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Roadmap for Export Enhancement & Diversification in Pakistan

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Preface:

The export performance of Pakistan as compared to other countries in the region has been abysmal in the last few decades. This can be well illustrated by the export comparison of Pakistan and Turkey. In 1980, Pakistan and Turkey had similar exports i.e. around US$ 4 Billion. The situation is quite converse in these times, with Turkey having exports of around US$ 147 Billion in 2012; more then six times of Pakistan's exports in the same period. Pakistan's exports represent only 0.14% of world exports and the country ranks 68 in world exports.

The inability of Pakistan exports to tap some of the most dynamic world markets along with high product concentration and low technological level in various aspects of the exports meant that Pakistan's growth rate of exports remained stifled and considerably below than that of other countries.

This report first presents the detailed break-up of Pakistan exports, followed by the current state of export diversification (product and market), relative to other countries in the region. It then focuses on the obstacles that have been the cause of stifling growth rate of exports. In the end, it lays down recommendations for enhancing the growth rate of exports and also promoting diversification in exports.

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1. Exports Breakup:

- During the first ten months of the FY 2012-13, total exports were valued at US$ 20.147 Billion. This was 4.2 percent higher over the exports in the same period in FY 2011-12, which stood at US$ 19.329 Billion.
- During the above mentioned period, export of food group showed the largest increase of 12.3 percent, followed by "other manufacturers" and textile group, which showed the increase of 8.7 percent and 6.1 percent respectively.
- The detailed export breakup for FY 2012-13 (July-Apr) is shown below in the table 1.

TABLE 1

Structure of Exports($ Millions)

Particulars	July-April		% Change	Absolute Change
	2011-12*	**2012-13***		
A. Food Group	**3,521.2**	**3,953.4**	**12.3**	**432.1**
Rice	1736.1	1607.5	-7.4	-128.6
Sugar	14.9	393.2	2538.9	378.3
Fish & Fish Preparation	258.8	270.3	4.5	11.5
Fruits	322.3	341.2	6.9	19.0
Vegetables	136.0	214.4	57.4	78.0
Wheat	112.7	52.7	-53.3	-60.1
Spices	38.5	55.1	43.0	16.6
Oil Seeds ,Nuts & Kemels	23.4	28.2	20.5	4.8
Meat & Meat Preparation	140.7	178.3	26.8	37.6
B. Textile Manufacturers	**10,127.6**	**10,749.3**	**6.1**	**621.8**
Raw Cotton	433.5	138.1	-68.2	-295.5
Cotton Yarn	1468.6	1851.7	26.1	383.1
Cotton Cloth	2,004.5	2231.2	11.3	226.7
Knitwear	1,624.4	1663.0	2.4	38.4
Bed Wear	1452.3	1467.2	1.0	14.9
Towels	554.3	647.4	16.8	93.1
Readymade Garments	1,319.6	1475.6	11.8	155.9
Make-up Articles	475.8	487.5	2.5	11.7
C. Petroleum Group				
Petroleum Products	291.9	5.8	-	-286.1
Petroleum Top Naphtha	518.4	0.0	-	-518.4

D. Other Manufacturers				
Carpets, Rugs & mats	104.4	96.7	-7.3	-7.6
Sports Goods	271.6	263.2	-3.1	-8.4
Leather Tanned	358.7	389.4	8.6	30.7
Leather Manufacturers	441.3	461.8	4.6	20.5
Surgical Goods & Medical Inst.	254.8	249.8	-2.0	-5.0
Chemicals & Pharma Pro.	910.3	635.7	-30.2	-274.5
Engineering Goods	225.7	221.3	-2.7	-4.5
Jewellery	646.3	1143.7	77.0	497.4
Cement	390.4	469.0	20.1	78.6
Guar & Guar Products	110.1	119.0	8.1	8.9

