbines, motorcycle parts,

[26] *http://www.census.gov/foreign-trade/balance/c5350.html#2010*
[27] *http://gulfnews.com/business/general/uae-pakistan-trade-poised-to-hit-dh33b-1.756708*
[28] *http://gulftoday.ae/portal/dadd86e7-98b1-4ba6-a502-57395a93370a.aspx*

combustion piston engines, electrical appliances, iron and steel products, and other machinery. To promote exports Pakistan is seeking tariff concessions for 268 product lines from China. If they are approved, exports to China are bound to increase significantly in the future.[29] In addition, Pakistan has also proposed deployment of an Electronic Data Interchange (EDI) to facilitate trade between the two countries. For now, however, despite the positive outlook, Pakistan forms a very small percentage of total Chinese imports from the world, which stood at a staggering $1.3 trillion in 2010.[30]

Healthy growth was also observed in exports to Turkey, primarily led by improved exports of textiles and plastic materials. Similarly, exports to Bangladesh also increased, due to rising textile and rice exports. Exports to Afghanistan have also been growing continuously over the recent past. Major export commodities to Afghanistan include petroleum products, cement, and various food and agricultural products.

Also, tariff concessions granted by the EU to Pakistani textiles effective from year 2011 for a period of three years are likely to make the country's products more competitive in several European countries and increase exports considerably.

A Preferential Trade Agreement (PTA) is also expected to be signed between Pakistan and Indonesia in the first quarter of this year. The agreement will boost bilateral trade between the two countries significantly within two years. Exports to Indonesia during Oct-Dec FY 2011 were valued at $29.03 million in comparison to $22.76 million for the same period a year earlier. Exports to Indonesia comprised about 0.52% of the country's total exports for Oct-Dec FY 2011, whereas imports from Indonesia stood at $87.74 million or 1.02% of total imports in comparison to $65.55 a year earlier.

[29] *http://www.dailytimes.com.pk/default.asp?page=2011\01\29\story_29-1-2011_pg5_9*
[30] *https://www.cia.gov/library/publications/the-world-factbook/rankorder/2087rank.html?countryName=China&countryCode=ch&regionCode=eas&rank=3#ch*

TRADE RELATED PROJECTS IN PAKISTAN BY INSTITUTIONS OTHER THAN THE USAID

1 European Union (EU) - Trade Related Technical Assistance (TRTA)

The Trade Related Technical Assistance (TRTA) is being provided by the EU in the amount of €13 million with the objective to build capacity of the relevant stakeholders to benefit fully from County's participation in the World Trade Organization (WTO), improving quality, metrology, standards and accreditation systems of Pakistan and strengthening the Intellectual Property Rights (IPR) systems in country. Status - A follow-on project is being prepared. The follow on project in the amount of €4.5 million, focuses on providing technical assistance to selected exporters in the Sindh and Punjab Provinces. The MoC with assistance from the EU and United Nations Industrial Development Organization (UNIDO) is currently working on a Co-operation program on Trade Related Technical Assistance (TRTA II). The TRTA II program started on 01 January 2010. The initial period of six months was devoted to elaboration of the Inception Report, which was successfully accomplished.

(Status – Active)

2 The World Bank - National Trade Corridor Improvement Program (NTCIP)

The National Trade Corridor Improvement Program (NTCIP) aims to enhance export competitiveness and industrialization in the country. The program has a budget of $ 6-10 billion, which includes an investment program and reform/restructuring financing. The program focuses on improving infrastructure and services (incl. highways, road transport, ports and shipping, civil aviation, railways, customs and trade logistics) to develop the trade corridor linking Pakistan's major ports in the south with its major cities in the North. The NTCIP aims to provide technical assistance worth $19 million over four years as well.

(Status – The project remains on hold but its resumption is planned)

3 The World Bank - Trade & Transport Facilitation Program (TTFP-2)

The Trade & Transport Facilitation Program (TTFP-2) with a total funding of $25 million to improve Pakistan's international competitiveness through simplified export and import documentary procedures, modernization of related legislation and creation of a national capacity to solve potential problems between the transport users and providers.

(Status – Active)

4 Asian Development Bank (ADB) – National Highway Sector Development Program

The National Highway Sector Development Program with the 2nd tranche of $230 million aims at reduction of transport costs for goods and passengers and to improve the regional connectivity to the country's main economic centers. It will lead to the improvement of road sector efficiency on the main transport corridor in Pakistan and institutional capacity building of National Highway Authority (NHA).

