

# INVISIBLE BARRIERS TO TRADE

## Pakistan: Business perspectives





# Pakistan: Invisible barriers to trade

Business perspectives

## About the paper

Upgrading quality infrastructure and enforcing quality compliance are key to Pakistan's export development.

A survey of almost 1,200 companies on non-tariff measures found that more than half of Pakistani exporters face regulatory or procedural trade-related obstacles.

The report recommends strengthening the quality and customs infrastructure in Pakistan. Adopting digitally oriented solutions such as an integrated trade portal is essential to give necessary guidance to exporters.

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## Foreword by the International Trade Centre

Better integration with the global value chain and increased exports are important for Pakistan's economic development through job creation – especially for youth and women. In fact, the country can potentially increase its exports by up to \$12 billion by 2024 even taking into account disruptions caused due to COVID-19, according to the International Trade Centre's latest export potential assessment for Pakistan.

As much as \$7 billion of this untapped export potential is at risk, due to market frictions such as lack of transparency and related non-tariff measures, especially for small businesses looking to trade more across borders. Thus, identifying which non-tariff measures hinder Pakistani exports is critical for the Government to better formulate its trade policies.

Supporting small businesses to achieve export success also requires a clear understanding of the challenges they face. International Trade Centre business surveys on non-tariff measures aim to achieving exactly that – identifying key trade hurdles through direct interaction with businesses.

This report is based on a large-scale business survey of exporters and importers in Pakistan. It identifies the most challenging non-tariff measures that Pakistani businesses face. This gives policymakers insight into which policies, procedures and facilities must be strengthened to reduce trade costs and boost competitiveness.

More than half of the exporters in Pakistan face difficulties with restrictive regulations or related trade obstacles. Among these are difficulties complying with technical requirements, lack of trade-related information and inadequate domestic infrastructure.

Women entrepreneurs also face social constraints and a general lack of sufficient support in government agencies and business support institutions.

Market access begins at home. There is great scope for the Government of Pakistan to streamline processes, improve quality management and work with exporters to provide consistent, transparent and timely information. This report supports that process, by providing the business voice on nationally relevant priorities for competitiveness.

The International Trade Centre remains committed to supporting Pakistani small businesses to reach their potential by overcoming those obstacles. I hope this report will help forge a roadmap that leads to more inclusive and competitive trade policy.

The International Trade Centre has been pleased to work with the World Bank Group on this important project to support the Government of Pakistan.

**Dorothy Tembo**

Acting Executive Director  
International Trade Centre

## Foreword by the World Bank Group

Pakistan's growth and development prospects are inextricably linked to its ability to better integrate into world markets. For Pakistan, increased exports and integration into global value chains means more and better jobs for its men and women.

Pakistan is at a crossroad. By its 100th birthday, it can become an upper-middle income economy and create better opportunities for its people. To make this possible, Pakistan needs to act now to embrace the global marketplace, jumping into a virtuous cycle of integration, job creation and sustainable growth. The right first step is to identify obstacles to trade and design a roadmap for their reduction.

Non-tariff measures – often imposed to protect human, animal or plant health, to ensure quality or inform consumers about production processes – can at times become obstacles to trade. Non-tariff measure compliance may become too onerous for firms, and the mere process of finding the right information can be cumbersome.

Taking stock of non-tariff measures affecting 1,152 Pakistani exporters and importers, this study – commissioned to the International Trade Centre – contributes to evidence-based policymaking in Pakistan.

Focusing on those non-tariff measures concerning exporters, the study identifies those – foreign or domestically imposed – that most affect exports and proposes a way forward. Conformity assessments associated with testing and product certification are considered demanding by almost half of exporters – not because of meeting the required criteria, but rather the high costs of proving it.

Providing information about what it takes to export a product to a given destination is very valuable for firms, particularly for new, small exporters, that lack the scale to invest in information searching. Digital trade portals, easily accessible to everyone regardless of location or gender, can be a step in making non-tariff measures more transparent, and compliance with them less costly.

The World Bank Group is glad to be collaborating with the International Trade Centre in its commitment to support the Government of Pakistan with efforts for a smart integration of its talent in the global economy.

**Illango Patchamuthu**

Country Director for Pakistan  
World Bank Group

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This report contributes to the development of a comprehensive Strategic Trade Policy Framework (STPF) under the Pakistan Trade and Investment Policy Program (PTIPP) – a collaborative effort among the Ministry of Commerce, the Australian Department of Foreign Affairs and Trade and the World Bank Group aimed at increasing Pakistan's share in regional trade and investment.

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## Contents

About the paper	ii
Foreword by the International Trade Centre	iii
Foreword by the World Bank Group	iv
Acknowledgements	v
Acronyms	ix
Executive summary	x
Understanding non-tariff measures	1
A business survey on non-tariff measures	2
Pakistan's economy: the big picture	3
<b>CHAPTER 1 PROFILES OF SURVEYED COMPANIES</b>	<b>8</b>
<b>CHAPTER 2 THE COMPANY PERSPECTIVE</b>	<b>13</b>
Common challenges	13
Both foreign and local regulations are burdensome	15
Proving compliance with technical requirements is hard	17
Technical requirements are demanding	18
Firms stumble over domestic regulations	19
Procedures cause serious problems	22
Business environment in Pakistan is challenging, but improving	23
Agricultural export challenges	25
Fresh fruits and vegetables	28
Live animals and meat products	29
Rice	31
Transport and documentation challenges are common	32

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