Source: Pakistan Bureau of Statistics ,* Provisional

1.1 Trend in Export of Different Commodity Groups:

- **Food Group:** Increase in the export of food group in FY 2012-13 (July-Apr) was primarily due to increase of 57.4 percent, 43.0 percent and 26.8 percent in the exports of vegetables, spices, and "meat and meat preparation" respectively. This increase was however pegged back a bit by a 7.4 percent decrease in the export value of rice. The main factors contributing a decrease in the export value of rice are
    - Decrease of 10 percent in rice production.
    - Delay in harvesting due to late monsoon rain which kept the domestic price high.
    - Stiff competition from the competitors in the international export market e.g. India which introduced high yield basmati rice value, capturing substantial export value.
    - Rise in the proportion of non-basmati rice which affects the export value.

- **Textile:** Increase in the export of textile manufacturers in FY 2012-13 (July-Apr) was mainly due to increase of 26.1 percent, 16.8 percent and 11.8 percent in the exports of cotton yarn, towels and readymade garments respectively. The main factors contributing to increase in exports are
    - Restoration of electricity and gas supply to textile industries in Punjab in the later part of winter.

- Self power generation by some producers.
- European Union preferential package on import of 75 items which resulted in the exporters receiving more orders.
- Substantial decrease (68%) in the export of raw cotton, which made ensured more availability of cotton locally.

Miscellaneous Sectors

- **Jewellery:** Among other miscellaneous sectors, Jewellery sector exports increased by 77% to US$ 1.1 Billion. Removal of Indian Jewellery from USA resulted in doubling of Pakistan Jewellery exports to USA.
- **Cement:** Cement sector showed strong performance in export growth, with an increase of 20.1 percent during the period (July-April) FY 2012-13. The main reason for this was the strong demand from Afghanistan and African countries.

2. Current State of Export Diversification (Product & Market):

- **2.1) Product Diversification:** Diversification of Pakistani exports in terms of products is very low as the exports are highly concentrated in a few products. Cotton and cotton manufactures, leather and rice exports accounted for 63.7 percent of total exports during (July-March) FY 2012-13. The cotton manufactures alone contributed more than 50% to the exports of Pakistan. The yearly trend in the percentage share of these three items in the total exports of Pakistan is shown below in table 2.

TABLE 2

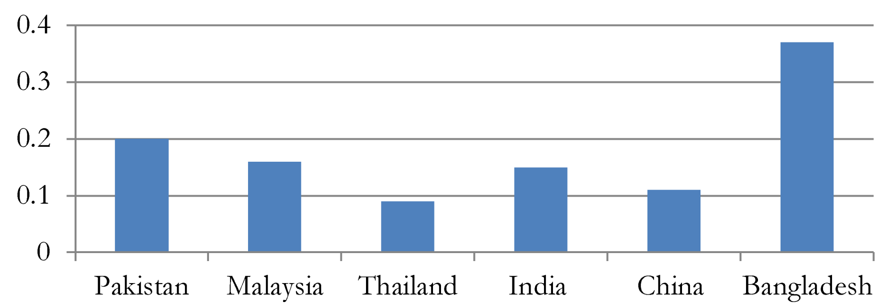
Pakistan's Major Export Products (Percentage Share)

Commodity	**06-07**	**07-08**	**08-09**	**09-10**	**10-11**	**11-12**	**Jul-March***	
							11-12	**12-13**
Cotton Manufacturers	59.7	51.9	52.6	50.6	52.9	49.6	50.0	51.4
Leather**	5.2	5.8	5.4	4.5	4.4	4.4	4.8	4.5
Rice	6.6	9.8	11.2	11.3	8.7	8.7	8.8	7.8
Sub-total of three items	**71.5**	**67.5**	**69.2**	**66.4**	**66.0**	**62.7**	**63.6**	**63.7**
Other Items	28.5	32.5	30.8	33.6	34.0	37.3	36.4	36.3
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Pakistan Bureau of Statistics ,*: Provisional, **: Leather & Leather Manufactured

- The product concentration index of Pakistan exports has shown marginal improvement over time and stands at an all time low of 0.20, but is higher than that of Malaysia (0.16), Thailand (0.09) and India (0.15). This shows that Pakistan suffers from highly concentrated export products mix, as compared to other countries in the region (depicted in the graph below).

