



WEBINAR - BRIEF

# Experiences of Pakistani Exporters with Non-Tariff Measures

Webinar Brief No. 12: 2021

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#PIDEWebinar

# NTMs AND EXPORT COMPETITIVENESS

OCT 26, 2020 | 6:00 PM (PST)

## KEYNOTE SPEAKER

**DR. SAMIDH SHRESTHA**  
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## PANELISTS

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ASST. PROFESSOR OF ECONOMICS &  
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Moderator: Dr. Nadeem ul Haque (VC, PIDE)

Questions to be touched upon during the seminar:

1. How big of a problem are NTMs/NTBs for export growth in Pakistan?
2. Are the challenges mainly associated with the complexity of the measures or with the capability of compliance of firms?
3. Can compliance with SPS or TBTs be an actual advantage for exporting firms rather than just a cost imposed on them?
4. Should firms be supported in their efforts to comply with NTMs? And if so, how?



## PREAMBLE.

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This webinar focused on the role that NTMs have in facilitating or disrupting trade in Pakistan. Dr. Samidh Shrestha (Market Analyst, International Trade Centre) was the keynote speaker for the webinar.

Any government regulation that is mandatory related to export or import of goods besides custom tariffs is considered as Non-Tariff Measures (NTMs). It influences the quantity and price of goods being traded. However, it is not easy to determine the exact impact of NTMs on trade. The NTMs are also called invisible trade barriers. The key objective here is to have a holistic understanding of the ground realities, what are the constraints and what can be done about it so that we can contribute to a very evidence-based policy making process so that's the background behind this.

## KEY POINTS.

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1. There are three types of NTM data available across the country: 1) Sanitary and phytosanitary [1] (SPS) and Technical Barriers to Trade [2] (TBT), 2) Regulatory Mapping, and 3) Business Surveys
2. There are 12000 active exporters in Pakistan, most of them are concentrated in Punjab and Sindh as 7484 and 3152 respectively. The survey has interviewed more than 1200 companies, these are classified into different sectors, e.g., manufacturing, agriculture, etc.
3. Difficulties with NTM, at surface level, are categorized into three major dimensions:
  - a) Effectiveness: it addresses how many and which companies face difficulties, how many companies from agriculture and how many from manufacturing this kind of issue can be seen.
4. In general regulations are the main cause. when we break it down by sector we see the companies in the agricultural sectors are facing more difficulties like more companies in the agricultural sector face difficulties with non-traditional, majors compared to manufacturing and like if we go at the product level we see especially the exporters of fresh food products are facing difficulties like pro like exporters let's say meat products or exports of fruit and vegetable products they are one of the more affected ones. Another one important thing we see is among the exporters the affected rate is around 51 overall in the across sector.
  - a) NTMs highlights the type of burdensome such as technical or non-technical,
  - b) Causes: concludes why the NTMs are burdensome.
5. Different surveys revealed that 51% of Pakistani exporters face difficulties with NTMs across all sectors. The difficulties comparison shows that Pakistani exporters faced more difficulties with NTMs than the average rate of other South Asian countries.
6. The exporters in the agriculture and manufacturing sector facing problems with measures while data reveal that 60% of agriculture and 47% of manufacturing companies facing difficulties. Agriculture sectors are further categorized into fresh food and processed food with the difficulty rate of 63% and 52% while manufacturing sector textile products (51%), clothing (50%), and leather products (45%).

