



# USAID Trade Project

## Quarterly Trade Bulletin

Fiscal Year 2012, Quarter 3 (January - March)

### USAID Trade Project

USAID/Pakistan

Office of Economic Growth & Agriculture

Contract Number: EEM-I-00-07-00005

Deloitte Consulting, LLP

May 31, 2012

#### Disclaimer:

This publication was produced for review by the United States Agency for International Development. It was prepared by Deloitte Consulting, LLP.



# Table of Contents

<b>Introduction</b> .....	<b>1</b>
Background.....	1
Report Structure .....	1
<b>Macroeconomic Outlook</b> .....	<b>2</b>
<b>Export of Goods</b> .....	<b>5</b>
<b>Import of Goods</b> .....	<b>7</b>
<b>Import/Export Markets</b> .....	<b>8</b>
<b>Trade-Related Projects in Pakistan</b> .....	<b>10</b>
European Union (EU) - Trade Related Technical Assistance II (TRTA).....	10
The World Bank - Trade & Transport Facilitation Program (TTFP-2) .....	10
Asian Development Bank – National Highway Sector Development Program .....	10
Multi Donor Trust Fund (MDFT) - Economic revitalization of KP and FATA.....	10
Pakistan Poverty Alleviation Fund (PPAF).....	10
Punjab Government - Punjab Economic Opportunities Programme (PEOP) .....	11
ADB – Karachi Harbor Crossing Project.....	11
<b>Annex 1: End Notes</b> .....	<b>12</b>
<b>Annex 2: General Trade Related Figures of Pakistan</b> .....	<b>13</b>
<b>Annex 2: Acronyms</b> .....	<b>15</b>



## Introduction

### 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 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.

### Report Structure

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 Pakistan Bureau of Statistics (PBS). 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 plan to make available up-to-date market information and a current trade scenario in the country to all relevant stakeholders.



## Macroeconomic Outlook

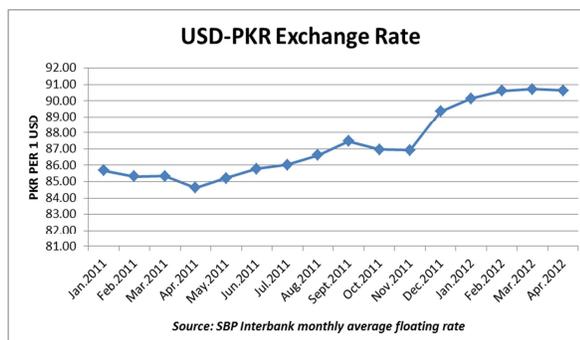
Pakistan's economy continues to deal with economic challenges. The country's trade deficit for the first nine months of the ongoing fiscal year FY 2012 (July-March) crossed the USD \$16 billion mark according to the latest figures released by the Pakistan Bureau of Statistics (PBS). Exports fell by 3.03 percent to USD \$17.190 billion in FY 2012 (July-March), from USD \$17.727 billion in the same period last year.<sup>1</sup> The Trade Development Authority of Pakistan (TDAP) expects the ongoing fiscal year's 2012 (July-June) exports to be to the tune of USD \$23 billion.<sup>2</sup>

#	Indicator	Period	FY2011	FY2012
1	Consumer Price Index % (12mma)	Jan-Mar	13.42	10.65
2	Current Account Deficit (% of GDP)	Jan-Mar	-1.70%	-2.52%
3	Exports (FOB) US\$ billion	Jan-Mar	6.91	5.99
4	Imports (CIF) US\$ billion	Jan-Mar	9.91	10.61
5	GDP growth rate (%)	Jul-Jun	2.4 <sup>a</sup>	3.8 <sup>o</sup>
6	Average Forex Reserves (USD \$ billion)	Jan-Mar	17.48	16.60
7	Foreign Direct Investment (USD \$ million)	Jan-Mar	317.6	67.2
8	Remittances (USD \$ million)	N/A	2,725	3,411

Source: PBS/SBP, Estimate for FY2011, SBP Forecast

Depreciation of the Pakistani Rupee (PKR), rising oil prices in the global market, and the decline in prices of textile commodities – Pakistan's major export – have been highlighted as the primary reasons behind the rising deficit. Imports of several commodities, including fertilizer and food products, also contributed to the rising deficit.

The amount paid for external debt serving by the country increased; according to the State Bank of Pakistan (SBP) debt servicing for the period FY 2012 (Jan-March) stood at USD \$912 million. The country made payments worth USD \$452 million to the International Monetary Fund (IMF) in this period.<sup>3</sup> Due to these debt payments, the country's foreign exchange reserves, after crossing the USD \$18 million mark in last July, are declining. The value of the PKR is also consistently depreciating against major foreign currencies including the US dollar in the past twelve months. It is expected that the PKR will continue to remain under pressure if concrete steps to rejuvenate exports and bring in foreign investment are not taken.



