



"Little room for tariff protection"

Hamayun Akhtar Khan, Federal Minister for Commerce and Trade, talks about the government's policy on trade with China

By Zulfikar Shah

The News on Sunday: What steps is the government taking to stop dumping of Chinese goods in local markets?

Hamayun Akhtar Khan: The government cannot do anything on its own in this regard. The local stakeholders should come forward if they think dumping is taking place and the government will initiate safeguards on their request. I can give you an example, if leather footwear is being dumped in the country from China, then the footwear sector in Pakistan should move an application for anti-dumping or countervailing to the National Tariff

Commission (NTC), that application needs to have certain statistics, facts and figures to support the complaint. The commission will investigate and take action and impose duty if it finds undue subsidy and dumping taking place. The same rules can be applied to other goods as well. Its no more the government's job anywhere. Proceedings against Pakistan in the European Union (EU) were initiated by Euro-Cotton, not the government.

TNS: What is the government doing to check increasing smuggling of Chinese goods?

HAK: The Ministry of Interior and Defence and Central Board of Revenue are supposed to be taking action against smuggling. It is not the job of the Commerce Ministry. I

can only talk about the Chinese goods that are coming through regular trade.

TNS: Increase in duties on Chinese goods was under consideration. What is the current status?

HAK: There are two levels of duty; rates under WTO which are very high and rates we are bound to observe under IMF conditionalities. Though WTO allows us to impose 25 per cent more duty, IMF objects to it. It does not allow us to increase duty. This is what actually affects us.

We have very little room to give tariff protections. Countervailing and anti-dumping duties are actually tariff protections so tariff protection will come through this route now. We are still taking IMF loans so we have to meet their conditionalities. We have signed an agreement with IMF under the Poverty Reduction and Growth Facility (PRGF) till December 2004.

TNS: Local manufacturers are afraid of WTO, they think Chinese and other goods will take over the market and they

will not be able to compete. What safeguards are you providing to the local industry?

HAK: It is a big misconception that all tariffs will end on January 1, 2005. It generally asks countries to reduce tariff rates but does not propose any formula or benchmark for reduction.

Pakistan's tariff rates are very high under WTO. We have just reduced applied rates in the last few years.

Under the WTO regime we can even impose duty beyond bound rates through anti-dumping or countervailing. Applied rates have been reduced under IMF conditionalities not under WTO. But tariffs both in agriculture and industrial products are under consideration in the present round of WTO called 'Doha Development Agenda,' which is being negotiated. The likelihood under this agenda is that developed nations will have more time to reduce tariffs, and there will be difference in reduction. If developed nations will be asked to implement zero tariff, developing nations will have a margin of 15 per cent or something like that.

So, I think even after the WTO agreement, we will have existing protections for many years and the space to give tariff protection. So I think the industry must not worry regarding tariff, they'd better worry for non-tariff barriers.

I tell you the government is well aware of the developments and has started active international trade diplomacy. We have signed agreements with America, EU and ECO.

We are negotiating trade with Iran, Iraq, Bangladesh and Sri Lanka. In addition to WTO, we are trying to immediately reduce tariffs with these countries on bilateral and regional basis.

TNS: How do you justify Pakistan's decision to grant China the 'Most Favoured Nation' (MFN) status and deny the same to India, considering that low tariff on Chinese goods is making it hard for local manufacturers to compete with China?

HAK: We are bound to give MFN status to WTO members, as it is the basic principle of WTO. Basically WTO is a set of rules which comes through governments on all sides. WTO asks us for MFN treatment, which is nothing but non-discrimination, you cannot discriminate between trading nations. It asks for national treatment; once foreign goods come into your country you cannot discriminate them in comparison to domestic goods. So we give MFN status to anyone who becomes a new member of WTO. As far as India is concerned we have strained political relations with them. We have always asked India to initiate sustainable dialogue on political issues. Once our politi-

cal issues are resolved with India we will think of MFN status and other issues.

TNS: Local manufacturers complain that they cannot compete with other countries like China because of high capital cost and expensive utilities. What are your comments?

HAK: I think cost of capital has been considerably reduced in the country. Important decisions have been taken including bringing down export related financing for six months to only 2 per cent cut off rate. The trade policy had many good features in this regard. We are also trying to reduce Wapda and KESC tariff for industrial consumers. The prime minister also wants to review Wapda Act so that self-generation can be allowed. We are trying to give maximum benefit in input.

We are also trying to bring all kinds of machinery at the lowest duty rate, which is 5 per cent. I think we will introduce it in the next budget. A lot of machinery is already at the rate of 5 per cent but we will bring all machinery under this lowest duty category. The government is reducing duties and customs duties are not a major source of income in the budget now. We have plans to set up industrial zones with good infrastructure to enable our manufacturers to compete with others. I think there is no need to worry, we can compete with others.