Experiences of Pakistani Exporters with Non-Tariff Measures
NTM Business Survey in Pakistan 2019

Samidh Shrestha
Analyst, Trade and Market Intelligence
International Trade Centre
What are non-tariff measures (NTMs)?

Official policy measures on export and import, other than ordinary customs tariffs, than can potentially have an effect on international trade in goods, changing quantities traded, or prices or both.

Mandatory requirements, rules or regulations legally set by the national authorities of the exporting, importing or transit country (in contrast to private standards which are not legally set)

Can affect both export and import

Include technical measures and standards, as well as regulations on customs procedures, para-tariff measures, financial measures, prohibition, etc.
NTM Business Survey in Pakistan: The Big Picture

Pakistan Trade And Investment Policy Program

Strategic Trade Policy Framework (STPF)

Gender

Export Competitiveness

Investment

Transit Trade

Survey on NTMs
PIDE Blog

Barriers to Trade in the ECO Region: A Case of Non-Tariff Measures (NTMs)

By Mr. Adnan Akram and Dr. Umar Ahmad

Introduction

Non-tariff measures (NTMs) are policy measures other than tariffs that might impact international trade. Most NTMs serve legitimate policy goals. For example, by assuring limits on pesticides use ensures safe food to increase the welfare of the consumers. However, NTMs increase cost of trade as trading firms have to bear the compliance costs. Therefore, these measures act as impediments to the free flow of goods and services. A showcase of data for the ECO region on NTMs yields some interesting insights.
## Types of cross-country NTM data

<table>
<thead>
<tr>
<th>Type</th>
<th>Coverage</th>
<th>Additional info</th>
<th>Managed by</th>
<th>Available at</th>
</tr>
</thead>
</table>
| **SPS & TBT Notifications**       | New regulations (to be) introduced by countries | • Not possible to identify which NTMs are difficult (for traders).  
• Covers only new regulations  
• Some countries may not notify | WTO, ITC, UN DESA | [tbtims.wto.org](http://tbtims.wto.org)  
[spsims.wto.org](http://spsims.wto.org)  
[www.epingalert.org](http://www.epingalert.org) |
| **Regulatory Mapping**            | Mapping of national trade-related regulations | • Not possible to identify which NTMs are difficult | ITC, UNCTAD, World Bank | [www.macmap.org](http://www.macmap.org) |
| **Business Survey**               | Company perspective on burdensome regulations | All regulations for export or import of goods | ITC | [www.ntmsurvey.org](http://www.ntmsurvey.org) |
NTM Business Surveys in numbers

- **33,572** Phone Interviews
- **10,133** Face-to-face interviews
- **70** Countries covered

![World map showing countries covered by NTM Business Surveys](image-url)
Exporters in Pakistan

- Clothing, 23%
- Miscellaneous manufacturing, 21%
- Metal and other basic manufacturing, 9%
- Wood, wood products and paper, 4%
- Non-electric machinery, 4%
- Transport equipment, 1%
- Minerals, 4%
- Computer, telecommunications, consumer electronics, <1%
- Electronic components, 2%
- Minerals, 4%
- Transport equipment, 1%
- Minerals, 4%

Fresh food and raw agro-based products, 7%
Processed food and agro-based products, 6%
Yarn, fabrics and textiles, 8%
Leather and leather products, 6%
Chemicals, 5%
Leather and leather products, 6%
Non-electric machinery, 4%
Electronic components, 2%
Computer, telecommunications, consumer electronics, <1%

12,000 Exporters

Contacts obtained from:
- Trade Development Authority of Pakistan (TDAP)

Additional contacts sourced from:
- Various business associations and chambers of commerce

Exports in Pakistan:
- Yarn, fabrics and textiles, 8%
- Processed food and agro-based products, 6%
- Yarn, fabrics and textiles, 8%
- Chemicals, 5%
- Leather and leather products, 6%
- Wood, wood products and paper, 4%
- Non-electric machinery, 4%
- Electronic components, 2%
- Computer, telecommunications, consumer electronics, <1%
- Transport equipment, 1%
- Minerals, 4%
- Miscellaneous manufacturing, 21%
- Metal and other basic manufacturing, 9%
- Wood, wood products and paper, 4%
- Non-electric machinery, 4%
- Transport equipment, 1%
- Minerals, 4%
- Computer, telecommunications, consumer electronics, <1%

