



**Geneva Trade & Business Connexion  
South & South-East Asian Countries  
Update Note 4 on**

**“Manufactured products’ exports: Technical Barriers to Trade  
faced by exporters in South and SEA countries”**

**Context**

This study was carried out from the 7th to 25th of July 2016 by PRIME (Policy Research Institute of Market Economy), Islamabad, as a part of a CUTS International and Australia Aid Project entitled “Geneva Trade and Business Connexion: South and South East Asia”. The main objective of the project is to improve the capacity of the private sector and to provide input into their government and their WTO delegations so as to make their negotiating positions fully aligned with on ground conditions faced by the private sector.

**Methodology**

In order to obtain the views of various stakeholders on the issues that the private sector faced when exporting goods to other countries, primary data was collected through personal interviews and telephonic contacts with several individuals and organizations. In addition questionnaires (Annex A and B) were also circulated. Furthermore, data from the previous studies on the subject was also reviewed and incorporated.

**Background**

The most important issues for Pakistan’s economy are stagnant exports and relatively low economic growth compared to its neighbours. The GDP growth has shown some improvement, now reaching about 4.7% during 2015-16 financial year, but exports fell during this period by over 14 per cent.

The industrial sector accounts for 25% of GDP. Higher growth in this sector is vital for addressing unemployment and reducing poverty. But this sector is highly vulnerable to international factors such as fluctuations in demand and ease of market access. With the overall reduction in tariff barriers and availability of duty free access in some of Pakistan’s key markets (such as the

European Union under its GSP plus scheme), non-tariff barriers (NTBs) have assumed much greater importance.

Technical barriers to trade are one of the more significant barriers. Despite their importance, there is hardly any awareness amongst exporters of the WTO Agreement on Technical Barriers to Trade (TBT) or any knowledge of the working of the WTO TBT Committee. A few manufacturers who had some information of the WTO were under the misperception that the TBT committee was only meant to set out compulsory technical standards and regulations. In order to clarify this situation, the opportunity created by this study was used to explain that the key role of the TBT Committee was to discuss specific trade concerns (STCs) — specific laws, regulations or procedures that affect any country's exports. The details of such concerns raised can be checked through the TBT Information Management System. Since only the representatives of the WTO member governments can interact with the WTO Secretariat, an effort was also made to explain how the private sector can bring forth their concerns for the consideration of other WTO members.

In response to a specific questionnaire (Annex B), the Pakistan Standards and Quality Control Authority (PSQCA) explained that it was the national standards body and the designated National Enquiry Point in Pakistan. The functions of PSQCA include the establishment and enforcement of national standards, registration of inspection agencies, and assessment of industrial raw materials and finished products for compliance with international standards. PSQCA is a member of various international standardization bodies. It has also signed Memorandum of Understanding (MOU) with the standards organizations of many other countries for mutual acceptance of standards and conformity assessment. The Ministry of Science and Technology has the overall responsibility for the formulation and enforcement of standards in Pakistan while the National Coordination Committee (NCC) working under the Ministry of Commerce ensures effective relationship among the Pakistani regulators responsible for the development of technical regulations. The NCC also helps resolve any problems of duplication of work and conflict of interest.

So far the WTO Committee on TBT has notified 107 notifications received from PSQCA. Almost half of them were notified in the last one year. While the PQSCA representatives occasionally take part in the TBT Committee's sessions, nevertheless, the fact that Pakistan has not raised any specific trade concern (STC) while other WTO members have raised over 500 since the TBT Committee was established shows that no serious efforts have been made by the government agencies in Pakistan to use the TBT committee for redressing the exporters' problems which they claim are being faced because of unfair use of technical regulations.

### **Analysis of the TBT issue when exporting top-5 manufactured products from Pakistan**

Top five manufactured category of products exported from Pakistan are textiles and clothing, leather products, chemicals and pharmaceutical products, surgical

goods and cement. Although none of the exporters listed any specific problems in response to the questionnaire circulated, a few large exporters of textiles and clothing shared the problems they faced because of technical regulations and standards.

### Textiles and Clothing

This group constitutes over half of Pakistan's total exports. Major products included this category are the following:

Product	Exports in US\$/000	% share in exports
Cotton fabrics	2,452,632	10.30
Knitwear (hosiery)	2,406,488	10.17
Bed ware	2,103,071	8.89
Readymade clothing	2,095,089	8.85
Cotton yarn	1,849,389	7.81
Chemical & its prod.	980,914	4.14
Towels	797,155	3.37
Other textile made-ups	654,926	2.77

The main export markets for textiles and related products are the European Union and United States. A couple of large exporters spoke on the condition of anonymity and expressed their concerns about technical regulations and standards becoming much more rigid than required under international norms. They listed three categories of technical barriers. First, some of the mandatory regulations were much more stringent than required for any health and safety reasons. Second, many technical standards and regulations were not aligned on international standards and third, they were sometime discriminatory against exporters from those countries which are not a part of the Customs Union or a regional free trade area.

