USAID TRADE PROJECT

QUARTERLY TRADE BULLETIN

2ND QUARTER, FISCAL YEAR 2012 (OCTOBER – DECEMBER)

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ACRONYMS

ADB	Asian Development Bank
APCMA	All Pakistan Cement Manufacturers Association
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
ICAC	International Cotton Advisory Committee
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
PBS	Pakistan Bureau of Statistics
PGJDC	Pakistan Gems and Jewelry Development Company
PIAF	Pakistan Industrial and Traders Associations Front
PITAD	Pakistan Institute of Trade and Development
RCCI	Rawalpindi Chamber of Commerce and Industry
ROZ	Reconstruction Opportunity Zones
SBP	State Bank of Pakistan
SEZ	Special Economic Zones
TRTA	The Trade Related Technical Assistance
UNESCAP	United Nations Economic and Social Commission for Asia-Pacific
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 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 an introduction; a brief overview of macroeconomic outlook, export/import of goods, export/import markets, and introduction of trade related projects other than those of 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, and The News among others have also been used for background information. The report is required as part of the project work planto make available up-to-date market information and a current trade scenario in the country to all relevant stakeholders.

MACROECONOMIC OUTLOOK

The country's total trade deficit for the first six months of the Financial Year (FY) 2012 (July-Dec) stood at $11.48 billion according to figures released by the Pakistan Bureau of Statistics (PBS), as the economy continues to deal with a growing trade deficit. In comparison, trade deficit for the first six months of Financial Year 2011 (July-Dec) was $8.29 billion. [1] The rising deficit can be attributed to rising prices of various commodities such as oil in the international market, coupled with a weakening rupee. The Pakistani rupee has recently been losing its value against major foreign currencies and hit record lows against the US dollar. Factors responsible for the devaluation include a growing import bill, reduced inflow of funds from external financial institutions such as the IMF, and declining FDI repayments of IMF loans expected in 2012 are expected to place further pressure on the rupee.[2]Although the Trade Policy 2011-12 envisages an export target of $26 billion for the country, recent estimates by TDAP (Trade Development Authority of Pakistan) forecast that the country will not be able to reach this target, and exports for FY2012 may end up being lower than the $25billion figure recorded in the previous fiscal year.[3] It should be noted however, that the expected decline in exports is not just limited to Pakistan, but other economies in the region such as China are also experiencing a decline in exports due to slow global economic growth.[4]

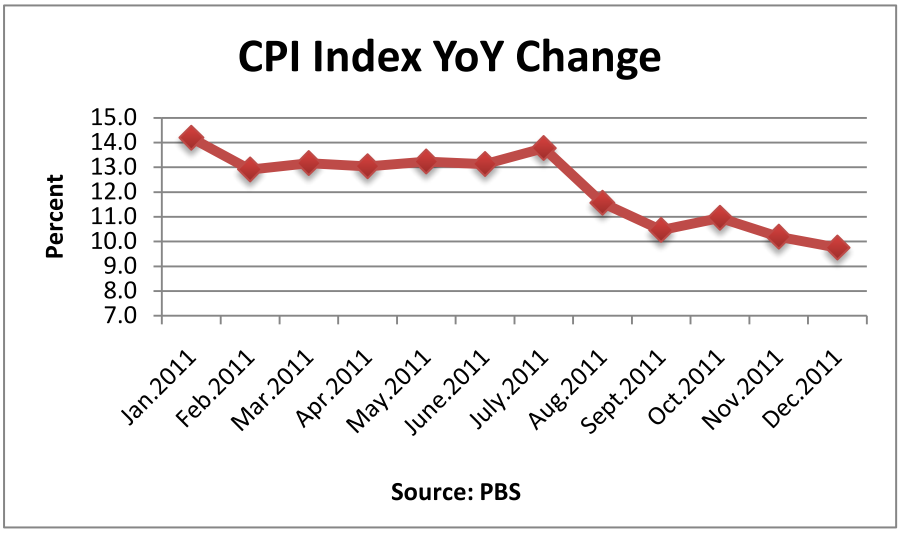
The country's fiscal deficit for the first six month of FY 2012 was 2.6 percent of GDP according to the Ministry of Finance, in comparison to 2.9 percent recorder for the same period last year. The forecasted fiscal deficit for FY2012 is now expected to be around 4.7 percent, higher than previous estimate of 4 percent. The figure has been revised on account of growing government expenditures.[5]
The Debt Policy Statement 2011-12, released by the Ministry of Finance, has indicated that public debt-to-GDP ratio will increase to as high as 65.2 percent by FY2014, giving rise to fears that the government will exceed the 60 percent limit set by the Fiscal Responsibility and Debt Limitation (FRDL) Act 2005. Domestic debt has reached $69 million in the end of Q1 FY2012.[6]