Exports by Region:
- Islamabad Capital Territory
- Punjab
- Balochistan
- Sindh
- Azad Jammu and Kashmir
- Gilgit-Baltistan
- Khyber Pakhtunkhwa

Khyber Pakhtunkhwa
Azad Jammu and Kashmir
Gilgit-Baltistan
Khyber Pakhtunkhwa
Scope of the survey

Over 20 cities and towns covered

Bahawalpur, Faisalabad, Jhang, Gujrat, Gujranwala, Lahore, Multan, Rawalpindi, Sahiwal, Sargodha, Sheikhupura, Sialkot (Punjab province); Karachi, Khairpur and Sukkur (Sindh province); Lasbela and Quetta (Baluchistan province); Peshawar (Khyber Pakhtunkhwa) and Islamabad

1214 Companies interviewed

Engagement with national stakeholders, experts, private sector associations and public institutions
Understanding companies’ difficulties with NTMs: Three aspects

Affectededness
How many and which companies face difficulties

Types of NTMs
Which NTMs are experienced as challenging

Insights on how to reduce NTM-related trade cost without undermining legitimate objectives that regulations serve

Cause
Why NTMs are burdensome

ITC
TRADE IMPACT FOR GOOD
Share of Pakistani exporters facing difficulties with NTMs

- Overall: 51%
- Agriculture: 60%
- Manufacturing: 47%

Share of companies affected by NTMs across different regions:
- West Africa (ECOWAS): 73%
- East Africa: 64%
- Asia: 47%
- Arab States: 44%
- South America &...: 42%

Source: ITC Business Survey in Pakistan (2019)
What are the origins of burdensome NTMs that exporters face?

Share of the reported burdensome NTMs that are applied by partner countries and Pakistan

- Foreign regulations: 55%
- Pakistani regulations: 45%
NTM Survey in other Asia-Pacific countries

Share of burdensome NTMs applied by partner and home country

Destination or Transit country (80%)  Home (20%)

Foreign regulations  Domestic regulations

6455 Companies interviewed

9 Asian countries
The case of Vietnam (preliminary)

Share of burdensome NTMs applied by partner and home country

Destination or Transit country (89%)

Foreign regulations

Home (11%)

Vietnamese regulations
Most of the NTMs perceived as burdensome are Asian and European regulations and procedures.

Share of burdensome NTMs applied by partner country and Pakistan:

- **Foreign regulations** 55%
- **Pakistan** 45%

Burdensome NTMs applied by partner countries:

- **SAARC**: 5%, 12%
- **Asia (excl. SAARC)**: 43%, 24%
- **Europe**: 36%, 36%
- **North America**: 9%, 18%
- **Rest of the world**: 7%, 10%

Share of Pakistan’s export to the region (2017):

- **SAARC**: 3%
- **Asia (excl. SAARC)**: 8%
- **Europe**: 6%
- **North America**: 4%
- **Rest of the world**: 3%
Types of NTMs faced by exporters

- Technical requirements: 41%
- Conformity assessment: 4%
- Preshipment inspection and border clearance: 3%
- Quantity-control measures: 3%
- Charges, taxes and price-control measures: 45%
- Finance measures: 4%
- Anti-competitive measures: 3%
- Distribution restrictions: 3%
- Rules/Certificate of origin: 3%
- Export-related measures (Pakistani Regulations): 45%

All sectors
Types of NTMs faced by exporters: by sector

Agriculture
- Technical requirement: 33%
- Conformity assessment: 1%
- Preshipment inspection and clearance border: 1%
- Quantity-control measures: 59%
- Charges, taxes and price control measures: 5%