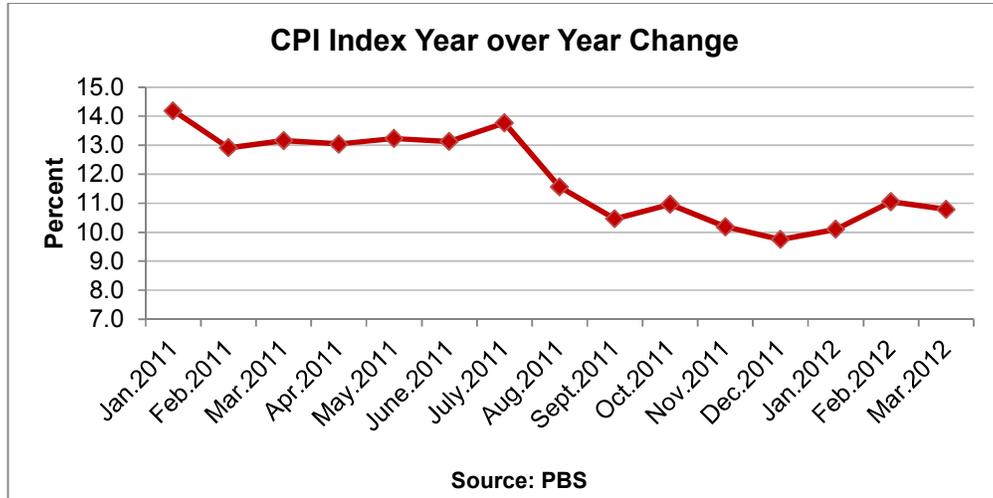
The sale of 3G telecommunication licenses, expected to inject much needed foreign investment in the country, was delayed by the Pakistan Telecommunications Authority (PTA). It is expected that these licenses will generate approximately USD \$1 billion for the country and improve Pakistan's exchange reserves position.<sup>4</sup> Pakistan is also seeking the release of funds from the United States under the Coalition Support Fund (CSF).

Remittances sent home by overseas Pakistanis continued, increasing by 25.17 percent in the period under review in comparison to the same period last year. The Pakistan Remittance Initiative (PRI), aims to reduce impediments to send remittances to the country, continues to be highlighted by the SBP as playing an important role in increasing workers remittances by SBP.<sup>5</sup> Key markets from where remittances originated include Saudi Arabia, UAE, USA and UK.<sup>6</sup>

Inflation levels in this period were lower than the prior year. Average Consumer Price Index (CPI) inflation for FY 2012 (Jan-Mar) was 10.65 percent, in comparison to 13.42 percent observed in FY2011 (Jan-Mar). CPI reached a low of 9.75 percent in December 2011 but has since slightly increased due to a surge in petroleum prices and electricity charges.

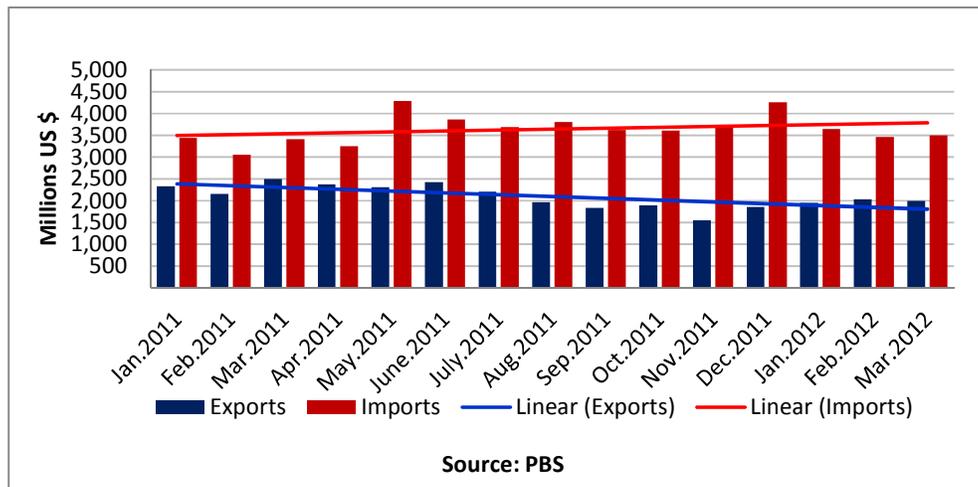


The State Bank of Pakistan (SBP) predicts that due to inflationary pressures, the CPI may not decline to single digit levels in the next fiscal year FY 2013 (July-June). As per the Medium Term Budgetary Framework (MTBF), the government targeted inflation in FY 2013 (July-June) at 9.5 and 8 percent in FY 2014 (July-June).<sup>7</sup> Reasons behind the high inflation projection include heavy government borrowing, low investment, weakening PKR, and rising price of oil in the international market.



The SBP continues to maintain a 12 percent interest rate since October 2011, and did not resort to any further cuts in the period under review due to the overall macroeconomic conditions in the country (such as expectations of high inflation levels in the future). In comparison to economies in the region, Pakistan still has a relatively high interest rate. The SBP recently increased the minimum savings rate on bank savings accounts from 5 to 6 percent.<sup>8</sup>

The country's trade deficit also continues to widen; Pakistan Bureau of Statistics (PBS) reports that exports declined by 13.31 percent in the period under review over last year. Imports, however, surged by 7.06 percent. The decrease in textile exports, attributed to the ongoing energy crisis and decline in prices of textile commodities in the international market, contributed towards this decline. Textile exports account for a large percentage of the country's total export receipts.