S.	Indicator	FY2011	FY2012
1.	Consumer Price Index % (12mma) (Oct-Dec)	15.42	10.30
2.	Current Account Deficit (% of GDP) (Oct-Dec)	-2.38%	-3.43%
3.	Exports (fob) US$ billion (Oct-Dec)	5.89	5.30
4.	Imports (cif) US$ billion (Oct-Dec)	10.10	11.60
5.	GDP growth rate (%) (July-Jun)	2.4[a]	3.8[b]
6.	AvgForex Reserves (US$ billion) (Oct-Dec)	16.87	16.94
7.	Foreign Direct Investment (Oct-Dec)	442.5	267.7
8.	Remittances (US$ billion) (Oct-Dec)	2.65	3.03

SOURCE: PBS/SBP
a. Estimate for FY2011
b. SBP Forecast

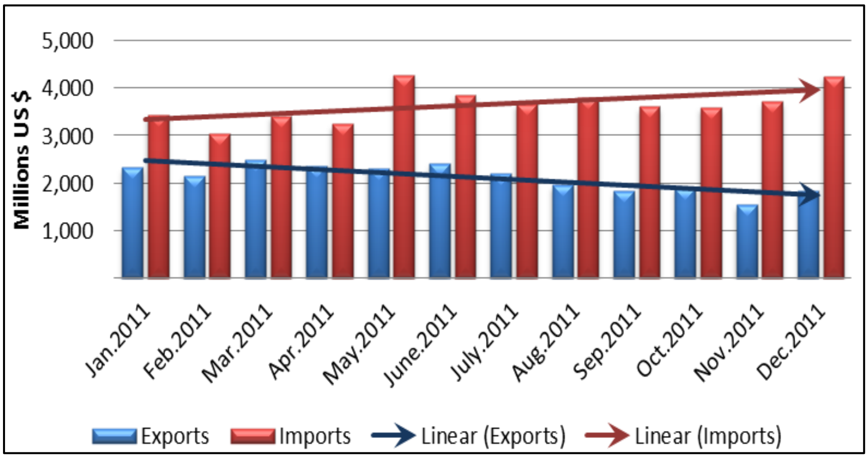
Average foreign exchange reserves of the country in FY2012 (Oct-Dec) were slightly higher than last year. The country's foreign exchange reserves reached record highs exceeding $18 billion in late July FY2012 but have since gradually declined due to debt payments. Repayment of funds borrowed from IMF, which is set to begin in February 2012, is expected to bring down foreign exchange reserve in the future.[7] Some respite to this pressure is likely to be come in the form of higher remittances in the ongoing fiscal year; government sources expect total remittance proceeds in the FY2012 (July-June) to surpass the $12 billion mark.[8] Remittances sent home by overseas Pakistanis continues to witness a growing trend, with proceeds in FY2012 (Oct-Dec) 14.34 percent higher than last year, despite the ongoing global economic slowdown. The Pakistan Remittance Initiative (PRI), aimed at reducing impediments to send remittances to the country, is also credited with playing a role in increasing workers remittances.[9] It should be mentioned here that the PRI has been awarded the Money Transfer Award 2011 by the International Association of Money Transfer Networks (IAMTN) for its effectiveness.[10] Foreign reserves of the country can possibly receive a boost if the country is able to sell 3G telecommunication licenses, and secure funds under the Coalition Support Fund (CSF) program from the United States.[11]

Inflation levels in the country, although still high, continued to witness a decline. CPI (Consumer price index) has declined from 15.46 percent in December 2010 to 9.75 percent in December 2011; however, this trend may not continue in the future as inflationary pressures continue to build up. The government has increased petroleum prices twice since 2012 began, with another increase expected to take effect from March. It should be mentioned that the SBP cut interest rates by 150 basis points to 12 percent in October 2011, in order to stimulate economic growth in the country[12]The State Bank of Pakistan (SBP) is currently maintaining a 12 percent interest rate and has not resorted to any further cuts since October 2011. This move is possibly signaling that the country's central bank does not expect inflation levels to decline in the future. In comparison to other economies in the region, Pakistan's interest rate is still relatively high.



Latest estimates by the International Monetary Fund (IMF) suggest that the country's economy will grow by 3.4 percent this year[13], while the State Bank of Pakistan projects that the figure will be around 3.8 percent. In order for the economy to absorb 2million individuals who enter the workforce each year in the country, the country should have a growth rate of 7 percent.[14] It should be noted nevertheless that the growth figure for FY2012 is expected to be higher than the previous year; indicating that the country is slowly moving on the right trajectory.

The country's trade deficit has been widening gradually recently. Figures released by Pakistan Bureau of Statistics (PBS) indicated that exports declined by 10.02 percent in the period under review over last year, whereas imports jumped by nearly 15 percent. The country's trade deficit increased by nearly 50 percent from $4.204 billion in FY2011 (Oct-Dec) to $6.295 billion in FY2012 (Oct-Dec); the growing trade deficit is increasingly becoming a cause of concern. The decrease in textile exports, which make up a significant chunk of the country's exports, has contributed significantly towards the lower export figures.