Manufacturing
- Technical requirement: 27%
- Conformity assessment: 4%
- Preshipment inspection and clearance border: 6%
- Quantity-control measures: 55%
- Charges, taxes and price control measures: 4%
Types of NTMs applied by Pakistan

45% of reported burdensome NTMs by exporters are Pakistani regulations

Other export-related measures
- Export taxes and charges
- Export price control measures
- Measures on re-export
- Customs formalities
- Constraints in receiving payments
  - 26% of reported burdensome NTMs

Export quantitative restrictions
- Export prohibitions and quotas
- Licensing or permit to export
- Export registration
  - 6% of reported burdensome NTMs

Certification required by exporting country
  - 10% of reported burdensome NTMs

Export inspection
  - 31% of reported burdensome NTMs

Export tax refund
  - 27% of reported burdensome NTMs
Why exporters find NTMs burdensome

Procedural hinderances is a major concern to exporters that make compliance to regulations difficult.

- NTMs and POs: Both regulatory and procedural obstacles make compliance with NTMs difficult (18%)
- Regulatory obstacles: Regulations are too strict or difficult to comply with (12%)
- Procedural obstacles: Make compliance with NTMs difficult (70%)
Types of POs experienced by exporters

30% due to delays in administrative procedures

28% High fees and charges

13% Lack of appropriate facilities

- Delay related to reported regulation
- High fees and charges for reported certificate/regulation
- Informal payment
- Limited/inappropriate facilities for testing
- Other limited/inappropriate facilities, related to reported certificate/regulation
- Limited/inappropriate facilities for sector-specific transport and storage
- Information on selected regulation is not adequately published and disseminated
- Other procedural obstacles

Pakistan Partner country

Number of PO cases

100 200 300 400
Types of NTMs faced by importers

- **Finance measures**
  - 38%

- **Charges, taxes and price-control measures**
  - 29%

- **Inspection and border clearance measures**
  - 18%

- **Conformity assessment**
  - 5%

- **Quantity-control measures**
  - 3%

- **Other measures**
  - 7%

Overall across all sectors:
Companies’ perception on general business environment in Pakistan

<table>
<thead>
<tr>
<th>Issue</th>
<th>Improved</th>
<th>Remained the same</th>
<th>Deteriorated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of electronic or computerized procedures</td>
<td>83%</td>
<td>13%</td>
<td>4%</td>
</tr>
<tr>
<td>Problems with electricity supply</td>
<td>69%</td>
<td>17%</td>
<td>14%</td>
</tr>
<tr>
<td>Low security level for persons and goods</td>
<td>60%</td>
<td>27%</td>
<td>13%</td>
</tr>
<tr>
<td>Limited transportation system</td>
<td>52%</td>
<td>29%</td>
<td>19%</td>
</tr>
<tr>
<td>Complex clearance mechanism</td>
<td>51%</td>
<td>28%</td>
<td>21%</td>
</tr>
<tr>
<td>Limited or lack of access to trade finance services</td>
<td>39%</td>
<td>40%</td>
<td>22%</td>
</tr>
<tr>
<td>Lack of human resources in agencies or organizations involved</td>
<td>35%</td>
<td>40%</td>
<td>25%</td>
</tr>
<tr>
<td>Road blocks and checkpoints</td>
<td>34%</td>
<td>40%</td>
<td>26%</td>
</tr>
<tr>
<td>Lack of access to information, no enquiry point</td>
<td>30%</td>
<td>55%</td>
<td>15%</td>
</tr>
<tr>
<td>Lack of access to inputs for production</td>
<td>23%</td>
<td>36%</td>
<td>41%</td>
</tr>
<tr>
<td>Limited or extremely expensive airline transportation</td>
<td>13%</td>
<td>18%</td>
<td>69%</td>
</tr>
</tbody>
</table>

Changes in the business environment conditions over the last 5 years
Women Employment

4% Employees in trading companies are female

Small: Up to 50 employees
Medium: Up to 250 employees
Large: +250 employees

61% Companies employed no women
80% Companies where women make up less than 10% of the workforce
1% Companies with more female employees than men

TRADE IMPACT FOR GOOD
Challenges of women entrepreneurs

Higher share of women owned business affected by NTMs

Types of burdensome NTMs are not too different..