The Institute of Public Policy (IPP) expects that the Gross Domestic Product (GDP) growth rate in Pakistan for FY 2012 (July-June) to be 2.7 percent, falling short of the Government's 4 percent GDP growth rate target for FY2012 (July-June).<sup>9</sup> Despite slow economic growth, tax revenue collection by the Federal Board of Authority in the country still increased by 24.10 percent to PKR 1,266.04 billion (USD \$14.07 billion) during FY 2012 (July-March), in comparison to the same period last year.<sup>10</sup>

Export of services in FY 2012 (July-Feb) stood at USD \$3,252.27 million against USD \$5,172.81 million recorded for services imported in the same period. Sectors making up the country's services exports include transportation, government, business services, travel, communication and IT.<sup>11</sup>

Latest figures released by the SBP indicate that Foreign Direct Investment (FDI) in the country declined by 78.85 percent to USD \$67.20 million in FY 2012 (Jan-Mar) compared to the prior year. The ongoing energy crisis, variable security, and political instability deter foreign investors from exploring opportunities in the country. Major markets of origin for FDI arriving in Pakistan in FY 2012 (Jan-Mar) include China, USA, Italy, Switzerland, Hong Kong, UK and UAE.

The power crisis in the country continues unabated; output of the local industry is hampered by several hours of load shedding each day. The power shortfall in the country recently increased to 5,500 MW with total demand standing at 15,664 MW against production of 11,164 MW.<sup>12</sup> Reduced water inflows to the reservoirs of Mangla and Tarbela and fuel cuts to oil-based power are highlighted as reasons for the spike in the national power deficit. Pakistan remains dependent on oil and gas based fuel generation and needs to begin diversifying to meet demands. Some energy projects promising to help the country in the future are in the pipeline. The Asian Development Bank and the Islamic Development Bank recently agreed to provide USD \$133 million to fund two wind power projects.<sup>13</sup> Other initiatives, such as the proposed Turkmenistan, Afghanistan, Pakistan and India (TAPI) gas pipeline have the potential to help Pakistan meet its energy demands in addition to improving regional cooperation between member countries. A cross-border 3,300 MW electricity transmission project, called CASA-1000, connecting Kyrgyzstan and Tajikistan to Pakistan through Afghanistan has also been recently proposed.<sup>14</sup>



## Export of Goods

Pakistan's exports declined by 13.31 percent in FY 2012 (Jan-Mar), in comparison to the same period last year. The textile sector, the country's major export industry, experienced declines in the period under review. Power shortages in the country and lower prices of textile commodities in the international market contributed to the aforementioned decline. The Pakistan Bureau of Statistics (PBS) reports that textiles exports declined by 9.6 percent (or USD \$1.076 billion) during FY2012 (July-April).<sup>15</sup>

Top 10 Export commodities	Jan-Mar (Thousand US \$)		Change in Value	% Change
	FY2011	FY2012		
<b>Cotton Cloth</b>	627,702	615,172	(12,531)	-2.00%
<b>Knitwear</b>	691,811	508,572	(183,239)	-26.49%
<b>Bed Wear</b>	495,959	442,985	(52,974)	-10.68%
<b>Cotton Yarn</b>	539,316	399,971	(139,345)	-25.84%
<b>Readymade Garments</b>	273,616	353,329	79,713	29.13%
<b>Rice (Non-Basmati)</b>	257,472	348,956	91,484	35.53%
<b>Rice Basmati</b>	291,169	274,889	(16,280)	-5.59%
<b>Raw Cotton</b>	68,934	215,073	146,140	212.00%
<b>Towels</b>	150,292	165,870	15,578	10.37%
<b>Solid Fuel (incl Naptha)</b>	105,676	151,910	46,234	43.75%

**Source: SBP**

Pakistani textile exporters have also recently expressed concerns over recent revision of EU trade concessions package for Pakistan. The revised concession package that may hamper textile exports from Pakistan to the EU is expected to become operational in the second half of 2012.<sup>16</sup>

All Pakistan Textile Mills Association (APTMA) highlighted that the textile industry suffered a loss of USD \$9 billion in the FY2012 (Jul-Mar) due to problems in the industry.<sup>17</sup> Due to the lack of diversification in exports, the country's total export receipts are heavily dependent on the performance of the textile sector. It should, however, be noted that the recent depreciation of the PKR may help textile exports in the future.

The Pakistan Tanners Association (PTA) highlighted that the country's leather exporters fear decline in exports in the coming future due to rising production costs that are making Pakistani leather products uncompetitive in the international market.<sup>18</sup> In order to avoid shortages of raw materials used by the leather industry, the association suggested that the government impose restrictions on the quantity of live animal exports.

The country, despite initial efforts and significant potential, has been unable to export significant quantities of mangos to the United States and other markets due to its inability to meet associated phytosanitary requirements. A need for improving fruit storage and sanitation facilities is needed for the country to utilize this opportunity.<sup>19</sup>

The United States Agency for International Development (USAID) recently funded a livestock export training program that will deliver training pertaining to international dairy and meat standards.<sup>20</sup> The program is part of the joint efforts by USAID and the Agribusiness Support Fund (ASF) to increase competitiveness and productivity of the country's agricultural sector.



Jewelry exports showed an increase in the period under review. Recently a committee was setup by the Government for the promotion of Pakistani gems and jewelry in global markets. The committee aims to increase gems and Jewelry exports to USD \$5.5 billion by 2016-17.<sup>21</sup> In addition, the Pakistan Gems and Jewellery Development Company (PGJMC) is also operating gem testing labs in the country to promote the industry. The All Pakistan Gems & Jewelry