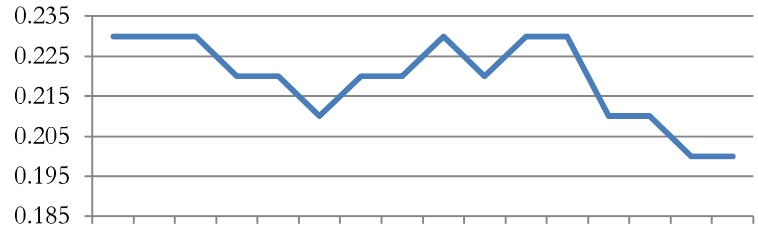
Figure 1: Comparison of Product Concentration index with that of other countries in the region



Source: UNCTAD

- The variation in the product concentration index since 1995 can be seen in the graph ahead.

Figure 2: Product Concentration Index



Source: United Nations Conference on Trade and Development (UNCTAD)

- **2.2) Market Diversification:** As compared to products, Pakistani exports are better diversified in terms of markets but a lot of improvement is required in this regard. The percentage share of Pakistan's exports to dynamic world markets i.e. Africa, Central Asian Republic (CAR), Latin America and Russian Federation is less than 10%.

  United States alone provides 15 % market to the exports from Pakistan, followed by UAE, UK, Germany and Hong Kong. The combined share of Pakistani exports to aforementioned economies has declined to 36.3 % in (July-Mar) FY 2012-13 as compared to 43% in FY 2007-08. The yearly trend in this regard in the last many years can be seen ahead in table 3.

TABLE 3

Major Exports Markets (Percentage Share)

Country	**07-08**	**08-09**	**09-10**	**10-11**	**11-12**	**Jul-March**	
						11-12	**12-13**
USA	19.5	18.9	17.4	16.0	14.9	14.8	15.1
UK	5.4	4.9	5.3	4.9	5.0	5.1	5.4
Germany	4.3	4.2	4.1	5.1	4.5	4.8	4.1
Hong Kong	2.7	2.1	2.2	2.0	1.7	1.6	1.6
UAE	10.9	8.2	8.9	7.3	9.7	9.1	10.1
Sub-Total	**42.8**	**38.3**	**37.9**	**35.3**	**35.8**	**35.4**	**36.3**
Other Countries	57.2	61.7	62.1	64.7	64.2	64.6	63.7
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Pakistan Economic Survey 2012-13

- The Market concentration index of Pakistan exports is below 0.25. It is encouraging to compare this with market concentration index of other countries i.e. 0.23 for Thailand, 0.27 for Malaysia and 0.20 for India. This shows that as compared to products, Pakistan exports are relatively better diversified in terms of markets.

3. Obstacles in Export Growth:

- **3.1) Lack of Product Diversity & Medium/High Technology Exports:** As described in detail in section 2, the product concentration index of Pakistan is higher than other countries in the region. Not only Pakistan's export base is relatively undiversified, it is also concentrated in products with low technological content, which account for more than 50% of total exports. This is in direct contrast to today's economic world, where a country's comparative advantage in export market is more dependent on its ability to adopt new technologies, as compared to factor endowments.

  A glance at the structure of world exports reveals the fact that total share of medium and high-technology product exports is well above 50%. The situation in Pakistan is completely the opposite with the combined share of medium and high technology exports around 10%. Furthermore, the growth rate of medium technology exports is below both the world growth rate and Pakistan's growth rate of total exports. The high technology exports have grown at an impressive rate of over 15 % in the last few years, but the export base of these items is very small to have an impact on the overall export value.