- Technical requirements
- Conformity assessment
- Preshipment inspection and other entry formalities
- Quantity-control measures
- Finance measures
- Price-control measures
- Anti-competitive measures
- Distribution restrictions
- Rules of origin and related certificate of origin
- Pakistani export-related measures
Challenges of women entrepreneurs

- Lacking export success
  Many women-led enterprises are not successful exporters

- Small & Informal
  Women entrepreneurs lack good business practices and sufficient understanding of market demands

- Limited capacity
  Women-led companies have limited production capacity

- Trade Financing
  Lack of access to trade finance remains an obstacle for women

- Trade Information
  Lack of access to trade information is a major obstacle

- Trade Policy
  Women are missing out in trade policy formulation

- Social constraints
  Women face constraints from their family to engage in business

- Business support
  Women need support and guidance to export successfully
The way forward

Improve transparency in trade

- Develop a business process guide
- Implement and train entrepreneurs on notification alert mechanisms
- Establish an online reporting mechanism and monitoring committee
- Create a regional trade facilitation mechanism
- Develop an effective trade information portal

Upgrade domestic quality infrastructure and compliance

- Improve the testing and inspection infrastructure
- Improve the infrastructure of SPS control departments
- Better mechanisms to check pesticides are vital
- Standardize halal certification
- Establish a traceability system

- Enhance customs infrastructure and procedures
- Improve inter-agency communication and collaboration with the private sector
- Build capacity and improve competitiveness
- Streamline export regulations and procedures
- Support women entrepreneurs on business and export development
Thank you!

Report and presentation available at:

www.ntmsurvey.org/pakistan
Concerns of target sectors

Difficulties with foreign regulations and requirements

Fruits and vegetables

Rice

Live animals and meat

Textiles and garments
Fruits and Vegetables

1. **Maximum residue limit (MRL) testing / certifications**
   - Pakistan Council of Scientific and Industrial Research (PCSIR) labs issues MRL certification in Pakistan.
   - Small exporters find the fees high (>PKR 25000). High costs especially when some countries require certificates for each containers.
   - It also takes several days to get this MRL certificate - concerns due to perishability of the products.

2. **Phyto-sanitary certificate issued by the Department of Plant Protection (DPP)**
   - DPP officials have first to make field visits to check the quality of the products.
   - Long waiting time to DPP officers to come inspect.
   - Companies feel that this is due to inadequate number of officers at DPP.

3. **Difficulties to get hot water or irradiation treatment in Pakistan**
   - Requirement of many importing countries that mangoes should be hot water treated. Limited facilities are available in Pakistan to undergo these treatments.
Fruits and Vegetables

4. **Conditions attached to duty free import of corrugated boxes**
   - Exporters benefit from duty free import of corrugated boxes with a condition that these be utilized within 12 months.
   - As the season of kinnow and mango are for a limited period limited, unused boxes can result in exporters facing additional costs.

5. **Manual export inspection and lack of cold storages**
   - Manual inspection at the customs due to inadequate scanners is an issue for exporters, in particular exporters of fresh food “perishable products”. Manual inspection can be a lengthy process.
   - Unpacking and repacking of boxes can take a long time.
   - Insufficient cold storage facilities is a concern

6. **Constraints at the production level also needs to be addressed**
   - Cost of production, plant diseases and quality issues (Fruit Fly, Thyrips, blemish, etc.), water constraints, insufficient information about demand in the international market, high air freight cost, availability of quality seed and adoption of modern technology.

7. **Export restriction of certain products:**
   - E.g.: Chilies, bitter gourd, eggplant, citrus, guava.
   - Quality related
Rice

1. **Difficulties to get the required minimum residue limit (MRL) certificates**
   - Pakistan Council of Scientific and Industrial Research (PCSIR) issues MRL certification but is not able to cover all parameters on MRL testing.
   - Some countries require MRL analysis on parameters not covered by PCSIR.
   - Samples have to be sent abroad (usually US or EU) for necessary analysis.
     - Additional cost and time

2. **Tests for Genetically Modified Organism (GMO)**
   - Lack of suitable labs in Pakistan to undergo this test.
   - Samples sent abroad for testing.