The country's services exports for the first five months of the ongoing fiscal year (Jul-Nov FY2012) stood at $2.023 billion, slightly lower than the $2.038 billion figure recorded for the same period last year, whereas the import of services witnessed an increase from $3.022 billion to $3.189 billion in Jul-Nov FY2012. Key sectors making up a significant percentage of services exports include government, transportation, business services, travel and IT.[15]

Foreign Direct Investment (FDI) plummeted by 39.51 percent in FY2012 (Oct-Dec) in comparison to the same period last year. The present law and order situation, political instability, energy crisis and high costs of doing business are deterring foreign investment in the country. In particular, FDI arriving from UAE, Norway, Singapore and UK took a significant hit in the first half of FY2012, while FDI arriving from USA, Netherlands, China, Cayman Islands and South Korea demonstrated an increase.[16] Substantial FDI worth over a billion dollars arriving from the telecom sector might be injected into the economy as the country moves towards sale of 3G mobile technology licenses.[17]Malaysia has also recently shown interest in making investment in the country's power and infrastructure sectors.[18]

Pakistan's economy will continue to deal with some challenges in the coming future such as the exchange rate depreciation, rising fuel and food prices. The IMF has suggested the country to introduce effective tax reforms and reduce subsidies.[19]A $3million one year long World Bank-FBR Revenue Mobilisation Project, which aims to improve the tax collection mechanism of FBR, is expected to be launched in March 2012.[20]Presently, Pakistan's tax to GDP ratio stands at around 9 percent, with the government aiming to boost the figure to 14-15 percent by 2014-15.[21]Moody's investor services has not downgraded its rating and continues to maintain B3 credit rating for Pakistan.[22]

The country also continues to deal with the ongoing electricity and gas crisis. In late 2011, a time where power consumption is seasonally low, power requirements were still not being met. Total demand stood at 12,000MW, whereas total production declined to 7500MW owning to suspension of some power generation plants. Total electricity production capacity in the country is estimated to be above 20,000MW.[23]Similarly, the gas deficit in this winter season has touched 1100 MMCFD (million cubic feet of gas per day).[24]Due to power outages, amongst other factors, the LSM (Large Scale Manufacturing) sector of the country grew by a mere 0.85 percent in July-Dec FY2012. Several industries have even contracted in this period.[25]

There has also been some progress on the country's plans for energy imports from Tajikistan and Iran, which once implemented will assist the country is overcoming its energy deficit.[26] Additionally, there are also positive signs that the country has now started focusing on alternatives to expensive oil based power generation plants that rely on imported oil which puts a great burden on the country's import bill. FFC Energy Limited is presently working on a $135 million 50-megawatt wind energy project in Sindh. The project, expected to be completed by late 2012.[27]Lack of diversification in Pakistan's energy mix has long been considered a major impediment in the country being unable to overcome its energy demands. The USAID Program~~me~~ Office Director for Pakistan, John Morgan, suggested that Pakistan should privatize its power industry in order to optimize efficiency.[28]USAID has also recently presented an "Economic and Dispatch Model" for improving the power sector to the Ministry of Water and Power.

EXPORT OF GOODS

The period under review saw a decline in overall export levels compared to last year, indicating a widening trade deficit. Export of some textile products in particular took a significant hit on account of lower demand for Pakistani textiles in the international market in the wake of slow economic growth. Prolonged gas and electricity outages are also hampering productivity of the manufacturing units. According to the Pakistan Textile Exporters Association (PTEA), the overall textile exports in FY2012 (July-June) are expected to be 10 percent lower than last year.[29]

TABLE 1: Top 10 Export commodities (by value)				
Top 10 Export commodities	Oct-Dec (Thousand US $)		Difference	% Change
	FY2011	FY2012		
Cotton Cloth	585,517	650,120	64,603	11.03%
Knitwear	652,935	567,959	(84,976)	-13.01%
Bed Wear	490,632	464,252	(26,380)	-5.38%
Cotton Yarn	353,021	372,344	19,323	5.47%
Readymade Garments	246,751	336,993	90,241	36.57%
Rice - Basmati	296,247	259,350	(36,897)	-12.45%
Rice - Non-Basmati	189,455	230,256	40,801	21.54%
Art,Silk& Synthetic Textile	147,491	170,520	23,028	15.61%
Solid Fuel including Naptha	41,193	169,394	128,200	311.22%
Towels	148,864	164,549	15,685	10.54%
Source: SBP				

Pakistan needs to pursue an effective export diversification strategy by expanding non-textile industries, so that the economy can insulate itself from fluctuations in trade of any particular commodities. The textile sector is also a huge contributor to industrial production and a major employer in the economy. The sector's contribution to GDP is about 8.5 percent and it provides employment to 40 percent of the labor force.[30]

Exports in the future may receive a significant boost, as the EU (European Union) is likely to grant tariff concessions to products originating from Pakistan for a period of two years. Textile products are included in the list of products being considered for duty waivers. The Ministry of Commerce has indicated that if these concessions are granted, they may contribute about a billion dollar in export proceeds.[31] It is important for the country to overcome challenges such as the ongoing electricity and gas shortages in order to fully capitalize on this opportunity.