(Status – Active)

APPENDIX: GENERAL TRADE RELATED FIGURES OF PAKISTAN

TABLE A: INFLATION (YoY) - CPI		
Change over corresponding month of previous year of CPI index in %		
	2010	**2009**
Jan	13.68	20.52
Feb	13.04	21.07
Mar	12.91	19.07
Apr	13.26	17.19
May	13.07	14.39
Jun	12.69	13.13
Jul	12.34	11.17
Aug	13.23	10.69
Sep	15.71	10.12
Oct	15.33	8.87
Nov	15.48	10.51
Dec	15.46	10.52

TABLE B: TOP 10 EMERGING EXPORT COMMODITIES (% INCREASE)			
Top 10 Export commodities showing increase	**Oct-Dec (Thousand US $)**		**% Increase**
	FY 2009-10	**FY 2010-11**	
Tobacco	1,209	4,234	250.32%
Fertilizer Manufacture	34	105	208.03%
Gems	463	1,034	123.57%
Auto Parts	2,115	4,287	102.66%
Onyx Manufactured	4,085	7,498	83.56%
Plastic Materials	78,320	127,746	63.11%
Cutlery	8,237	12,688	54.03%
Art, Silk & Synthetic Textile	96,814	147,491	52.34%
Raw Cotton	111,038	163,021	46.82%
Tents, Canvas & Tarpaulin	17,184	25,173	46.49%

TABLE C: DECLINING EXPORT COMMODITIES (BY % DECREASE)				
Top 10 Declining export commodities	**Oct-Dec (Thousand US $)**		**Decrease in value**	**% Decrease**
	FY 2009-10	**FY 2010-11**		
Handicrafts	41	2	-39	-94.22%
Canvas Footwear	1,050	209	-841	-80.07%
Oil Seeds, Nuts and Kernals	17,768	4,125	-13,643	-76.79%
Molasses	5,670	1,754	-3,916	-69.06%
Jewelry	32,486	14,791	-17,695	-54.47%
Solid Fuel including Naphtha	61,881	41,193	-20,687	-33.43%
Spices	7,876	5,517	-2,359	-29.96%
Vegetables/Leguminous Vegetable	29,849	24,795	-5,054	-16.93%
Furniture	1,624	1,370	-254	-15.67%
Sports Goods (Footballs)	39,616	36,355	-3,261	-8.23%

TABLE D: DECLINING EXPORT COMMODITIES (BY VALUE)				
Top 10 Declining export commodities	**Oct-Dec (Thousand US $)**		**Decrease in value**	**% Decrease**
	FY 2009-10	**FY 2010-11**		
Solid Fuel including Naphtha	61,881	41,193	-20,687	-33.43%
Jewelry	32,486	14,791	-17,695	-54.47%
Oil Seeds, Nuts and Kernels	17,768	4,125	-13,643	-76.79%
Basmati Rice	305,480	296,247	-9,233	-3.02%
Vegetables/Leguminous Vegetables	29,849	24,795	-5,054	-16.93%
Molasses	5,670	1,754	-3,916	-69.06%
Sports Goods (Footballs)	39,616	36,355	-3,261	-8.23%
Spices	7,876	5,517	-2,359	-29.96%
Cotton Carded or Combed	41,508	39,566	-1,941	-4.68%
Cement	126,301	125,058	-1,243	-0.98%

TABLE E: TOP 10 RISING IMPORT COMMODITIES (BY VALUE)				
Top 10 Rising import commodities	**Oct-Dec (Thousand US $)**		**Difference**	**% Increase**
	FY 2009-10	**FY 2010-11**		
Sugar	78,448	374,956	296,508	377.97%
Petroleum Products	1,565,272	1,788,836	223,563	14.28%
Palm Oil	303,687	480,100	176,413	58.09%
Raw Cotton	90,928	188,515	97,587	107.32%
Plastic Materials	261,835	336,310	74,475	28.44%
Pulses	34,629	107,922	73,292	211.65%
Aircrafts, Ships and Boats	89,564	161,122	71,558	79.90%
Synthetic & Artificial Silk Yarn	74,609	130,894	56,284	75.44%
Synthetic Fiber	87,216	130,595	43,379	49.74%
Soybean Oil	199	21,500	21,300	10681.67%

TABLE F: TOP 10 RISING IMPORT COMMODITIES (% INCREASE)				
Top 10 Rising import commodities	**Oct-Dec (Thousand US $)**		**Difference**	**% Increase**
	FY 2009-10	**FY 2010-11**		
Soybean Oil	199	21,500	21,300	10681.67%
Wheat Unmilled	4	198	194	4504.37%
Gold	12	259	248	2133.73%
Sugar	78,448	374,956	296,508	377.97%
Pulses	34,629	107,922	73,292	211.65%
Raw Cotton	90,928	188,515	97,587	107.32%
Aircrafts, Ships and Boats	89,564	161,122	71,558	79.90%
Milk and Cream including for Infants	24,091	43,225	19,135	79.43%
Synthetic & Artificial Silk Yarn	74,609	130,894	56,284	75.44%
Motor Vehicles - Parts	23,759	38,278	14,519	61.11%