- **3.2) Lack of Market Diversification:** Not only Pakistan's exports are concentrated in few products but also highly concentrated in just few markets namely USA, UK, Germany, Hong Kong and UAE.As shown in table 4 in section 2, these markets account for almost 36 percent of the total exports. On geographic basis, the combined percentage share of Pakistan's exports to less developed dynamic world markets i.e. Africa, Central Asian Republic (CAR), Latin America and Russian Federation is less than 10%, as shown below.

TABLE 4

Percentage Share of Pakistan Exports to untapped potential economies

Region Exported to	Exported Value 2012 (USD "000")	% Share in Pakistan Exports
World	24,613,676	
Africa	1,604,829	6.5
Central Asian Republics	13,433	0.05
Latin America	487,247	1.98
Russian Federation	186,192	0.76

Source: International Trade Centre, Trade Map

- **3.3) Unrealized SMEs Potential:** SMEs have historically played a significant role in Pakistan's medium and high technology exports. This sector has huge potential in paving the way for the growth of high and medium technology sector exports. There are however, a number of barriers in the realization of their potential, mainly
    - Few resources and limited access to credit due small size of SMEs.
    - High relative costs in accessing and utilizing information technology, managerial services, marketing services and financial expertise due to lack of economies of scale.

- **3.4) Lack of Agro Based Export Strategy/Infrastructure:** Historically, an agro based export strategy has never been pursued in Pakistan due to the belief that because increase in agricultural production would outpace the increase in demand, resulting in a decline in the price of agricultural commodities, agriculture could not be a driver of export growth. This notion has been refuted in the recent times due to a rise in price of agro-based commodities, mainly due to oil price hike, change in consumption pattern and limited land resources. The specific problems faced by various agricultural sub-sectors, in terms of export growth are as follows.
    - **Rice & Wheat:** A significant percentage of the crops like rice and wheat are still stored in open and milled using primitive techniques, resulting in significant wastage. The dearth of post-harvesting facilities like storage and milling is hence, a major obstacle in export growth of these crops.
    - **Cotton:** Due to expansion of textile industry and stagnation in cotton production, Pakistan has turned into a net importer of cotton. India has overcome the problems of stagnation in cotton by the introduction of BT (genetically modified) cotton seeds, which offer higher yield and higher pest resistance.
    - **Fruits & Vegetables:** Although the percentage share of fruits and vegetables in Pakistan's total exports has increased from 1% in 2008 to around 2.7% in 2012-13, this sector has the potential of achieving much higher growth rate in exports. The main factors hindering its export growth are

- Use of poor production practices (e.g. flood irrigation of fruit tress).
- Poor pest management.
- Inadequate harvesting
- Lack of necessary infrastructure, especially for post-harvest treatment and cold chain.

Pakistan's main export markets of fruits and vegetables are UAE, India, Iran, and Afghanistan. As Pakistan has not been able to meet the required standards relating to food safety and animal/plant health, it has not been able to the tap the potential in these markets. Over the last decade, there has been no significant improvement in production technology, harvesting practices, post-harvest care, and packaging within the horticulture industry. Pakistan also does not have adequate testing and certification facilities, which are required for the exports to developed country export markets.

- **Fish & Fish Preparation:** The share of Fish and fish preparations in Pakistan's total exports is quite miniscule (less than 1%), and is declining over time. The main factors in this abysmal export performance are
  - Poor marine fish harvesting technology
  - Poor post-harvest handling and processing methods.
  - Lack of compliance of existing practices with international standards.
  - Scarce availability of freshwater treatment facilities.
- **Meat & Meat Preparation:** Currently, the percentage share of "Meat and Meat preparations" in the total exports of Pakistan is around 0.8%. This figure presents a sorry picture as this commodity offers huge export potential, if the required health and quality standards are fulfilled.
- **Leather and Leather Manufactures:** Leather and leather manufactures are one of the main exports of Pakistan traditionally but unfortunately the percentage share of these in the total exports has been declining lately and now stands at around 4.2%. It is one of the few sectors in the economy that exports most of its production. The export growth in leather industry is plagued by