In case of EU, some exporters felt that there was a need for further harmonization of technical regulations and standards in its member countries. Nevertheless, at least one major exporter was the opinion that the EU has been gradually aligning its technical standards and the situation regarding fibre names, fibre compositions and labelling has improved considerably.

In case of United States, one major exporter claimed that sometimes agencies regulating imports were more trade restrictive than necessary. It seemed that the complaints were not about the existence of standards and regulations but the fact that the enforcement was stricter than the requirement. For example, the limit of amine dyes used is taken to extremes. According to one exporter of ready-made garments even if less than one part per million of azo dyes was detected in any one piece of clothing, the whole consignment was confiscated and burned. As a result, it is difficult for the exporter to find out the real reasons for rejecting the goods and take remedial measures in future. Furthermore, they cannot even raise the issue before the exporting country's judicial system or the WTO's dispute settlement system as the evidence is destroyed.

Other major problem is related to special labelling regulations for each export market. If there was standardization, it could be more cost effective for the exporters.

For many exporters, the most worrying aspect was that some major importers prescribe a number of conditions in addition to the strict technical standards and regulations. Such conditions include overall governance indicators in the country and thus have nothing to do with the manufacturers or the quality of goods. A major exporter referred to his export losses of millions of dollars as a major US importer put a blanket ban on imports from Pakistan and a few other countries where they were not satisfied with the overall law and order situation.

### **Leather and leather goods**

Leather and leather products worth about US \$ 1 to 1.5 billion are exported annually from Pakistan. The industry employs about 500,000 people, contributes 5% of GDP and 5.4% to the overall export earnings of the country. The products exported under this category include tanned leather, footwear, leather garments, leather gloves, and other leather goods.

As in the case of textile products, the most common technical barriers for leather and leather products also arise because of very strict requirements for use of certain essential chemicals used in tanning and processing of leather. It is particularly difficult for the small and medium enterprises to meet the required standards due to technological limitations in the production processes or in the lab infrastructure. In many countries, the limits are stricter than the international criteria. In case of EU, there are some countries, which require even stricter compliance than the EU regulations.

### **Pharmaceuticals and Chemicals**

Pakistan exported about US 981 million of chemical and allied products in 2014-15. They constitute about 4.14 of total exports. These include about US\$ 200 of medicines. Pharmaceutical industry in Pakistan is the 4th largest in the large-scale manufacturing sector and is estimated to contribute nearly 1 per cent to Pakistan's GDP. This sector employs approximately 150,000 people and provides indirect employment opportunities to an additional 300,000 through the packaging industry.

According to an exporter of pharmaceutical products, testing and registration of exports to a neighbouring country involves arduous and time-consuming processes. Similarly some exporters of chemicals also complained of various harsh and unwarranted technical regulations.

### **Surgical goods**

Pakistan's exports are around US \$ 341 million in 2014-15. This sector mostly consists of small and medium enterprises, which produce more than 5000 different types of instruments.

According to the Surgical Instruments Manufacturers Association of Pakistan (SIMAP), the quality evaluation is responsibility of the company procuring the consignment. Furthermore, over 95 per cent of surgical instruments producers

in Pakistan have international certification and have adopted good manufacturing practices. Highly skilled craftsmen and professionals supervise their manufacturing arrangements. Many internationally reputed brands have joint ventures in Pakistan. The local exporters did not seem to have any serious problems on account of technical standards or regulations. This could also be due to the fact that most manufacturers export unfinished goods and the processing is finalized in developed countries such as Germany.

### **Cement**

During 2014-15, Pakistan's exports of cement were US \$443 million. This is one of the key industries in Pakistan and has been rapidly expanding over the last 40 years. At present, Pakistan is ranked amongst the top 20 cement producers in the world and among the top 5 exporters.

Cement manufacturers complain of several technical and other barriers to their exports in neighbouring countries. These include long delays in getting the results of quality checks and insistence of pre-inspection teams visiting each unit to observe the manufacturing process.