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

Top 10 Export commodities	Jan-Mar (Thousand US \$)		Increase in value	% Increase
	FY2011	FY2012		
<b>Raw Cotton</b>	68,934	215,073	146,140	212.00%
<b>Rice (Non-Basmati)</b>	257,472	348,956	91,484	35.53%
<b>Readymade Garments</b>	273,616	353,329	79,713	29.13%
<b>Jewelry</b>	59,597	109,578	49,981	83.86%
<b>Solid Fuel including Naptha</b>	105,676	151,910	46,234	43.75%
<b>Guar and Guar Products</b>	13,390	39,793	26,403	197.19%
<b>Plastic Materials</b>	117,506	139,566	22,060	18.77%
<b>Towels</b>	150,292	165,870	15,578	10.37%
<b>Sports Goods</b>	117,065	130,420	13,356	11.41%
<b>Madeup Textile Articles</b>	86,217	99,543	13,326	15.46%

Source: SBP

Manufacturers Association (APGJMA) is of the view that there is still vast untapped potential in the gems and jewelry sector of the country. If gems and jewelry manufacturing and processing capabilities of the country are enhanced, export performance can be greatly enhanced.<sup>22</sup>

Export of auto parts also increased during the period under review. There are over 200 auto parts manufacturers in the country and the Pakistan Association of Automotive Parts and Accessories Manufacturers (PAAPAM), is eyeing to boost exports of auto parts to USD \$250 million export by 2014 with the collaboration of Trade Development Authority of Pakistan (TDAP).<sup>23</sup>

Export of sports goods including footballs and gloves witnesses an increase as well. Work is on-going for the establishment of a Sports Industries Development Centre (SIDC) in the country, which will allow the local sports industry to adopt modern technologies for production conduct workforce training<sup>24</sup>. Seafood exports surged by 18.31 percent to reach USD \$80.20 million, in the period under review according to figures released by the State Bank of Pakistan (SBP). The Government of Pakistan is presently engaged in providing assistance to seafood processing units in the country to improve their operations in order to meet international standards, which will assist the Pakistani seafood industry in increasing its exports.

The country's rice exports saw an increase in the period under review as Pakistani rice exporters took advantage of the shortage of rice supply in the international market created due to the recent floods in Thailand. Pakistan's rice exporters have improved performance, with exports to Malaysia increasing by 244 percent in the last two years.<sup>25</sup>

China also recently permitted basmati rice imports from India which is likely to make the Chinese market more competitive for Pakistani rice exporters. This decision comes at a time when there have been considerable increases in production and export of rice from India.<sup>26</sup> The Basmati Growers Association (BGA) states that Pakistan's total basmati rice export potential, is valued at USD \$4 billion, is not properly utilized as there is still room for increasing production. The association believes that there is a need to adopt value addition methods, introduce high yield rice varieties, reduce trademark registration impediments, and focus on decreasing post-harvest losses.<sup>27</sup>



## Import of Goods

Import of petroleum products increased in the period under review, due to rising crude oil prices in the international market and consumption of furnace oil for power plants. Petroleum imports account for about one-third of the country's total imports.<sup>28</sup> Local demand for petroleum products is increasing recently due to shortage of CNG (Compressed Natural Gas) for automotive vehicles in the country. It should also be noted that the average price of oil per barrel in FY2012 (Jan-Mar) was USD \$112.46 or 12.82 percent higher than the USD \$99.68 figure in the same period last year.<sup>29</sup>

Fertilizer imports grew further in the period under review. Higher prices and natural gas shortages in the country reduced output of the local fertilizer industry. In the future, import of fertilizers is expected to remain high as the Trading Corporation of Pakistan (TCP) is looking to import additional quantities of fertilizer to meet local demand.<sup>30</sup>

Automotive Completely Knocked Down (CKD) kits used by Pakistani

auto assembling units to produce cars also saw higher imports in the period under review, as the local auto industry continues to experience growing sales. According to the Pakistan Automobiles Manufacturers Association (PAMA), sales of passenger cars increased by 14.64 percent in FY 2012 (July-April) in comparison to the same period last year.<sup>31</sup> Major countries exporting vehicles and associated parts to Pakistan include Japan, Thailand, and Indonesia.<sup>32</sup>

Palm oil imports increased in the period under review due to rising consumption in the local market; however, in the future the palm oil import bill burden might lesson due to declining prices of the commodity in the international market.<sup>33</sup> Recently, the Pakistan Edible Oil Refiners Association (PEORA), in association with the Malaysian Palm Oil Board (MPOB), organized a seminar on "Palm Oil Refining Competency" as part its efforts to promote local production of palm oil, eventually leading to less reliance of imports.<sup>34</sup>

Import of Iron and steel also continued to grow due to rising demand and under-utilization of Pakistan Steel Mills (PSM) production capacity. In FY 2011 (July-June), Pakistan imported 3.2 million tons of iron and steel, valued at USD \$2 billion. It is estimated that the country can save over a billion dollars annually if local capacity utilization is brought to optimal levels.<sup>35</sup> Key markets supplying iron and steel products to Pakistan include China, South Africa, United Kingdom, and Germany.<sup>36</sup>