        - Use of a high proportion of damaged local hides and skins due to disease and improper preservation.
        - Poor compliance with various environmental standards.
        - The flagship industry of the leather sector is footwear, which is highly underdeveloped and suffers from a lack of trained human resources, and availability of good-quality shoe components.
    - **Unrealized Potential in Processed Food:** Processed food is one of the fastest growing export sectors in Pakistan. Its rapid growth is evident by the fact that its contribution to the exports has increased from 0.1% in 2008 to around 3% in 2012. The export is mainly coming from fruit juices and to some extent from small vegetable and fruit industry. However, the industry has a very small base and is only concentrated in the major cities. The main hurdle in the export growth of this industry is the non availability of packaging material and other inputs at internationally competitive prices.

- **3.5) Transportation Constraints:** Poor condition of road network and lack of repair/ maintenance continues to be a major obstacle in export growth. According to Global Enabling Trade Report 2012, Pakistan ranks 72 in terms of the road quality network. Poor roads not only cause delays but also cause wear and tear of vehicles, causing an increase in transport cost. Railroad network in Pakistan is also highly inefficient and caters to less than 10% of cargo movement. The country ranks 60 in terms of the quality of railroad infrastructure.

- **3.6) Low Skill Development:** In today's economic world, the nature of skill required is rapidly changing. In terms of skill development, Pakistan's performance has been low relative to other developing countries. The labor productivity growth rate of Pakistan has been very low as compared to other countries in the region like India, Bangladesh and Sri Lanka. In this way, it becomes impossible for the industries with comparative advantage to compete with the industries in the competitor countries. Comparison of the labor productivity growth rates of Pakistan with the other countries in South Asia can be seen ahead in the table.

TABLE 5

Comparison of Labor Productivity Growth Rates

Country	1992-2000	2000-08	2008	2009	2010
Pakistan	1.4	1.7	0.8	-2.2	1.9
India	4.4	5.1	5.0	5.7	5.6
Bangladesh	3.7	2.7	3.9	3.4	3.4
Sri Lanka	2.3	3.1	1.9	3.8	5.9

Source: ILO (International Labor Organization)

- **3.7) Inefficient Tax Structure for Businesses:** The local tax structure is quite flawed and inefficient as multiple taxes at different tiers of the Government are imposed on the same tax base. This ends up raising the cost of production. For example, general sales tax is levied by the federal government, professional tax by the provincial government, and a professional fee by local governments on various businesses.

- **3.8) Weak Contract Enforcement:** Due to high litigation costs and lengthy delays due to high backlog and complex procedures, the legal and judicial system is unable to provide effective contract enforcement. As a result of this, the smaller businesses i.e. SMEs prefer to deal with only with their trusted buyers/suppliers, leading to inefficiencies like market segmentation. Furthermore it raises the cost of large-scale production and hinders business expansion. According to a World Bank study, in case of default in Pakistan, it takes on average 976 days and costs 24% of the total claim to be granted redress. It is marginally better than India, which takes 1420 days at 40% of the total cost of the claim) but much worse than East Asian countries like Thailand where it just takes 479 days to resolve claims at only 12.3% of the total cost of the claim. A comparison of Pakistan with different countries is shown ahead in the table.

TABLE 6

Comparison Of Contract Enforcement

Country	Time (days)	Cost(% of claim)
Pakistan	976	23.8
India	1420	40
Thailand	479	12.3
Malaysia	425	27.5
China	406	11.1

Source: World Bank, IFC. Doing Business 2012

- **3.9) Ineffective Trade Facilitation:** The Global Enabling Trade Index (2012) measures the factors, policies, and services facilitating the free flow of goods over borders and to destinations. The index comprises four broad areas: (i) market access, (ii) border administration, (iii) transport and communications infrastructure, and (iv) business environment. Pakistan has been ranked at 116 out of the 132 countries studied for the report.