### **The Way Forward**

Following is a summary of the suggested measures that could be taken to ensure that the technical regulations and standards do not unduly hinder trade of manufactured goods:

- I. The application of technical standards should be made more trade-friendly. If a negligible number of products in a large consignment were found not to be meeting the importing countries standards or regulations, the whole consignment should not be confiscated and destroyed. At least the contravening samples should be returned so that corrective measures could be taken for future.
- II. Domestic standards and technical regulations should not be stricter than those recommended by international standards setting organizations. Many exporters felt that by enforcing higher standards than required, some countries were being protectionists.
- III. Exports from developing countries that were not a member of any regional trade agreement with the importing countries should not be singled out for excessive checks and thus discriminated against. To ensure more transparency, countries should provide data at the TBT Committee as to what percentage of goods were checked from different countries.
- IV. There needs to be more equivalence of technical regulations, as this would save many exporters from repeated expensive testing and delays.
- V. Importing countries should not insist on multiple conformity assessment procedures for the same product from different manufacturers.
- VI. The national enquiry points should be more effective. The TBT Committee should share good practices.
- VII. Developed countries should show consideration for developing countries that cannot afford to have expensive technical equipment for testing purposes. Even in those cases where there was no issue relating to health and safety, a sympathetic view of the status of developing country was not taken into consideration.

- VIII. There should be more awareness about the working of the TBT Committee. At each session of the TBT, there should be reporting on the technical assistance and capacity building.
- IX. While the WTO members share best practices through the TBT Committee, these are not then shared back with the relevant departments or the private sector. There is a need to have greater communication between the private sector, capitals and Geneva.
- X. The WTO has various outreach programmes such as the Public Forum where members of private sector and NGOs also take part. At such forums, work of Committees such as TBT should be given due publicity.
- XI. It seems that Pakistan is rarely represented at the sessions of the TBT Committee. This needs to be redressed.

## Annex A: Questionnaire for Manufacturers and Exporters



### *Questionnaire on Technical Barriers to Trade faced by exporters of manufactured products*

11 July 2016

The WTO Agreement on Technical Barriers to Trade (TBT) establishes rules and procedures regarding product standards, technical regulations, and the procedures (such as testing or certification) used to determine whether a particular product meets such standards or regulations. The aim of the TBT Agreement is to prevent the use of technical requirements as unnecessary barriers to trade. This questionnaire is intended to find out what kind of technical barriers are faced by our exporters. Based on the information gathered, a report will be prepared for our WTO delegation in Geneva which will enable them to bring up the problems before the WTO TBT Committee. Your response will be highly appreciated.

1. What kind of manufactured goods do you export?
2. Are you aware of the WTO Agreement on Technical Barriers to Trade (TBT) or any TBT discussions/negotiations on this issue?
3. When and where have you raised the TBT issue with your government for a resolution?

4. Can you describe the TBT issues that you face in the export markets?
  
5. Can you identify the export market(s) where this problem/issue is most encountered?
  
6. What is its impact on the trade of your country? Please provide facts and figures.
  
7. What is its impact on your business / organisation? Please provide facts and figures.
  
8. What are the solutions to the TBT issues? Kindly make concrete recommendations/suggestions for possible action, potentially focusing on specific markets.

Name of Exporting Firm	
Name of Respondent	
Designation	
Address	
Email	
Telephone Numbers	



## Annex B: Questionnaire for PSQCA & Ministry of National Food Security and Research



### *Questionnaire on Technical Barriers to Trade faced by exporters of manufactured products*

11 July 2016

The WTO Agreement on Technical Barriers to Trade (TBT) establishes rules and procedures regarding product standards, technical regulations, and the procedures (such as testing or certification) used to determine whether a particular product meets such standards or regulations. The aim of the TBT Agreement is to prevent the use of technical requirements as unnecessary barriers to trade. This questionnaire is intended to find out what kind of technical barriers are faced by our exporters. Based on the information gathered, a report will be prepared for our WTO delegation in Geneva which will enable them to bring up the problems before the WTO TBT Committee. Your response will be highly appreciated.

1. Have our exporters/importers ever brought TBT issued to your attention for resolution?
2. If such problems have been brought to your attention, can they be explained as:
  - a. Specific "cases" applicable to a specific product; or,
  - b. Systemic nature related to technical regulations in general;
  - c. Both of these?
3. Does your organization have public comment procedures for proposed technical measures, to which industry can submit comments?

4. If so, have any comments been taken into consideration and raised with the relevant Ministry?
  
5. Do you think our TBT rules are well aligned with the international standards?
  
6. Has your organization ever participated in the discussions of the WTO Committee on Technical Barriers to Trade (TBT) or any other TBT discussions/negotiations? If so, when?
  