**TABLE 3: TOP 10 IMPORT COMMODITIES (BY VALUE)**

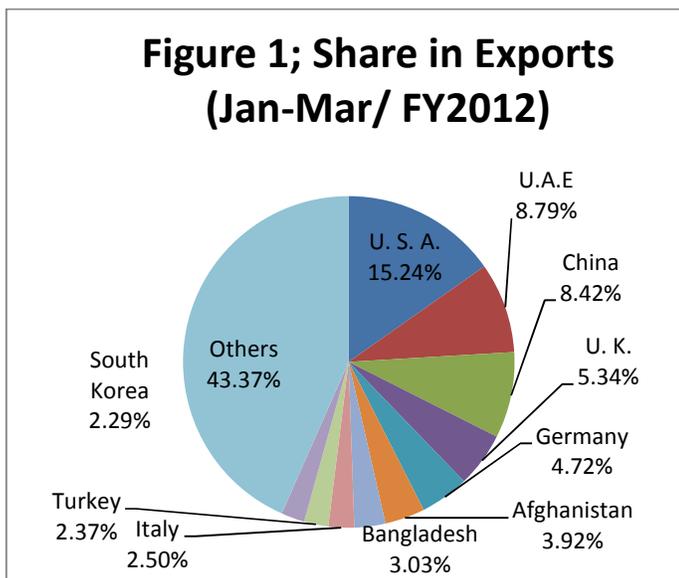
Top 10 Import commodities	Jan-Mar (Thousand US \$)		Difference	% Increase
	FY2011	FY2012		
<b>Petroleum Products</b>	2,108,640	2,769,730	661,090	31.35%
<b>Petroleum Crude</b>	1,258,341	938,045	-320,296	-25.45%
<b>Palm Oil</b>	453,439	510,175	56,737	12.51%
<b>Plastic Materials</b>	371,174	408,074	36,899	9.94%
<b>Iron and Steel</b>	281,614	359,032	77,418	27.49%
<b>Aircrafts, Ships and Boats</b>	127,335	277,208	149,873	117.70%
<b>Fertilizer Manufactured</b>	93,148	235,516	142,368	152.84%
<b>Motor Cars (CKD)</b>	117,525	138,571	21,046	17.91%
<b>Raw Cotton</b>	449,210	138,223	-310,987	-69.23%
<b>Synthetic &amp; Artificial Silk Yarn</b>	142,485	137,235	-5,250	-3.68%

**Source: SBP**



## Import/Export Markets

Pakistan's exports for the period under review FY 2011-12 (Jan-Mar) still remain largely concentrated around traditional export partners. There is a need for diversification of the country's exports to different markets across the world. Exports to the top 10 countries made up 56.63 percent of the country's total exports. The United States continues to be the largest recipient of exports from Pakistan, followed by the UAE, China, and the United Kingdom. The recent decline in exports to some countries is primarily due to lower exports of textile – the country's major export commodity. In FY 2012 (Jan-Mar), Pakistan maintained a trade surplus of USD \$711.50 million with the United States.



Exports to the UAE increased to nearly USD \$517.39 million in the period under review, but still remains well below USD \$1.62 billion worth of imports from the country. Exports to the UAE include gems and jewelry, petroleum products, rice and textiles whereas petroleum products make up the bulk of imports from the country.<sup>37</sup> During the recent 10<sup>th</sup> session of the Pakistan-UAE Joint Ministerial Commission (JMC), the foreign ministers of the two countries met in order to boost trade relations.<sup>38</sup> Imports from other Middle Eastern states including Saudi Arabia, Kuwait, and Oman, largely composed of petroleum products as well.<sup>39</sup>

**TABLE 4 : TOP 10 EXPORT DESTINATIONS (BY VALUE)**

Top 10 Export Destinations	Jan-Mar (Thousand US \$)		Difference	% Change
	FY2011	FY2012		
USA	981,255	896,942	-84,313	-8.59%
UAE	427,328	517,389	90,061	21.08%
China	487,025	495,602	8,577	1.76%
UK	324,322	314,313	-10,009	-3.09%
Germany	326,167	277,701	-48,466	-14.86%
Afghanistan	540,561	230,475	-310,087	-57.36%
Bangladesh	341,708	178,150	-163,558	-47.86%
Italy	191,211	147,315	-43,896	-22.96%
Turkey	190,752	139,249	-51,503	-27.00%
South Korea	122,850	134,798	11,948	9.73%

Source: SBP

Exports to Afghanistan declined in the period under review, but continue to remain far higher than imports from the country. Information released by the SBP reveals that the decline is largely due to a drop in the export of petroleum products.<sup>40</sup> This drop occurred due to restrictions placed on export of petroleum products by Pakistan to Afghanistan. Pakistan exports a large variety of products to Afghanistan as the country remains dependent on imports due to an underdeveloped industry.

Pakistan's exports to, and imports from, China did not see any significant change in the period under review. The trade deficit between the two countries stood at USD \$546.69 million. The head of Trade Development Authority of Pakistan (TDAP) stated that bilateral trade between the two countries is expected to increase to USD \$15 billion annually by 2015.<sup>41</sup>



While Pakistan's export to the United Kingdom declined only slightly in the period under review, imports from the United Kingdom declined by 12.92 percent according to the SBP. The United Kingdom remains the largest recipient of Pakistani exports in Europe. Exports to the United Kingdom continue to be dominated by textile products.<sup>42</sup> Exports to Bangladesh also saw a decrease in exports; commodities that saw a decline include wheat and meslin, rice, and cotton.<sup>43</sup>

Imports from India, while they declined in the period under review, are expected to increase in the future following the recent announcement by the Government of Pakistan to grant India Most Favored Nation (MFN) status by the end of 2012. Improved trade relations between the two countries can also pave the way for better political ties, accelerating the implementation of peace building measures. The Associated Chambers of Commerce and Industry of India (ASSOCHAM) estimated

Top 10 Import countries	Jan-Mar (Thousand US \$)		Difference	% Change
	FY2011	FY2012		
<b>U.A.E</b>	1,399,415	1,621,928	222,513	15.90%
<b>Saudi Arabia</b>	1,305,815	1,245,287	-60,528	-4.64%
<b>Kuwait</b>	785,282	1,082,544	297,261	37.85%
<b>China</b>	1,014,878	1,042,296	27,418	2.70%
<b>Singapore</b>	595,560	730,562	135,002	22.67%
<b>Malaysia</b>	458,734	393,691	-65,043	-14.18%
<b>Japan</b>	449,631	352,653	-96,978	-21.57%
<b>India</b>	554,146	350,882	-203,265	-36.68%
<b>Germany</b>	252,460	330,276	77,816	30.82%
<b>Switzerland</b>	234,364	264,195	29,832	12.73%

**Source: SBP**

that bilateral trade between the two countries will climb to USD \$6 billion by year 2014. TDAP recently organized the "Lifestyle Pakistan" exhibition in New Delhi, India in order to promote Pakistani brands, particularly those from the textiles industry.

