

WORLD TRADE ORGANIZATION

RESTRICTED

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Council for Trade in Goods

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QUESTIONS FROM THE GOVERNMENT OF THE UNITED STATES REGARDING THE TRIMS EXTENSION REQUEST MADE BY THE GOVERNMENT OF PAKISTAN

Measures

1. Please describe in detail the measures that are included in the Government of Pakistan's ("GOP") request. Could the GOP please elaborate beyond the description provided in previous submissions. For example:
 - (a) What domestic and foreign producers are entitled to take advantage of the program?
 - (b) In what sectors do the producers affected by these measures operate? When was each of these sectors added to the program?
 - (c) What percentage of local content is currently required for each of the producers affected by these measures?
 - (d) What kinds of local goods qualify to meet the local content amounts (anything? some parts but not others? etc.)?
2. How have the measures changed over time?
 - (a) Have there been any changes to the measures covered by your extension request since 1 January 1995? If so, what are they? For example, have these measures increased the amount or percentage of local content required since 1 January 1995? Please provide copies of any laws, regulations, notices or other documents implementing or announcing any such changes.
 - (b) Your notification (G/TRIMS/N/1/PAK/1) states that "the programme encompasses the engineering, electrical goods and automobile industries" while your extension request seems to describe a broader program which "includes such sectors as general engineering, electrical goods, agricultural equipment and automobile industry, etc." Has the program been expanded to cover more sectors since your initial notification?
 - (c) Your TRIMs notification states that there is an advantage given to participants in this program in the form of "concessionary rates of tariff for the import of specified components and parts." Is this still accurate? If so, please list the concessionary tariff rates provided for each participant in the program.
 - (d) What methodologies are used to decide what the rates will be and which products will be eligible for the reduced rates?
 - (e) What is the total value of these reduced tariffs over the entire economy?
3. The implementing agency, as listed in the GOP's TRIMs notification and extension request is the Ministry of Industries and Production.
 - (a) What responsibilities does this organization have generally?

- (b) What is its responsibilities with respect to both the TRIMs measures and more generally the sectors covered by the TRIMs program?
- (c) Are there any other GOP agencies or other entities or persons with responsibility for implementing or otherwise supervising the measures identified in question 1?

Basis for the Extension Request

4. The GOP extension request provided to the Council for Trade in Goods provides several reasons why an extension is necessary. Please elaborate on the basis for your request, for example:

- (a) How was the seven-year period determined?
- (b) What was the empirical evidence examined to gauge that at least seven years would be required?
- (c) Describe the “forward and backward linkages” that would be “adversely affected” if the TRIMs are removed.
- (d) Please describe the “negative impact on investments” mentioned in your request. What research has been undertaken to show that investment would decrease if the measures were removed?
- (e) What would be the specific effect on the balance of payments situation in Pakistan if the TRIMs were removed? Provide any statistical or other information that demonstrates any such effect and the linkage of this effect to the removal of TRIMs.
- (f) Describe the technology transfer that would be impeded if the TRIMs were removed. What studies have been done to verify this statement?
- (g) Article 5.3 of the TRIMs Agreement requires the Council for Trade in Goods to conclude that an applicant for an extension has demonstrated “particular difficulties.” How does the GOP consider that the difficulties it has described fit this requirement?
- (h) What makes these difficulties different from other Members’ situations?

5. Another key factor to focus on is employment:

- (a) What is the basis for the statement that removal of the TRIMs would cause “displacement of labour and unemployment?”
- (b) What was the total employment in the firms that participate in the program covered by the request before the TRIMs policy was implemented?
- (c) What is the current total employment in the firms that participate in the program covered by the request?
- (d) Is there any basis for an assumption that jobs will be created by the continuation of the TRIMs-related policy after 1 January 2000?
- (e) Which entity, agency or persons analyzed your employment estimates?

6. With respect to “development, financial, and trade needs” referenced in Article 5.3:

- (a) How is the maintenance of these TRIMs part of the development plans and needs of Pakistan?
- (b) How long have such TRIMs been part of the development plans and needs?
- (c) How can it be determined that these same development policies will not still be used and needed after a seven year period? Why should one expect that this policy will be different 1, 2, 5, or 10 years from now especially given that Pakistan is requesting a “minimum” of seven years?
- (d) Were the GOP’s development policies part of the development needs and plans of the GOP prior to the Uruguay Round?
- (e) What are the financial needs of the GOP related to the maintenance of the TRIMs?

- (f) What analysis has been conducted to determine whether the elimination of the TRIMs would actually increase, decrease, or be neutral concerning the financial needs of Pakistan?
7. Regarding other particular issues that the GOP believes should be taken into account, please describe and discuss how the policy serves to:
 - (a) optimally exploit domestic resources
 - (b) promote transfer of technology
 - (c) enhance linkages between large, medium and small-scale industries
 - (d) safeguard the external financial position of the economy
 - (e) contribute to a steady growth in per capita income in real terms thus raising the living standards of the people
8. Please describe the industries covered by your extension request in detail. What efforts have they taken to modernize or be more competitive internationally over the last five years?
9. Prior to making the decision to request an extension, what measures had the relevant industries and the GOP undertaken to begin the transition to a system that did not rely on TRIMs?
 - (a) What types of liberalization adjustments were or were not completed?
 - (b) At what point did the GOP make the decision to stop this process of becoming TRIMs consistent (or does the process continue)?
 - (c) What would the process be for changing the local content requirements – (*i.e.*, administrative changes, legislative changes)?
 - (d) How quickly could such changes be conducted?
10. What types of efforts were undertaken to prepare the relevant industries for the removal of TRIMs on 1 January 2000? Specifically:
 - (a) Did the GOP conduct discussions with the private sector and with labour organizations at that time and even well before the completion of the Uruguay Round to inform them that these policies would be eliminated in 2000?
 - (b) What kind of domestic consultation process concerning TRIMs has been conducted over the past five years?
 - (c) What administrative or legislative steps have which offices and officials explored with which industry and labour groups?
 - (d) Are there legislative or administrative drafts that have been submitted for consideration over the past 5 years?
 - (e) What plans exist for adjusting to the elimination of such TRIMs if there is no grant of an extension from the Council?
11. Has the GOP considered other non-TRIMs options that would protect the domestic industries but would allow for the elimination of your TRIMs regime as it currently exists? For example:
 - (a) Why is it necessary to retain the local content requirements in all sectors?
 - (b) Please describe the analysis/research that the GOP undertook to ensure that all measures need to be retained.

Statistics

12. What is the GOP's estimation of future foreign investment in its domestic market by manufacturers that participate in the TRIMs program covered by the extension request?
 13. What is the history of investment inflows due to the Pakistan TRIMs program? Specifically:
 - (a) Has investment in the sectors covered by the TRIMs program increased since the policy was introduced? If so, detail the increase.
 - (b) From which WTO members have the investments originated?
 14. What are the destinations for exports from Pakistan for 1998 (i.e., what countries) for the firms covered by the measures under discussion and what are the values and the quantities of the exports to each market?
 15. What are the figures for production and sales of the items manufactured by the firms covered by the measures under discussion for 1996, 1997, 1998, and, if available, 1999? In addition, what is the forecast for these firms for the year 2000?
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