    - **Border Administration:** Pakistan requires considerably more days to export an item as compared to other efficient countries in the region, i.e. India, Malaysia, and Thailand. This is primarily due to crude export procedures in terms of time taken and documents required. There is need to adopt modern, simplified, and transparent export procedures. Cumbersome procedures for exporting goods have developed over the years mainly to check under-invoicing during the time when there was a significant difference between the official and black market exchange rates. A comparison of the efficiency of export procedures of Pakistan and other countries in the region is shown below in the table.

TABLE 7

Efficiency of Export Procedures

Country	Documents to Export (Number)	Time Taken (Days)
Pakistan	7	21
India	8	16
China	8	21
Malaysia	6	17
Thailand	5	15

Source: World Bank, IFC. Doing Business 2012

    - **Logistics:** According to Global Enabling Trade Report 2012, the logistics competence index ranks Pakistan at 89 out of 132 countries, and 85 in terms of timeliness of the shipments reaching their destinations, highlighting two areas of weakness. The local logistics industry is plagued by inefficient less-than-truck-load and less-than-container-load supply chains, especially to serve SMEs. There is also a lack of integrated supply-chain management service with real-time cargo monitoring and Internet based transactions. In Pakistan, rail freight is more expensive and less efficient than road, and therefore caters to less than 10% of cargo movement in the country.

4. Recommendations for Enhancing Export Growth & Diversification:

- **4.1) More Product Diversity:** As described in detail in section 2, the product concentration of Pakistan is higher than that of other countries in the region. A strategy should be formulated to increase product base and reduce dependence on Cotton, Leather and Rice, which contribute more than 60% to the exports. Increase in product base would also help in bringing down the product concentration index. To capture a large share in the world trade, Pakistan has to make a strategic shift in the composition of its exports which entails promoting exports of medium/high technology products whose share in the world trade is increasing and reducing the share of exports with low technology content. There is also a great scope of increasing the exports of services sector.

- **4.2) More Penetration in Dynamic World Markets:** There is need to diversity the exports in terms of markets as more than 36% exports go to five markets (USA, UK, Germany, Hong Kong and UAE). There is an ample potential of increasing exports to large dynamic world markets, where Pakistan is an under achiever i.e. South America, Africa, Central Asian Republics (CARs) and Russia, where the combined share of Pakistan exports is less than 10 percent. India, China and Saudi Arabia are other potential markets where Pakistan needs to realize its full potential.

  The market development efforts should be targeted in a more focused way i.e. in the regional centers such as UAE, which serves as a natural hub for the Middle East. Such hubs should also be identified for the European Union, Africa, and East Asia, and these should be the focus of market development initiatives to enhance Pakistan's presence in these regions.

- **4.3) Focus on Medium Technology Exports:** As the role of technology is increasing in the world trade, Pakistan will have to make concerted efforts to boost technologically based industrial production through induction of medium/hi-tech industries in export categories. There is especially a need to focus on medium technology products like Surgical Instruments, Chemical & Pharmaceutical products and Engineering goods, which have shown negative export growth in recent times i.e. -2.0%, -30.2% and -2.7% respectively in 2012-13 as compared to 2011-12. The percentage shares of these items in the exports are also quite meager and stand at 1.2, 3.1 and 1.0% respectively in FY 2012-13. More focus on these medium technology products would be a build up on the notion that more diversity and up gradation is needed in technology intensive products to increase the export competitiveness.

- **4.4) Development of Specialized/Other Skills:** The availability of skilled labor force is the most decisive factor in facilitating a firm in adopting the use of new technologies, hence enabling it to enter higher-technology value chains. Competent engineers and managers are required at the managerial level to facilitate the use of sophisticated technology and manage complex production processes in developing the products demanded internationally. Requisite skills are also required to market the developed products.