TABLE 2: Top 10 Rising Export commodities (by value)				
Top 10 Export commodities	Oct-Dec (Thousand US $)		Increase	% Increase
	FY2011	FY2012		
Solid Fuel including Naptha	41,193	169,394	128,200	311.22%
Readymade Garments	246,751	336,993	90,241	36.57%
Cotton Cloth	585,517	650,120	64,603	11.03%
Rice - Non-Basmati	189,455	230,256	40,801	21.54%
Art, Silk & Synthetic Textile	147,491	170,520	23,028	15.61%
Fish & Fish Preparations	74,272	95,472	21,200	28.54%
Cotton Yarn	353,021	372,344	19,323	5.47%
Guar and Guar Products	8,068	25,174	17,106	212%
Towels	148,864	164,549	15,685	10.54%
Sports Goods - Gloves	26,358	36,262	9,904	37.57%
Source: SBP				

While rice exports witnessed a decline in the period under review, overall rice exports for FY2012 (July-June) are expected to climb by 32 percent to 3.7 million tons, in comparison to 2.8 million tons recorded in FY2011 (July-June).[32] The World Bank's IFC (International Finance Corporation) is making a $5million investment in Matco Processing, a major rice exporter, in order to assist in production capacity enhancement thereby enabling the firm to boost exports as well.[33] The

Basmati Growers Association (BGA) estimates that Pakistan has a Basmati rice export potential of $4 billion, which is not presently being fully utilized.[34]

Seafood exports showed positive growth in the period under review. International Seafoods of Alaska, Inc. has shown interest in investing in the fisheries sector and is planning to introduce modern crab and pearl-shell farming techniques in Pakistan.[35]Furthermore, the European Union, which banned Pakistani seafood exports over hygiene concerns, is now moving towards lifting the ban on Pakistani seafood imports, which is likely to give a boost to seafood exporters.[36]

According to information released by the Pakistan Bureau of Statistics (PBS), overall food exports for the country in the first five months of the current fiscal year FY2012 (Jul-Dec) have registered a 17.58 percent increase over the same period last year.[37]

TABLE 3: Top 10 Export commodities(by % increase)

Top 10 Export commodities showing increase	Oct-Dec (Thousand US $) FY2011	Oct-Dec (Thousand US $) FY2012	Increase	% Increase
Solid Fuel including Naptha	41,193	169,394	128,200	311.22%
Guar and Guar Products	8,068	25,174	17,106	212.01%
Oil Seeds, Nuts and Kernals	4,125	7,453	3,328	80.69%
Machinery Specialized	9,352	14,829	5,477	58.57%
Spices	5,517	8,741	3,224	58.44%
Leather Footwear	11,138	16,828	5,690	51.08%
Leather Gloves	11,898	17,924	6,026	50.65%
Sports Goods - Gloves	26,358	36,262	9,904	37.57%
Readymade Garments	246,751	336,993	90,241	36.57%
Fish & Fish Preparations	74,272	95,472	21,200	28.54%

Source: SBP

Sports goods also witnessed an increase in the period under review. It is noteworthy that around 85 Pakistani sport goods manufacturers participated in ISPO Munich –a well-known sports goods industry trade show– which has assisted the local sports goods industry in promoting its products in the international market.[38] It should be mentioned here that the Trade Development Authority of Pakistan (TDAP) has been playing an essential role in promoting Pakistani products in the international market by facilitating participation in various trade events. In the past 3 years, TDAP has facilitated participation in over 200 fairs worldwide.[39]

Pakistan has the potential to increase its date exports to $200 million if proper packaging and processing facilities are made available. Total production of dates in the country is estimated to be around 535,000tons, out of which 86,000 tons is exported.[40]$200 million worth of Kinnow (citrus fruit) exports are also expected in this year.[41]It should be mentioned here that in order to assist Pakistan in increasing its agricultural exports, USAID has launched a series of country wide agricultural workshops which are geared towards promotion of modern agricultural standards in the country.

Although Jewelry exports declined in the period under review (See Appendix, Table A), the government, in collaboration with the private sector, is taking measures to promote the gems and jewelry industry in the country. Recently, the Ministry of Commerce has announced that a Gems and Jewelry center in collaboration with RCCI (Rawalpindi Chamber of Commerce and Industry) will be established.[42]

Export of surgical products witnessed a 19.17 percent increase reaching $147.2 million in the first half (July-Dec) of FY2012.[43] While there were no recorded sugar exports in the period under review (See Appendix, Table B), the Government of Pakistan has recently approved export of sugar due expectations of 1.5million ton surplus production locally.[44]

IMPORT OF GOODS

As observed in the table below, Petroleum products continue to dominate the country's import bill. Petroleum imports by the country have been steadily increasing over time due to both, rising demand of the commodity in the local market and rising oil prices in the international market. Petroleum imports by the country primarily originate from the Middle East. products to Pakistan Although the Oil & Gas Regulatory Authority (OGRA) –the government body responsible for regulation of petroleum prices– reduced petroleum prices in November 2011 due to decline in the international oil prices during the period, the average price of oil per barrel in FY2012 (Oct-Dec) was still $102.9 or 20.44 percent higher than the $85.44 figure in the same period last year. [45]OGRA has also increased petroleum prices twice already since 2012 began: up to 9 percent increase was implemented in early January, followed by another increase effective from February 2012.[46]The depreciation of Pakistani rupee in the international market has also played a significant role in keeping petroleum imports higher. It seems that despite slow global economic growth, tensions in the Middle East continue to keep oil prices high. The recent move by the Economic Co-ordination Committee (ECC) of the Cabinet to impose a ban on production of CNG fitted vehicles and sale of CNG kits is expected to increase the consumption of oil based fuels, thereby further increasing petroleum imports in the future.