TABLE G: TOP FDI TRANSMITTORS	
Country	**FDI (US $ Millions)** Oct-Dec FY 2010-11
Mauritius	86.4
U.A.E	74.7
U.S.A	62.4
U.K	52.4
Hong Kong (S.A.R)	23.1
Singapore	15.7
Switzerland	15.1
Caribbean Islands	8.9
Germany	6.9
Cayman Island	6.2

TABLE H: TOP FDI RECEIVING ECONOMIC GROUPS			
Economic Group	**FDI (US $ Millions)** Oct-Dec FY 2009-10	**FDI (US $ Millions)** Oct-Dec FY 2010-11	**% Change**
Oil & Gas Explorations	152.0	156.2	2.77%
Financial Business	90.9	93.7	3.11%
Telecommunications	142.7	50.5	-64.61%
Transport (Automobile)	33.6	19.6	-41.77%
Trade	21.7	13.3	-38.95%
Power	28.3	13.2	-53.35%
Personal Services	13.8	8.3	-39.95%
Textiles	7.8	6.6	-14.80%
Construction	43.7	5.3	-87.85%
Sugar	1.8	5.0	178.26%

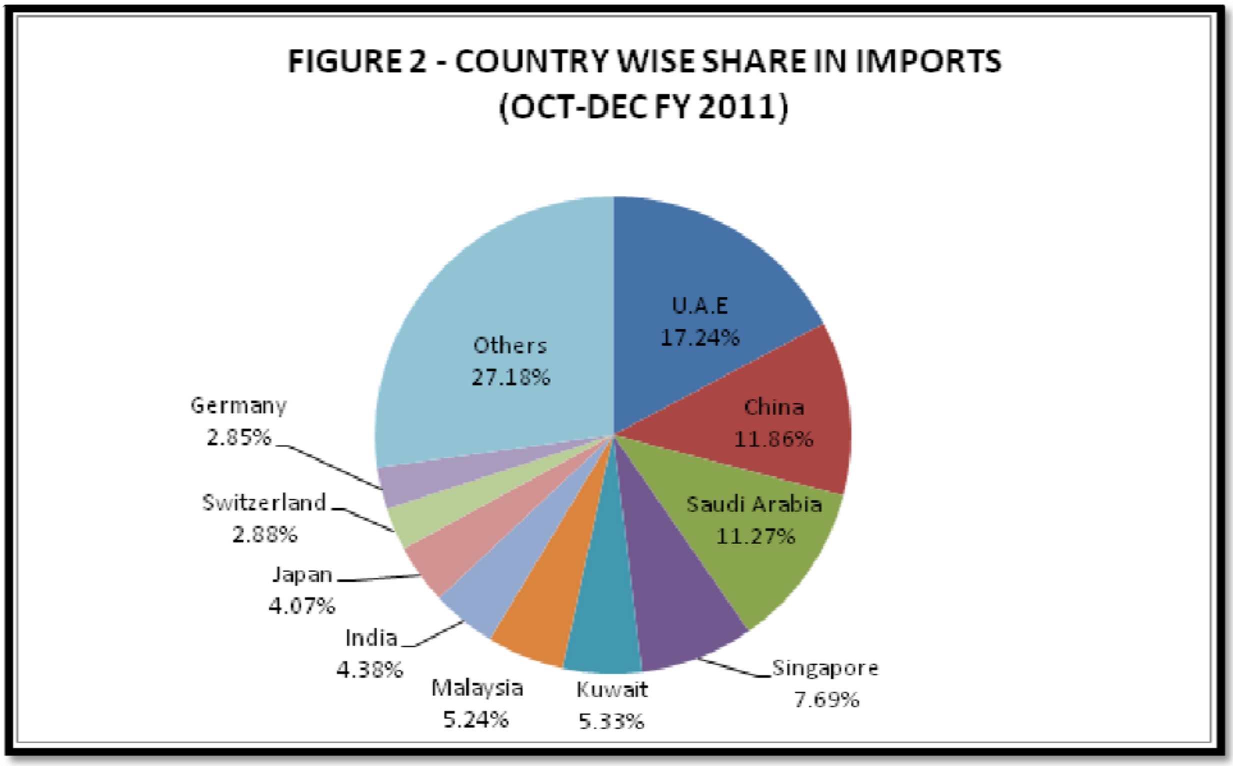


FIGURE 2 - COUNTRY WISE SHARE IN IMPORTS
(OCT-DEC FY 2011)
U.A.E
17.24%
China
11.86%
Saudi Arabia
11.27%
Singapore
7.69%
Kuwait
5.33%
Malaysia
5.24%
India
4.38%
Japan
4.07%
Switzerland
2.88%
Germany
2.85%
Others
27.18%

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