In the period under review, imports from Thailand stood at USD \$124.69 million while exports to Thailand stood at USD \$30.22 million. Pakistan and Thailand recently agreed to move forward towards talks aimed at establishing a Free Trade Agreement between the two countries.<sup>44</sup>



## Trade-Related Projects in Pakistan

Below is a list of Trade-related projects, other than those instituted by USAID.

### **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 country's integration into the global economy. The overall objective of the programme 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 UNIDO 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)**

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

The Trade & Transport Facilitation Program (TTFP-2), with a total funding of USD \$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)**

### **Asian Development Bank – 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)**

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

The aim of this USD \$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)**

### **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)**



## **Punjab Government - Punjab Economic Opportunities Programme (PEOP)**

The USAID Department for International Development (DFID) Punjab Economic Opportunities Programme (PEOP) has been formulated in cooperation with the Government of Pakistan. The BP £55 million program focuses on poverty alleviation in four districts of Punjab province -Bahawalpur, Bahawalnagar, Lodhran and Muzaffargarh- by enhancing livestock quality and quantity, thereby supporting overall economic uplift in the region. Key features of the program include: (I) Skill development, (II) Livestock and dairy development, (III) Center for Inclusive Growth, and (IV) Technical assistance. The program is scheduled to continue operating till the end of 2012. **(Status – Active)**

## **ADB – Karachi Harbor Crossing Project**

The USD \$225,000 technical assistance fund under the project plans to: - (I) rationalize Karachi Port Trust's current business strategy and future investment plans; and (II) build its financial planning and forecasting capacity. It will also establish bankability of the Karachi harbor Crossing Project on a non-sovereign basis. Additionally, a \$200 million loan from ADB is in the pipeline for approval in 2013. **(Status – Active)**