TABLE 4: Top 10 Import commodities (by value)

Top 10 Import commodities	Oct-Dec (Thousand US $)		Difference	% Change
	FY2011	FY2012		
Petroleum Products	1,788,836	1,939,570	150,735	8.43%
Petroleum Crude	727,646	831,534	103,888	14.28%
Palm Oil	480,100	645,611	165,511	34.47%
Fertilizer Manufactured	71,404	506,573	435,169	609.45%
Plastic Materials	336,310	367,616	31,305	9.31%
Iron and Steel	307,422	314,788	7,365	2.40%
Motor Cars (CKD)	107,520	163,756	56,236	52.30%
Aircrafts, Ships and Boats	161,122	162,653	1,530	0.95%
Synthetic Fibre	130,595	145,320	14,725	11.28%
Synthetic & Artificial Silk Yarn	130,894	142,443	11,549	8.82%

Source: SBP

Palm oil imports also saw a significant increase in the period under review due to rising edible oil prices in the international market and growing demand at home. Import tariffs reductions for the commodity – for edible oil originating from Indonesia – is likely to further push up import of the commodity. The total annual consumption of edible oil in the country is estimated to be 2.2 million tons, whereas local production stands at 0.63 million tons, making the country rely on imports to meet the remaining demand.[47]Major suppliers of the commodity to Pakistan include Malaysia, Indonesia, and Singapore[48].

Imports of Completely Knocked Down (CKD) automotive kits used to assembling cars locally experienced a significant increase. This rise can be explained by rising sales of locally assembled cars. Pakistan Automobiles Manufacturers Association (PAMA) has reported that in the first six months of FY2012 (July-Dec) car sales increased by 20.5 percent; however this trend may not be sustainable in the future as the government has decided to impose restriction on import of CNG kits and cylinders used in CNG fitted vehicles.[49]Import of used cars have also been on the rise recently due to the adoption of a liberal used car import policy by the government.[50]

Import of fertilizer witnessed a heavy increase in the period under review. Pakistan imported 1.45 million tons of urea worth $784 million in 2011 and is floating tenders for further imports to be carried out in 2012.[51] It is suggested that local production of fertilizer can be enhanced if regular gas supply is provided to the sector. Top suppliers of fertilizers to Pakistan include China, Saudi Arabia, and the United States.[52]

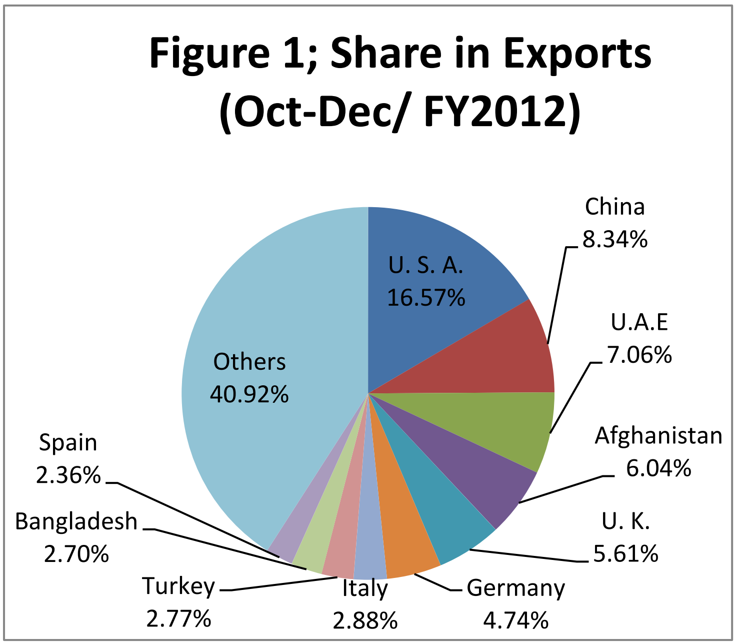
Plastic Material imports also increased in FY2012 (Oct-Dec), in comparison to last year. Industry officials have highlighted that undocumented trade of plastic materialsis presently taking place which is causing losses not only to tax collection authorities but to genuine importers as well. Key import markets of plastics and related articles include Saudi Arabia, China, South Korea, Iran and Thailand.[53]

Iron and Steel imports grew slightly in the period under review; however, efforts are currently underway to enable Pakistan Steel Mills (PSM) to increase its production capacity, which has the potential to reduce import demand for iron and steel products. PSM has now initiated import of raw materials, such as iron ore and coal, needed for production after government loans have been guaranteed to the organization.[54]

Import of Aircrafts is likely to see an increase in the future as the country's national airline carrier Pakistan International Airlines (PIA) has signed an agreement to purchase six aircrafts that were previously hired from Airbus. [55]

IMPORT/EXPORT MARKETS

Distribution of Pakistan's exports in the period under consideration (FY2012 Oct-Dec) remains centered on traditional trading partners. The country's top 10 export partners collectively constitute around 60 percent of the country's exports. The United States, the country's long running top export partner, continues to maintain its position; however, exports to the country have declined by nearly 5 percent. Pakistan's major exports to the United States included various textile products such as linens, clothing, etc. It has also been reported recently that the United States is considering extending additional trade preferences to Pakistan in order to increase trade between the two countries.[56]



While exports to China saw a healthy increase in the period under review, the country still has a large trade deficit with China; imports from the country in FY2012 (Oct-Dec) stood at $1.06 billion (See Appendix, Table G).