  This skill development requires significant public investment in relevant technical and general education. To enhance the labor productivity and reduce the skill deficit, the Government can take the following steps

  - Provide technical training grants to institutions (managed by either the public or private sector) that meet eligibility criteria for such support.
  - Training vouchers for those seeking technical training in disciplines of their choice.
  - Ensure a transparent and competitive bidding process for access to training grants.
  - Adoption of the system of international certification, which would have better acceptance, both locally and globally.

- **4.5) Promotion of local R&D:** The promotion of local R&D holds paramount importance if Pakistan has to achieve export growth, especially in high technology products. This would enable the country to not only fulfill the requirement of continuously upgrading products, but also to reap the benefits of technological spillovers that result from participating in high technology value chains. A practical way for the government of doing this is to take the following steps.
  - Encourage and support partnerships between firms and research institutions.
  - Establish stronger property rights.
  - Provide standard tax incentives for R&D expenditure.
  - Cost sharing for various technical consultancy services.

- Financial support for high risk/innovative initiatives can be provided in the form of venture capital. It can also be extended to investment in projects such as the engineering university and technology parks.
- Given the huge fiscal deficit, Government should only provide R&D support to the industries that have the highest export growth potential instead of providing R&D support to many industries/exporters.

- **4.6) Development of Export Clusters for Technology-Intensive Products:** Cluster development can be of great help in broadening the export base. Most firms in high and medium technology sectors are relatively small. Due to their limited resources and high cost of production, these enterprises find it difficult to exploit market opportunities. To make them more competitive, Government should develop common export cluster facilities for firms producing technology-intensive products. The process of establishing and managing these centers can be outsourced to a third party that specializes in providing such common facilities. After the initial support from the government, private sector can also be involved in such projects.

  Cluster development enables the SMEs in medium/high technology sectors to complement each other's resources and expertise. This makes it possible for them to achieve collective efficiency through economies of scale and specialization. It also gives a competitive advantage to these enterprises and helps them capture markets beyond their individual capacity. As an example, surgical instruments cluster in Sialkot, engineering cluster in Gujranwala and cutlery Industry of Wazirabad have shown an improvement in their business activity through improved access to technology.

- **4.7) Improvement in Transport & Storage Infrastructure:** An efficient rail-freight service should be created by outsourcing to a private operator through competitive bidding. The operator should be responsible for managing goods terminals so that shippers can count on an efficient door-to-door service which is presently unavailable.

  Air freight is particularly important for nontraditional exports such as fish, horticulture, and floriculture. The Government should also strive to stimulate private sector investment in cold storages and handling facilities at airports and seaports. This will facilitate the export of these agro-products.

There is also a vast improvement needed in the quality of existing road network to reduce delays and the wear and tear in the vehicles.

- **4.8) Agro based Export Strategy/ Infrastructure:** Some imperative steps need to be taken if Pakistan is to achieve growth in agro-based exports, mainly

    - **Better Quality Testing Facilities:** Various agricultural commodities are not able to realize their tremendous export potential due to lack of quality testing facilities. The Government needs to take substantial steps to make sure that the required international standards for exports of agricultural commodities are understood and complied with. For this purpose, the Government should set up quality assurance/certification infrastructure to make sure that commodities meet international standards (EurepGAP and HACCP). Reputable international laboratories like Bureau Veritas should be encouraged to set up their offices in the country and provide quality assurance and certification services to exporters.

    - **Development of Post-Harvest and Cool-Chain Facilities:** To extract full value from fresh produce, it is imperative to preserve the quality and enhance shelf life of agricultural commodities from harvesting to their arrival at the supermarket. This requires considerable public sector investment in establishing post-harvest treatment and a cool-chain from farm to international carrier (ship or aircraft). Private sector investment can also be encouraged if a proper policy is made in this regard.

    - **Strengthening Agricultural Marketing:** The Government can take the following steps to strengthen agricultural marketing.
        - Development of agricultural markets through public-private partnerships.
        - Revision in provincial laws and regulatory framework for agriculture marketing.
        - Provide incentives for the private sector engaged in agricultural marketing in the form of duty-free imports, R&D grants, and access to credit at competitive rates.