7. The NTMs burdensome that faced by Pakistani exporters had been categorized into foreign and local measures. The exporters' responses for the foreign measures are 55% and local measures are 45% which is very high when compared with other South Asian countries whose average rate is 20%. The local measures are further classified into export inspections (31%), export tax refunds (27%), other export-related measures (26%), export certifications 10%) and quantitative restrictions, licensing, and other (6%).
8. The responses of exporters, on NTMs burdensome, are classified by the international classification of NTMs database. The ITC business survey also identifies the reasons for burdensome that affect the exporters. The exporters find that procedural hindrances are the major concern that makes compliance with NTMs difficult which contributes to 70% of problems. The regulatory obstacles are 12% of the problem that makes regulation difficult to comply with NTMs and 18% of difficulties due to both regulatory and procedural obstacles
9. The domestic measures are on top of it, with a share of 45% of all the problems. One major chunk of problems come from technical measures and conformity assessments that address the quality and safety of the product. Domestic exporters are not able to cover all the parameters of the tests which are required by the countries as a result exporter normally have to send the product abroad to get this tested which adds to additional time and cost for the producers for the exporters for fresh food.
10. Different countries require different types of halal certification and companies are not very well aware of what are these different requirements and how to get them. Another important issue for the live animals and meat exporters is about traceability, basically without knowing the origin of the product it's almost impossible to export to major markets.
11. One other aspect is discussed here that when the products are open for minor inspection There's been a lot of complaints that the products are not packaged properly and they have been rejected when they reach the buyers so these are some of the issues regarding export inspection and from the custom side.
12. One last aspect which we also look at is about gender because it's quite important for ITC and also for the world bank about gender equality. We see that women employment in Pakistan is very low; only four percent of the employees are women in trading companies and also when it comes to entrepreneurship leadership in businesses less than 10 percent of the companies are either managed or owned by women. so around 51 percent of the companies that are led by men are facing difficulties in contrast 66 percent of the woman that company are facing difficulties with NTMs also we see that in general women are facing problems not only regarding export process but they also many women who are facing difficulties becoming and such successful exporters or starting their own businesses.
13. During the discussion the main question arises that is it market failure or it's the Govt. failure that Pakistan's economy faces such issues about export and import. One of the argument is that it's government's failure by giving the reason that we have too many agencies we don't think in any other country we know a drug enforcement agency, government has to reduce the number of agencies and have them at par they should just see how many times a passenger or an export cargo is touched by our agencies. When we talk about market failures, NTMs play a big role in reducing that they are raising consumer awareness but it comes with a steep cost adaptation cost that can be very costly for smaller firms so exporters are likely to adapt to technical features in a product that could help reduce negative externalities.
14. Another question discussed is compliance with sanitary and phyto-sanitary and technical barriers to trade is its advantages is it an additional cost or is it advantageous for the importers. Most companies consider it as an additional cost. Administrative costs tend to be a lot of a big challenge as shown in the report and then adaptation costs.

15. The survey shows, most of these obstacles occur in Pakistan including delay in administrative procedures, high fees, and other charges, and lack of appropriate facilities.