Exports to China are dominated by textile products, whereas imports from the country are well-diversified.[57]The free trade agreement between the two countries has played a vital role in increasing bilateral trade.

United Arab Emirates also continues to maintain its position as a major trade partner. Exports to the country showed a marginal increase, whereas imports declined in the period under review (See Appendix, Table G). Imports from the country are dominated by petroleum products, whereas Pakistan exports jewelry, rice, petroleum products and textiles to the country.[58]The UAE Expo 2011, aiming at increasing trade between the two countries, was held in Karachi in late 2011.[59] Pakistan's imports from Saudi Arabia and Kuwait – two other major trade partners from the Middle East – substantially increased during the period under review as well, largely due to rising petroleum imports (See Appendix, Table G).

Table 5: Top 10 Export Destinations (by value)

Top 10 Export Destinations	Oct-Dec (Thousand US $) FY2011	Oct-Dec (Thousand US $) FY2012	Difference	% Change
U. S. A.	984,382	936,333	-48,048	-4.88%
China	386,613	471,335	84,722	21.91%
U.A.E	388,209	398,896	10,687	2.75%
Afghanistan	385,148	341,595	-43,553	-11.31%
U. K.	320,411	317,229	-3,182	-0.99%
Germany	257,939	268,127	10,187	3.95%
Italy	159,714	162,739	3,025	1.89%
Turkey	179,404	156,382	-23,022	-12.83%
Bangladesh	175,181	152,483	-22,698	-12.96%
Spain	130,330	133,639	3,308	2.54%

Source: SBP

Pakistan's trade ties with Indonesia are also entering a new phase; the two counties signed a Preferential Trade Agreement (PTA) recently to boost bilateral trade volumes. Under the terms of this agreement, Indonesia will grant preferential tariff access for 216 tariff lines to Pakistan, whereas Pakistan will grant preferential tariff access to Indonesia for 287 tariff lines.[60] In FY2012 (Oct-Dec) imports from Indonesia stood at $158.29million, whereas imports to the country stood at $48.43 million.

While exports to key European export markets such as UK, Germany, Italy, and Spain did not witness any major increase during the period under review, it is expected that European Union (EU) backed tariff concession, recently approved by the World Trade Organization (WTO), will have a significant impact in the future.

The recent decision by the Government of Pakistan to grant India MFN (Most Favored Nation) status, and India's decision to move towards removal of non-tariff barriers to trade for goods originating from Pakistan, improved trade ties with India are expected to give a big boost to bilateral trade with India in the future. It is estimated that the trade potential between India and Pakistan stands at $15billion. [61]

TRADE RELATED PROJECTS IN PAKISTAN BY INSTITUTIONS OTHER THAN THE USAID

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

Trade Related Technical Assistance (TRTA-II) program is funded by the European Union (EU). It aims to assist Pakistan in developing the required capacity to deal with challenges in trade, in order to support the county's integration into the global economy. The overall objective of the program is to effectively contribute towards poverty alleviation and sustainable development in the country. The main body responsible for the TRTA-II program implementation is the United Nations Industrial Development Organization (UNIDO). The TRTA-II has three components: Component-1 (Trade Policy Capacity Building) is being managed by the International Trade Centre (ITC), Component-II (Export Development through Improvement of the Quality Infrastructure) is under UNDIO itself, and World Intellectual Property Organization (WIPO) is responsible for Component-3 (Strengthening of Intellectual Property Rights). The Ministry of Commerce with assistance from the European Union (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 implementation on 01 January 2010. ***(Status – Active)***

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

The Trade & Transport Facilitation Program (TTFP-2), with a total funding of US$25 million obtained from the World Bank (WB), aims 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. The project has two components: (I)National Trade Corridor, and (II) Trade and Transport Facilitation. The project is planned to continue operating till the end of 2013. ***(Status – Active)***

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

The National Highway Sector Development Program with the 2nd tranche of US$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).The project is scheduled to operate till the end of 2013. ***(Status – Active)***

4 Multi Donor Trust Fund (MDFT) - Economic revitalization of KP and FATA

The aim of this $20 million project is to support the Government of Pakistan in its effort to stimulate economic growth in Khyber Pakhtunkhwa (KP) and Federally Administered Tribal Areas (FATA) through the creation of various employment opportunities via institutional capacity building, investment mobilization and by providing support to Small and Medium Enterprises (SMEs). The project has three components: (1) SME development, (II) Attracting Investments from the Diaspora, and (III) Institution Building to Foster Investment and Implement Regulatory Reforms. The implementing agencies for this project include the Government of KP and FATA secretariat. ***(Status – Active)***