- Revive the seed industry with a focus on hybrid and genetically modified organism technology such as BT cotton, BT maize, and hybrid rice, and pass breeders' rights and other supporting laws.

- **Packaging:** Poor packaging of country's exports, particularly fruits and vegetables and other perishable items is also a serious constraint on export promotion, which needs to be remedied. Government should induce private sector investment to improve packaging to make export products more attractive.

- **4.9) Effective Utilization of Export Development Fund (EDF):**
  - Bottlenecks that lead to short provisioning of EDF should be removed. The receipts of EDF during 2011-12 were Rs 5,807.045 million, out of which only Rs 1,508.731 million were allocated by the Ministry of Finance for 2012-13. The removal of bottlenecks would allow full utilization of EDF for export development.
  - Proper selection criteria to select proposals under EDF so that the potential impact of projects can be evaluated.
  - Performance based evaluation and monitoring of on-going EDF sanctioned projects should be conducted.

- **4.10) Increased Role of TDAP in Promoting Access to New Markets:** TDAP should provide assistance in organizing trade fairs/exhibitions, especially in the markets like South America, Africa, Central Asian Republics (CARs) and Russia, where the combined share of Pakistan exports is less than 10 %. The assistance can be provided in the form of subsidy in stalls, freight and travelling/accommodation expenses of bringing the exhibitors to the exhibitions. This would help in increasing the share of Pakistan's export to these markets and promote market diversification.

  TDAP should organize more local exhibitions on the model of Karachi and Lahore Expo and bring buyers from around the world to these exhibitions.

- **4.11) Improving the Legal System:** Better qualified judges with pertinent education and skills in commercial matters (corporate, banking, and tax laws) are required to provide an efficient and effective system of administration of justice to the businesses community. They should also be trained to implement clearly drafted procedures and rules on the imposition of costs for wasting the courts' time and for effective case management. Businesses should take recourse to the courts only as a last resort; this requires feasible options such as alternative dispute resolution. Presently, however, the law pertaining to arbitration is basically defective as decisions by arbitrators are not binding and can be reversed by the courts.

- **4.12) Export and Import Bank:** Although trade finance facilities are available in most of the major Banks of Pakistan but according to the Global Enabling Trade Report 2012, Pakistan ranks 72 in the availability of trade finance. To make sufficient funds readily available as financial assistance/credit for exports, it will be a good idea to establish a separate Bank for this purpose. The Bank should provide export finances/loans/credit on soft terms along with other services to exporters for rapid growth of exports.

- **4.13) Reduce Delays in Tax-Related Refunds:** The delays in tax related/other refunds hamper the competitiveness of Pakistan's export sector. To overcome this problem, a transparent tax refund system should be implemented and interest payments at market rates be made mandatory on delayed refunds. This would force the relevant government departments to increase their efficiency to reduce delays. Such a system would also ensure that compliant exporters have access to a fast-track system whereby noncompliant exporters face the risk of stringent assessments, which would eventually create incentives for compliance.

- **4.14) Image Building and Export Facilitation through Off-Shore Expo-Centers:** After 2001 incident, Pakistan's international image as a friendly destination for the international trading community has been tarnished as a result of terrorism happening within the country due to the ongoing war in Afghanistan. As a consequence, international buyers are reluctant to visit the country. These factors have adversely impacted Pakistan's exports. To restore the image of Pakistan as friendly destination for international trading community, Government should set up off-shore regional expo-centers through public-private partnership, in the regional hubs like UAE in the Middle East, UK or Germany in Europe, North America, and Hong Kong in East Asia.

These expo-centers should be designed to provide a "cost-effective" way for Pakistani exporters and industry associations to open off-shore sales/liaison offices, display their products and organize industry-specific exhibitions as required. The expo-centers should operate as a point of contact for importers in the region for information on Pakistani products, as well as for buyers' complaints and other issues. The physical establishment and management of these expo centers should be outsourced through a transparent, competitive process.

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