## CONCLUSION.

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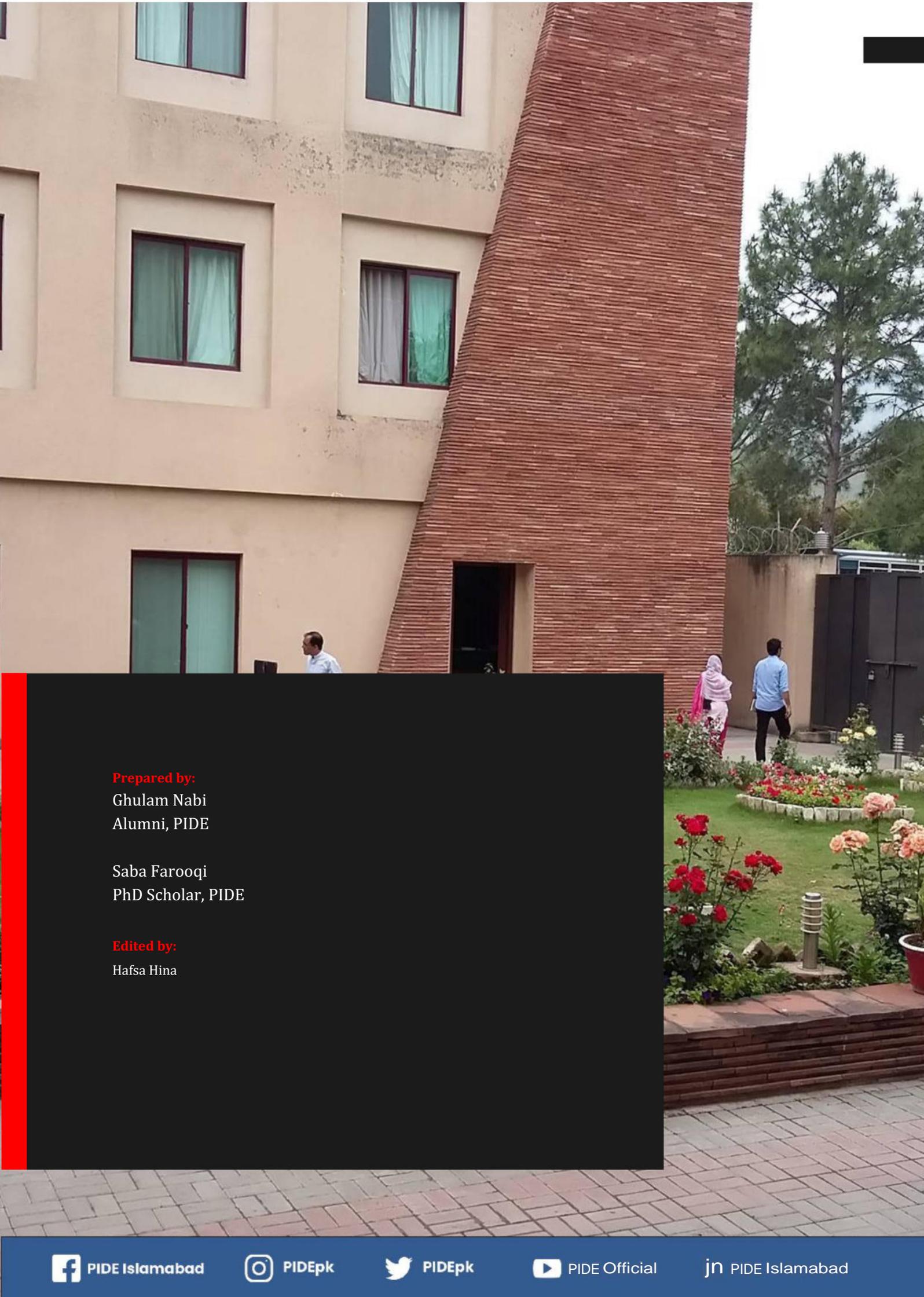
It is concluded that

- Beneficial businesses across countries emerged by adapting and upgrading your product quality and selling to markets which otherwise we were not able to access, regarding cost and investment so not only about cost of complying with non-tariff measures but businesses they might actually benefit if they also invest in other private standards.
- Focus on the domestic market first and then will start exporting, there is not a huge difference between producing for the domestic market and producing for export markets if there is a huge difference in terms of profits or in terms of quality standards.
- Tariff structure gives us protection to produce for the domestic market that it is difficult for firms to make that jump from the domestic market to exporting because they lose all of that protection so that anti-export bias or the trade policy framework.
- Another key point is the productivity at which we produce and the efficiency which if we work very efficiently and supply our domestic market in a super efficient way then growth will pursue will come but if our level of productivity is extremely low and the only way you sell domestically is because you're highly protected then that is a challenge so key issue here is not domestic market versus exporting, the key issue is productivity how to make firms more productive.
- our domestic consumer is at a disadvantage because we are running for expert exports so we called anti export buyers, we can say it mercantilism, because we are running for dollars.

[1] *“Sanitary and phytosanitary (SPS) measures are quarantine and biosecurity measures which applied to protect human, animal or plant life or health from risks arising from the introduction, establishment and spread of pests and diseases and from risks arising from additives, toxins and contaminants in food and feed”.*

[2] *“The Technical Barriers to Trade (TBT) Agreement aims to ensure that technical regulations, standards, and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade.*

*Through its transparency provisions, it also aims to create a predictable trading environment”.*



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