Trade and Transport Facilitation Audit in Pakistan

September 29, 2016

SDPI
Sustainable Development Policy Institute
Objectives of this study

• Identifying trade- and transport-related bottlenecks in Pakistan

• Assessing the benefits of removing these bottlenecks

• Stocktaking of ongoing reforms in trade- and transport related areas

• Assessing minimum investment requirement for addressing bottlenecks.
Pakistan’s Direction of Trade
Destination of Exports and Origin of Imports

• Pakistan’s trade with developed economies (2015)
  – Exports (44%)
  – Imports (21%)

• Pakistan’s trade with developing economies (2015)
  – Exports (56%)
  – Imports (79%)

• Pakistan’s trade with South Asia (2015)
  – Exports (6%)
  – Imports (5%)
Major Trading Partners

• Major export destinations (2015)
  – Half of exports to US, China, EU and Afghanistan
  – Exports to Bangladesh (3.2%)

• Major import origins (2015)
  – Middle East and China (40%)
  – Imports from India (4%)
Pakistan’s Imports from South Asia

Value in US Thousand $


Value in US Thousand $

Source: Pakistan Economic Survey
## Key exports to South Asia

<table>
<thead>
<tr>
<th>Product code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pakistan’s exports to India (top-3)</strong></td>
<td></td>
</tr>
<tr>
<td>0804</td>
<td>Fruits and Vegetables</td>
</tr>
<tr>
<td>7404</td>
<td>Copper waste and scrap</td>
</tr>
<tr>
<td>2523</td>
<td>Cements, Portland, aluminous, slag, super sulfate</td>
</tr>
<tr>
<td><strong>Pakistan’s exports to Bangladesh (top-3)</strong></td>
<td></td>
</tr>
<tr>
<td>5209</td>
<td>Woven cotton fabrics</td>
</tr>
<tr>
<td>5205</td>
<td>Cotton yarn</td>
</tr>
<tr>
<td>5201</td>
<td>Cotton, not carded or combed</td>
</tr>
<tr>
<td><strong>Pakistan’s exports to Sri Lanka (top-3)</strong></td>
<td></td>
</tr>
<tr>
<td>5209</td>
<td>Woven cotton fabrics</td>
</tr>
<tr>
<td>2523</td>
<td>Cements, portland, aluminous, slag, super sulfate</td>
</tr>
<tr>
<td>1701</td>
<td>Cane or beet sugar and chemically pure sucrose, in solid form</td>
</tr>
</tbody>
</table>
Ease of trading across borders

- No. of export documents same as South Asian average

- However Pakistan performed better than South Asian average in case of time and cost to export; time and cost to import

- Integrated border management system at all border posts
Process and documentation for importers

**First Phase (Ordering and Registration)**
- Registering your business and getting sales tax number and NTN.
- Opening of bank account
- Registering business with relevant Chamber of Commerce and Industry
- Selection of product and potential market for imports
- Market specific research (e.g. certification requirements in India or other SA country)
- Purchase order
- Order acknowledgement
- Performa invoice
- Letter of credit
- Shipment advice and plan

**Second Phase (Documentations)**
- Commercial invoices
- Packing list
- Bill of lading/Airway bill
- Weight note
- Health certificate
- Halal certificate
- Certificate of analysis
- Sanitary certificate
- Insurance over note or marine insurance

**Third Phase (Clearance)**
- Goods Declaration Form and Form E
- Duty receipt
- Excise duty receipt
- Transportation receipt if any.
- SAFTA certificate

**Fourth Phase (Remittance)**
- Submission of documents at the designated customs points
- Remittance telex
- Completed payment
Process and documentation for exporters

**Phase 1: Registration**
- Registering your business and getting sales tax number and NTN.
- Opening of bank account
- Registering business with relevant Chamber of Commerce and Industry
- Selection of product and potential market for exports
- Market specific research (e.g. certification requirements in India or other SA country.)

**Phase 2**
- Price Quoting: including packaging cost, processing, etc.
- Packaging: It depends on the customs requirement of Pakistan and destination country's customs in SA.
- Selection of mode of transport is also essential for exporting to SA
- Financing: Preshipment and post shipment credits
- Insurance
- Signing contract with the interested parties
- Selection of suitable customs clearing agent
- Preparation of Shipping Documents

**Phase 3: Documents**
- E-Form
- Bill of Lading
- Commercial invoice
- Packing list
- Certificate of origin
- Phytosanitary inspection certificate (through Plant Protection Department, if required)
- Pre-shipment certificate (if required)
- Pakistan Council of Scientific and Industrial Research (PCSIR) certificate
- Undertaking by the exporter and in some cases narcotics certificate
- SAFTA Certificate
Survey Methodology

• Instrument aimed to look at
  – publication and administration of policies related to trade issues
  – rules and procedures for imports and exports
  – quality and efficiency of trade related infrastructure and services
  – treatment of goods in transit
  – use of ICT to facilitate exports and imports
Survey Methodology

• Targeted routes covered under this study
  • Chaman border in Balochistan province
  • Torkhum border in Khyber Pakhtunkhwa province
  • Karachi airport, Karachi port, Port Bin Qasim in Karachi
  • Lahore airport
  • Peshawar city (now has dry port)
  • Wagah border in Lahore.