5 Pakistan Poverty Alleviation Fund (PPAF)

The Pakistan Poverty Alleviation Fund (PPAF) project is designed to bring about economic uplift in the country by providing better income opportunities to poor people. The project is focused on low income groups from urban and rural communities. PPAF is present in 129 districts of the country through its partner organizations. The Third Pakistan Poverty Alleviation Fund (PPAF III) project, funded by World Bank, was initiated in August 2009 and is scheduled to continue operating till 2015. . ***(Status – Active)***

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APPENDIX: GENERAL TRADE RELATED FIGURES OF PAKISTAN

TABLE A: Top 10 Declining Exports (by value)

Top 10 Export Declining Export Commodities	Oct-Dec (Thousand US $)		Decrease	% Decrease
	FY2011	FY2012		
Petroleum Products	318,708	112,188	-206,520	-64.80%
Knitwear	652,935	567,959	-84,976	-13.01%
Raw Cotton	163,021	85,881	-77,140	-47.32%
Rice - Basmati	296,247	259,350	-36,897	-12.45%
Bed Wear	490,632	464,252	-26,380	-5.38%
Plastic Materials	127,761	114,705	-13,056	-10.22%
Vegetables/Leguminous Vegetables	24,795	14,384	-10,411	-41.99%
Fruits	53,382	46,273	-7,109	-13.32%
Cement	125,058	118,409	-6,648	-5.32%
Jewelry	14,791	8,689	-6,102	-41.26%

Source: SBP

TABLE B: Top 10 Declining Exports (% decrease)

Top 10 Export Declining Export Commodities	Oct-Dec (Thousand US $)		Decrease	% Decrease
	FY2011	FY2012		
Fertilizer Manufacture	105	0	-105	-100.00%
Sugar	20	0	-20	-100.00%
Molasses	1,754	12	-1,742	-99.33%
Petroleum Products	318,708	112,188	-206,520	-64.80%
Raw Cotton	163,021	85,881	-77,140	-47.32%
Gems	1,034	583	-451	-43.59%
Vegetables/Leguminous Vegetables	24,795	14,384	-10,411	-41.99%
Jewelry	14,791	8,689	-6,102	-41.26%
Transport Equipment	25,939	20,671	-5,269	-20.31%
Canvas Footwear	209	179	-30	-14.47%

Source: SBP

TABLE C: Top 10 Rising Import commodities (by value)				
Top 10 Rising Import commodities	**Oct-Dec (Thousand US $)**		**Increase**	**% Increase**
	FY2011	**FY2012**		
Fertilizer Manufactured	71,404	506,573	435,169	609.45%
Palm Oil	480,100	645,611	165,511	34.47%
Petroleum Products	1,788,836	1,939,570	150,735	8.43%
Petroleum Crude	727,646	831,534	103,888	14.28%
Mobile Phone	33,264	104,295	71,030	213.53%
Motor Cars (CKD)	107,520	163,756	56,236	52.30%
Iron and Steel Scrap	61,344	101,297	39,953	65.13%
Medicinal Products	107,788	139,831	32,044	29.73%
Plastic Materials	336,310	367,616	31,305	9.31%
Paper & Paper Board &Manf.	71,632	90,888	19,256	26.88%

Source: SBP

TABLE D: Top 10 Rising Import commodities (% increase)				
Top 10 Rising Import commodities	**Oct-Dec (Thousand US $)**		**Increase**	**% Increase**
	FY2011	**FY2012**		
Fertilizer Manufactured	71,404	506,573	435,169	609.45%
Motor Cycles (CBU)	190	676	486	255.69%
Mobile Phone	33,264	104,295	71,030	213.53%
Iron and Steel Scrap	61,344	101,297	39,953	65.13%
Worn Clothing	7,335	11,762	4,427	60.36%
Motor Cars (CKD)	107,520	163,756	56,236	52.30%
Wood & Cork	15,950	24,052	8,101	50.79%
Wheat Unmilled	198	269	71	35.70%
Palm Oil	480,100	645,611	165,511	34.47%
Medicinal Products	107,788	139,831	32,044	29.73%

Source: SBP

TABLE E: Top 10 Declining import commodities (by value)				
Top 10 Declining import commodities	**Oct-Dec (Thousand US $)**		**Decrease**	**% Decrease**
	FY2011	**FY2012**		
Sugar	374,956	2,869	-372,086	-99.23%
Raw Cotton	188,515	123,056	-65,459	-34.72%
Telecom Apparatus (Excluding Cellphones)	157,903	111,344	-46,559	-29.49%
Electrical Machinery & Apparatus	142,095	113,232	-28,863	-20.31%
Office Mach. Incl. Data Pros. Equp.	58,306	32,934	-25,372	-43.51%
Pulses	107,922	86,256	-21,665	-20.08%
Soyabean Oil	21,500	5,199	-16,300	-75.82%
Agricultural Mach. & Implement	38,437	22,390	-16,046	-41.75%
Milk and Cream including for Infants	43,225	29,557	-13,668	-31.62%
Auto Parts	38,278	25,537	-12,742	-33.29%