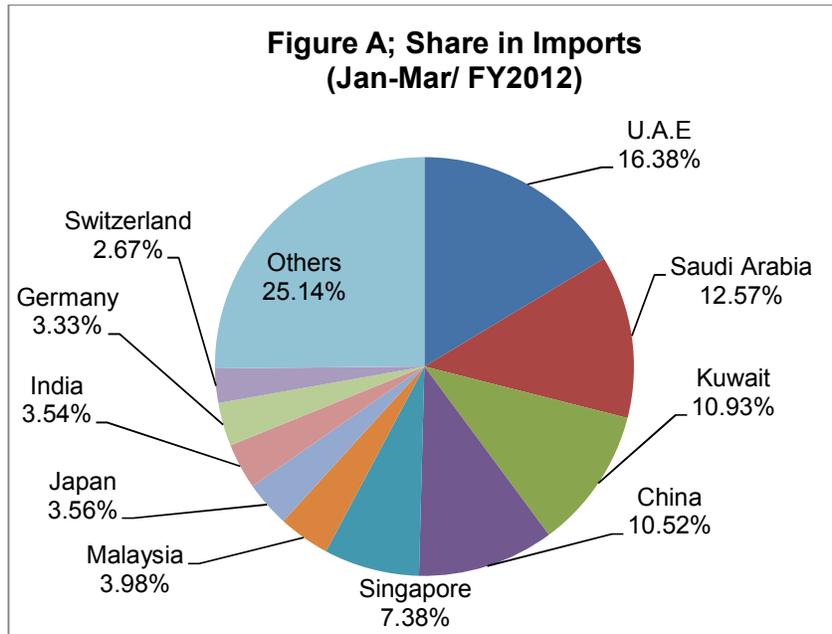


## Annex 1: End Notes

- <sup>1</sup>[http://www.pbs.gov.pk/sites/default/files/external\\_trade/monthly\\_external\\_trade/met3/trade\\_summary\\_march2012.pdf](http://www.pbs.gov.pk/sites/default/files/external_trade/monthly_external_trade/met3/trade_summary_march2012.pdf)
- <sup>2</sup> (2012, January 23- 29), Exports to decline to \$23bn, Volume XXXI (04), Pak&Gulf Economist, 2
- <sup>3</sup> [http://www.dailytimes.com.pk/default.asp?page=2012\05\22\story\\_22-5-2012\\_pg5\\_2](http://www.dailytimes.com.pk/default.asp?page=2012\05\22\story_22-5-2012_pg5_2)
- <sup>4</sup> <http://www.brecorder.com/top-news/1-front-top-news/56866-pta-accused-of-delaying-auction-for-3g-licences-.html>
- <sup>5</sup> [http://www.thenews.com.pk/Todays-News-3-107528-Remittances-grow-by-20pc-to-\\$1088-billion](http://www.thenews.com.pk/Todays-News-3-107528-Remittances-grow-by-20pc-to-$1088-billion)
- <sup>6</sup> <http://www.sbp.org.pk/ecodata/Homeremit.pdf>
- <sup>7</sup> [http://www.sbp.org.pk/m\\_policy/2012/MPS-Apr-2012-Eng.pdf](http://www.sbp.org.pk/m_policy/2012/MPS-Apr-2012-Eng.pdf)
- <sup>8</sup> <http://www.thenews.com.pk/Todays-News-3-102820-Minimum-saving-accounts-profit-rate-increased-to-6pc>
- <sup>9</sup> <http://www.thenews.com.pk/Todays-News-3-106167-Concern-voiced-over-decline-in-GDP-growth>
- <sup>10</sup> (2012, April 16-22), Revenue collection surges 24.1 percent to Rs 1,266 bn in 9 months, Volume XXXI (16), Pak & Gulf Economist, 3
- <sup>11</sup> [http://www.pbs.gov.pk/sites/default/files/external\\_trade/monthly\\_external\\_trade/met3/services\\_detail\\_march2012.pdf](http://www.pbs.gov.pk/sites/default/files/external_trade/monthly_external_trade/met3/services_detail_march2012.pdf)
- <sup>12</sup> <http://www.thenews.com.pk/article-50436-Power-shortfall-surges-to-5,500-MW->
- <sup>13</sup> [http://www.dailytimes.com.pk/default.asp?page=2012\05\20\story\\_20-5-2012\\_pg5\\_6](http://www.dailytimes.com.pk/default.asp?page=2012\05\20\story_20-5-2012_pg5_6)
- <sup>14</sup> (2012, January 23- 29, Naveed Qamar discusses electricity import from Central Asian countries, Volume XXXI (04), Pak & Gulf Economist, 2
- <sup>15</sup> <http://www.thenews.com.pk/Todays-News-3-109610-Textile-sector-exports-down-by-10pc-as-energy-crisis-takes-toll>
- <sup>16</sup> [http://www.dailytimes.com.pk/default.asp?page=2012\05\12\story\\_12-5-2012\\_pg5\\_8](http://www.dailytimes.com.pk/default.asp?page=2012\05\12\story_12-5-2012_pg5_8)
- <sup>17</sup> <http://www.brecorder.com/cotton-a-textiles/185/1185008/>
- <sup>18</sup> <http://www.thenews.com.pk/Todays-News-3-109620-Leather-exports-may-decline-further-PTA>
- <sup>19</sup> <http://dawn.com/2012/05/21/adhoc-ism-fails-mango-export-project/>
- <sup>20</sup> <http://pakobserver.net/detailnews.asp?id=156118>
- <sup>21</sup> <http://www.dawn.com/2012/03/08/committee-to-promote-jewellery-gem-export/>
- <sup>22</sup> (2012, March 12-18), Volume XXXI (11), Pak & Gulf Economist, 12
- <sup>23</sup> <http://www.thenews.com.pk/Todays-News-3-106730-PAAPAM-says-proposed-auto-policy-to-benefit-India>
- <sup>24</sup> <http://www.brecorder.com/business-a-economy/189/1191321/>
- <sup>25</sup> <http://tribune.com.pk/story/367164/rice-exports-to-malaysia-grow-244/>
- <sup>26</sup> <http://timesofindia.indiatimes.com/business/india-business/China-ignores-Pakistans-concerns-approves-Indian-basmati-imports/articleshow/12841500.cms>
- <sup>27</sup> <http://www.pakistantoday.com.pk/2012/02/08/news/profit/basmati-growers-association-warns-quarters-over-declining-trend/>
- <sup>28</sup> [http://www.thenews.com.pk/Todays-News-3-109601-Pakistan-imports-petroleum-products-worth-\\$126bn](http://www.thenews.com.pk/Todays-News-3-109601-Pakistan-imports-petroleum-products-worth-$126bn)
- <sup>29</sup> <http://www.indexmundi.com/commodities/?commodity=crude-oil&months=15>
- <sup>30</sup> <http://www.brecorder.com/agriculture-a-allied/183/1192171/>
- <sup>31</sup> <http://www.pama.org.pk/images/stories/pdf/production-sale-2011.pdf>
- <sup>32</sup> Trademap 2010, International Trade Center
- <sup>33</sup> <http://www.brecorder.com/markets/commodities/asia/58578-palm-oil-slides-to-5-month-low-on-europe-concerns-.html>
- <sup>34</sup> <http://www.brecorder.com/agriculture-a-allied/183/1186863/>
- <sup>35</sup> <http://dawn.com/2012/03/21/steel-imports-thriving-on-low-psm-capacity/>
- <sup>36</sup> Trademap 2010, International Trade Center
- <sup>37</sup> Trademap 2010, International Trade Center
- <sup>38</sup> Shabbir H. Kazmi, (2012, March 12-18, Strengthening Pak-UAE trade ties, Volume XXXI (11), Pak & Gulf Economist, 8
- <sup>39</sup> Trademap 2010, International Trade Center
- <sup>40</sup> <http://www.sbp.org.pk/publications/export/2012/Mar/4.pdf>
- <sup>41</sup> <http://dawn.com/2010/12/19/pak-china-trade-to-reach-15bn-by-2015/>
- <sup>42</sup> Trademap 2010, International Trade Center
- <sup>43</sup> <http://www.sbp.org.pk/publications/export/2012/Mar/4.pdf>
- <sup>44</sup> (2012, January 30- February 5), Pakistan keen to move towards FTA with Thailand: Gilani, Volume XXXI (05), Pak & Gulf Economist, 3