7. Do you compile any data on TBT issues that our exporters face in the export markets?
  
8. Can you identify the export market(s) where TBT problem/issue is most encountered?
  
9. What is the impact of TBT issues on the trade of Pakistan? Please provide facts and figures.
  
10. What are the solutions to the TBT issues? Kindly make concrete recommendations/suggestions for possible action, potentially focusing on specific markets.

Name of Exporting Firm	
Name of Respondent	
Designation	
Address	
Email	
Telephone Numbers	

## Annex C: List of Respondents

1. Mr. Raheel, Exports Manager, Adamjee Enterprises, raheel.gohar@gmail.com, 03452405607
2. Mr. Abdul Aziz, Export Manager, Artistic Fabric & Garment Industries (Pvt) Ltd, aamir.sheikh@artisticfabricmills.com, 03008292931
3. Mr. Kamran Zaidi, Sole Proprietor, Botanic Berg, botanicberg@yahoo.com, 0334 5577733 - 0323 5577733
4. Mr. Imran Mughal, Manager, Blue Moon Industries Pvt. Ltd., karcoqta@hotmail.com, 00922132474241-3
5. Mr. Asif Ali, Chief Commercial Officer, Taiga Apparel (Pvt) Ltd, asif.ali@taigo\_apparel.com, 04235260391-6
6. Mr. Yamin Hamirani, Export Manager, Manahil Trading Company, m.tco@hotmail.com
7. Mr. Muhammad Khalid Siddiq, Director General, Pakistan Standards & Quality Control Authority (PSQCA), psqcadg@super.net.pk, 021-99206260
8. Mr. Asim Khan, Export Manager, Eastern Leather Company (Pvt) Ltd., eastern@brain.net.pk, eastern@easterngroup-pk.com, 042-35885171, 358851M72, 35881138, 35881184
9. Mr. Arif Hussain, CEO, Ifrah Associates, ets@cyber.net.pk, 0300-8262823,
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12. Mr. Liaquat Ali, Clerk, Arham Agency Karachi, 03333365620
13. Mr. Wazeer Ali Junejo, Port Incharge, Multan Industries Ltd. wazeerali213@gmail.com, 02134522548
14. Mr. Kashif Abbas, Brokerage Officer, Ka\_hashmi@yahoo.com, 03028229730
15. Mr. Kahisf Shehzad, Manager, Tesla Industries (Pvt) Ltd., kachifch6@gmail.com, 03009292356
16. Mr. Yaseen Khan, Manager, Gul Ahmad TML, Al Karam TML, 03332409902
17. Mr. Muhammad Fazil, Port Person, Masood Textile Ltd. 03018285515
18. Mr. Naseem Ahmad, Port Supervisor, Raziq International (Pvt) Ltd, 03332383320
19. Mr. Jawaid Alam, Director Finance, M/s. Ali Murtaza Associates, jawaid@alimurtaza.com, 03008267606

20. Mr. Arshad Naveed, Export Manager, M/s. Hafiz Tannery, arshad@hafiztannery.com, 92-215061761-3
21. Mr. Muhammad Javaid, Proprieter, Asia Trade Link, essani.muhamamd@gmail.com, 03218285590
22. Mr. Farrukh Munir, Partner & CEO, Kohsar industries, info.farrukh@gmail.com, 051-443910-4434911 & 4432063
23. Mr. Abid Mehmood, Export Manager, ARC International, arc\_international@ymail.com
24. Mian Azhar Majeed, Chairman Arzoo Textile Mills Faisalabad, azhar@arzootex.com
25. Samina Zehra, Collector of Customs, Exports, Port Qasim Karachi, zehrasamina@hotmail.com
26. Dr. Saifuddin Junejo, Collector Customs Exports. Custom House Karachi saifjunejo@gmail.com
27. Mr. Khalid, Proprietor, Nishat Mill, info.khalid@gmail.com, kchohan@nishatmills.com, 042-335716439
28. Mr. Shabbir Mehar, Assistant Export Manager, shabbier.tafij@gmail.com, 0324 8484763
29. Mr. Asad, Proprietor, Liken Over Seas Corporation, liken@skt.comsats.net.pk
30. Syed Hussain, Awab Enterprises, cfs@yahoo.com, 45877403-08
31. Mr. Adil mirza, Proprietor, MRU Instruments, info@mruinst.compk
32. Mr. Abdul Majeed, Proprietor, Majeed Sons, Shehrozcso@hotmail.com
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