– Respondents
  • 148 valid firm-level responses
  • FGDs in three Chambers of Commerce offices
  • In-depth interviews with relevant officials
Accessibility of customs information

- Online customs information is available.
- Effectiveness of this information varies depending upon the sector of trade.
- Inquiry point in the case of missing information not known to 20%.
- Health and plant health inspection points not known by a quarter of respondents.
- Almost 17% termed coordination between border management agencies as poor.
Customs Processing and Documentation

- For 30% customs declaration cannot be submitted online
- 68% not aware about advance rulings
- 26% were not aware about pre-arrival processing
- 83% not availing single window facility
- 100% verification at Wagah – Attari border, slowing down the processing.
Transit Processing & Documentation

• 100% verification for Afghanistan

• However all documentation can be processed and tracked online.
Priority Trade Facilitation Areas

• Efficiency of inspection agencies

• Making single window operations at border points effective

• Efficiency of warehousing facilities and need for common bonded warehousing

• Expediting physical inspection by customs
Proposed initiatives for Trade Facilitation

• For improving the efficiency of product standard agencies, establishing Product Conformity Centres at Chaman, Wagah and Torkhum

• In the case of single window operations, operationalizing a customs window at Karachi, Wagah, Torkhum and Chamman

• To improve the quality of warehousing facilities, expediting the already approved (since 2010) warehouse improvement project for Port Qasim

• To lessen the burden on existing port terminals, a dedicated (new) terminal for transit-bound cargo reaching Karachi.
<table>
<thead>
<tr>
<th>Areas of facilitation</th>
<th>Activities</th>
<th>Indicative Budget (USD Million)</th>
<th>Budget Narrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency of quality/standard inspection agencies</td>
<td>Product Confirmity Centre [Chamman, Wagah, Torkum]</td>
<td>0.12</td>
<td>This amount has been derived from the budget allocated for a similar project at Karachi</td>
</tr>
<tr>
<td>Single window operations</td>
<td>Windows at Chamman, Karachi, Torkum and Wagah</td>
<td>4.00</td>
<td>Cost provided in presentation by Director (Reforms &amp; Automation), Pakistan Customs, Federal Board of Revenue</td>
</tr>
<tr>
<td>Quality of warehousing/transloading facilities</td>
<td>Warehousing improvements for Port Qasim in Planning Commission Annual Plan 2010</td>
<td>2.25</td>
<td>Budget allocation provided in PSDP Planning Commission Document 2010 (awaiting release)</td>
</tr>
<tr>
<td>Quality and efficiency of the ports</td>
<td>Dedicated terminal and road link for transit cargo at Karachi</td>
<td>2.54</td>
<td>We have taken indicative estimates set by the Government for Gawadar Port (PSDP estimate)</td>
</tr>
<tr>
<td>Physical inspection by customs</td>
<td>Capacity building of customs officials (for random screening)</td>
<td>1.47</td>
<td>Derived from past projects of similar nature (funded through FBR)</td>
</tr>
<tr>
<td>Quality/Efficiency of the roads</td>
<td>Karachi - Hyderabad Motorway</td>
<td>131.75</td>
<td>Indicative cost as part of China-Pakistan Economic Corridor (CPEC)</td>
</tr>
<tr>
<td></td>
<td>Karachi - Lahore Motorway</td>
<td>594.02</td>
<td>Indicative cost as part of China-Pakistan Economic Corridor</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>736.16</td>
<td></td>
</tr>
</tbody>
</table>
Can CPEC help trade with South Asia?

<table>
<thead>
<tr>
<th>PROJECTS</th>
<th>US$ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>35,413</td>
</tr>
<tr>
<td>Transport and Infrastructure</td>
<td></td>
</tr>
<tr>
<td>Roads</td>
<td>6,100</td>
</tr>
<tr>
<td>Rail Network</td>
<td>3,690</td>
</tr>
<tr>
<td>Gwadar Port</td>
<td>793</td>
</tr>
<tr>
<td>Others</td>
<td>44</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46,040</strong></td>
</tr>
</tbody>
</table>
Can CPEC help trade with South Asia?

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Projects</th>
<th>Length (km)</th>
<th>Cost (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>KKH Phase II (Raikot – Islamabad Section)</td>
<td>440</td>
<td>3,500</td>
</tr>
<tr>
<td>2</td>
<td>Peshawar-Karachi Motorway (Multan-Sukkur Section)</td>
<td>392</td>
<td>2,600</td>
</tr>
<tr>
<td>3</td>
<td>Expansion and reconstruction of existing Line ML-1</td>
<td>Main Line from Peshawar to Karachi</td>
<td>1736</td>
</tr>
<tr>
<td>4</td>
<td>Havelian Dry port</td>
<td></td>
<td>40</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>9,790</strong></td>
</tr>
</tbody>
</table>
Thank You

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