## Annex 2: General Trade Related Figures of Pakistan



**TABLE A: TOP 10 RISING EXPORT DESTINATIONS (BY VALUE)**

Top 10 Export Destinations	Jan-Mar (Thousand USD \$)		Increase	% Increase
	FY2011	FY2012		
<b>U.A.E</b>	427,328	517,389	90,061	21.08%
<b>Vietnam</b>	34,038	101,611	67,573	198.52%
<b>Egypt</b>	29,841	76,425	46,584	156.11%
<b>India</b>	84,644	113,661	29,016	34.28%
<b>Philippines</b>	24,505	42,262	17,757	72.46%
<b>Senegal</b>	3,235	20,400	17,165	530.65%
<b>Indonesia</b>	40,471	57,205	16,734	41.35%
<b>Macao</b>	1,589	17,167	15,579	980.67%
<b>Saudi Arabia</b>	98,534	112,306	13,772	13.98%
<b>Malaysia</b>	52,646	66,006	13,359	25.38%

Source: SBP



**TABLE B: TOP 10 DECLINING EXPORTS DESTINATIONS (BY VALUE)**

Top 10 Export Destinations	Jan-Mar (Thousand US \$)		Decline	% Decrease
	FY2011	FY2012		
Afghanistan	540,561	230,475	-310,087	-57.36%
Bangladesh	341,708	178,150	-163,558	-47.86%
USA	981,255	896,942	-84,313	-8.59%
Hong Kong	175,369	120,920	-54,449	-31.05%
Turkey	190,752	139,249	-51,503	-27.00%
Germany	326,167	277,701	-48,466	-14.86%
Italy	191,211	147,315	-43,896	-22.96%
Switzerland	55,174	23,724	-31,450	-57.00%
Belgium	140,433	109,590	-30,842	-21.96%
Yemen Arab Republic	51,409	21,316	-30,093	-58.54%

Source: SBP

**TABLE C: TOP 10 RISING IMPORT COUNTRIES (BY VALUE)**

Top 10 Import countries	Jan-Mar (Thousand US \$)		Increase	% Increase
	FY2011	FY2012		
Kuwait	785,282	1,082,544	297,261	37.85%
U.A.E	1,399,415	1,621,928	222,513	15.90%
Singapore	595,560	730,562	135,002	22.67%
Germany	252,460	330,276	77,816	30.82%
Morocco	52,632	101,719	49,088	93.27%
Vietnam	15,925	63,763	47,838	300.40%
Oman	10,417	56,887	46,470	446.09%
Russian Federation	4,126	43,892	39,765	963.73%
Indonesia	112,769	148,556	35,788	31.74%
Ukraine	2,014	33,845	31,831	1580.50%

Source: SBP

**TABLE D : TOP 10 DECLINING IMPORT COUNTRIES (BY VALUE)**

Top 10 Import countries	Jan-Mar (Thousand US \$)		Decrease	% Decrease
	FY2011	FY2012		
India	554,146	350,882	-203,265	-36.68%
USA	317,541	185,438	-132,103	-41.60%
Japan	449,631	352,653	-96,978	-21.57%
Malaysia	458,734	393,691	-65,043	-14.18%
Saudi Arabia	1,305,815	1,245,287	-60,528	-4.64%
Malta	45,599	464	-45,135	-98.98%
Qatar	49,477	16,898	-32,580	-65.85%
Finland	50,993	27,775	-23,219	-45.53%
UK	167,746	146,067	-21,679	-12.92%
Thailand	137,605	124,693	-12,912	-9.38%

Source: SBP



## Annex 2: Acronyms

ADB	Asian Development Bank
APTTA	Afghan Pakistan Transit Trade Agreement
APTMA	All Pakistan Textile Mills Association
APGJMA	All Pakistan Gems and Jewelry Manufacturers Association
ASF	Agribusiness Support fund
ASSOCHAM	Associated Chambers of Commerce and Industry of India
BGA	Basmati Growers Association
CKD	Completely Knocked Down
CPI	Consumer Price Index
CNG	Compressed Natural Gas
EU	European Union
FBR	Federal Board of Revenue
FDI	Foreign Direct Investment
FY	Fiscal Year
GoP	Government of Pakistan
IMF	International Monetary Fund
IPP	Institute of Public Policy
ISDB	Islamic Development Bank
IPR	Intellectual Property Rights
JMC	Joint Ministerial Commission
KPK	Khyber Pukhtoonkhwa
LSM	Large Scale Manufacturing
MoC	Ministry of Commerce
MPOB	Malaysian Palm Oil Board
MTBF	Medium Term Budgetary Framework
MW	Megawatt
NHA	National Highway Authority
NTICP	The National Trade Corridor Improvement Program
PAAPAM	Pakistan Association of Automotive Parts and Accessories Manufacturers
PEORA	Pakistan Edible Oil Refiners Association
PBS	Pakistan Bureau of Statistics
PGJDC	Pakistan Gems and Jewelry Development Company
PRI	Pakistan Remittance Initiative
PTA	Pakistan Tanners Association
PTA	Pakistan Telecommunications Authority
ROZ	Reconstruction Opportunity Zones
SBP	State Bank of Pakistan
SEZ	Special Economic Zones
SIDC	Sports Industries Development Center
TAPI	Trans-Afghanistan Pipeline
TCP	Trading Corporation Of Pakistan
TDAP	Trade Development Authority Of Pakistan
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

USAID Trade Project  
Deloitte Consulting, LLP

<http://www.pakistantrade.org>