Source: SBP

Table F: Top 10 Declining Exports Destinations (by value)				
Top 10 Export Destinations	Oct-Dec (Thousand US $)		Decline	% Decrease
	FY2011	FY2012		
Hong Kong	167,966	107,800	-60,166	-35.82%
U. S. A.	984,382	936,333	-48,048	-4.88%
Afghanistan	385,148	341,595	-43,553	-11.31%
Singapore	67,441	42,529	-24,912	-36.94%
Turkey	179,404	156,382	-23,022	-12.83%
Bangladesh	175,181	152,483	-22,698	-12.96%
Switzerland	39,106	28,795	-10,311	-26.37%
Mozambique	25,497	16,559	-8,938	-35.06%
Portugal	37,656	30,520	-7,135	-18.95%
Sudan	12,466	6,660	-5,806	-46.57%

Source: SBP

TABLE G: Top 10 Import Countries (by value)				
Top 10 Import countries	Oct-Dec (Thousand US $)		Difference	% Increase
	FY2011	FY2012		
UAE	1,481,439	1,261,319	-220,120	-14.86%
Saudi Arabia	968,436	1,174,648	206,212	21.29%
China	1,019,250	1,060,279	41,029	4.03%
Kuwait	457,720	631,953	174,233	38.07%
Malaysia	449,986	592,039	142,053	31.57%
Singapore	660,647	565,858	-94,789	-14.35%
Switzerland	247,655	504,101	256,446	103.55%
Japan	349,668	478,576	128,907	36.87%
India	376,840	349,689	-27,151	-7.20%
Germany	245,251	334,660	89,409	36.46%

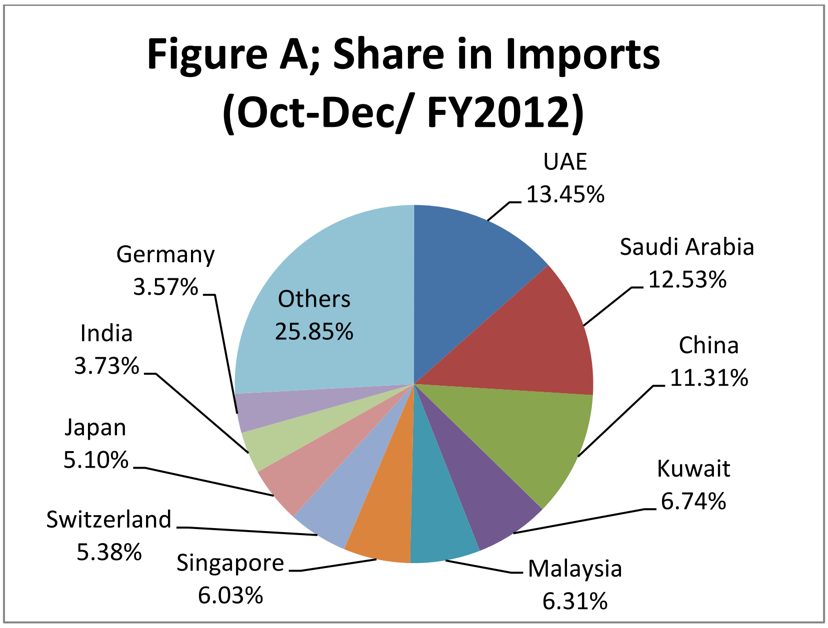
Source: SBP

TABLE H: Top 10 Rising Import Countries (by value)				
Top 10 Rising Import Countries	Oct-Dec (Thousand US $)		Difference	% Increase
	FY2011	FY2012		
Switzerland	247,655	504,101	256,446	103.55%
Saudi Arabia	968,436	1,174,648	206,212	21.29%
Kuwait	457,720	631,953	174,233	38.07%
Malaysia	449,986	592,039	142,053	31.57%
Japan	349,668	478,576	128,907	36.87%
Germany	245,251	334,660	89,409	36.46%
Indonesia	87,737	158,290	70,553	80.41%
Romania	6,292	54,713	48,421	769.59%
China	1,019,250	1,060,279	41,029	4.03%
South Korea	116,716	157,689	40,974	35.11%

Source: SBP

TABLE I: Top 10 Declining import countries (by value)				
Top 10 Declining Import Countries	**Oct-Dec (Thousand US $)**		**Difference**	**% Increase**
	FY2011	**FY2012**		
UAE	1,481,439	1,261,319	-220,120	-14.86%
Singapore	660,647	565,858	-94,789	-14.35%
Iran	63,128	1,746	-61,381	-97.23%
Oman	56,000	17,686	-38,313	-68.42%
France	111,030	77,026	-34,004	-30.63%
Turkey	53,547	23,509	-30,038	-56.10%
India	376,840	349,689	-27,151	-7.20%
U. S. A.	222,631	195,634	-26,997	-12.13%
Italy	90,723	66,526	-24,197	-26.67%
Canada	135,115	113,425	-21,690	-16.05%

Source: SBP



Source: SBP

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