3. **Exporting to USA is an expensive process**
   - FDA certification mandatory.
   - High fee and validity for one year only.
Rice

4. Third party inspection required by some countries lead to additional cost for exporters.

5. Concerns due to export inspection
   - Delays in shipment process – waiting time can be up to 10 days
   - Damaged packaging
   - Unhygienic conditions at warehouses where the packages are opened

6. Some instances of certification provided by Pakistani labs not being recognized
   - E.g.: in China and Malaysia
   - Exporters usually have to go under go additional test
Live animals and meat

1. High antibiotics residues
   - Some meat exporters use antibiotics in their production.
   - High antibiotic residues in the final product have resulted in unpleasant experiences and reputational loss.

2. Difficulties to get Halal certification
   - Exporting to GCC countries require Halal certification.
   - Fragmentation of halal certification laboratories in Pakistan. Different importing markets asks for a distinct halal certification from specific laboratory, which imposes an extra burden on exporter to acquire several halal certificates.

3. Health certificate for exports
   - The certificate issued by the Animal Quarantine Department in Pakistan is only accepted in some of the neighbouring countries.
   - Otherwise, countries like Canada and UAE do not recognize this certificate and ask to visit the slaughterhouses in Pakistan before allowing the entry of the product into their countries.

4. Export to EU and the US not realized due to strict meat traceability requirement

5. Lack of sufficient cold storage facilities in the airports and customs points.
Textiles & Garments

European requirement for Carpets to use AZO free dyes.
• European regulation
• Azofree dyes are becoming available in Pakistan but they are not readily available

Partner countries requires use of new environmentally friendly dyes
• These dyes are not readily available in Pakistan and importing them is expensive

To exporting towels to Europe, various certification such as OCO certificate, SA1400, BSCI is required.
• High costs of certificates with validity for these is only one year.

Pakistani carpets facing high tariff walls:
• For e.g. from China (in spite of the FTA), Turkey, Brazil, Russia
Textiles & Garments

Increasing number of certifications requirement for exports to EU and US.
- Costs are high to get all the required certificates
- Not all the tests can be done in Pakistan

Restriction on sending samples (Carpets)
- Weight limit of 12 kg
- Handmade carpets are usually heavy
- Payment required for “samples” that are heavier than 12 kg

Delays in receiving export subsidies (Woven fabrics)

Foreign exchange regulations
Perspective of customs officers

Key Challenges:

- Availability of a skilled workforce
- Harmonization of customs procedures and system
- Contributing to and benefitting from global customs networks
- Infrastructure needs at Karachi Export Processing Zone

Views on Pakistani traders

- Quick to make use of government incentives
- Generally law-abiding, thanks in part to the low number of contraventions committed by the exporters
- Need more education about customs rules and procedures
Perspective of customs officers
What are the common difficulties and conflicts with exporters and importers?

- The Government has focused on trade-based money laundering and, as a result, Pakistan Customs is watchful for mis-invoicing.
- Valuation: exporters tend to resist submitting an additional E-Form, arguing that it creates a hardship for them.
- Packing of export consignments to be unhygienic and substandard.
- Exporters are unaware of the importance of fumigating goods.
- Disputes between importers and customs usually center on the valuation and tariff classification of goods, and a proper redressal mechanism is available.
Perspective of business associations

Business associations rate progress on:

**Trade policy and agreements**

- Satisfactory: 25%
- Poor: 55%
- Good: 20%

**Customs procedures**

- Satisfactory: 30%
- Poor: 50%
- Good: 20%

**Trade information**

- Satisfactory: 40%
- Good: 15%
- Poor: 30%
- Excellent: 15%

ITC

TRADE IMPACT FOR GOOD
Source: ITC Trade Map (www.trademap.org)