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UPLIFTING STATUS OF PAKISTAN IN GLOBAL MARKET: EXPLOITING WORLD TRADE ORGANIZATION (WTO) RULES WITHIN COMPETITION POLICY

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ABSTRACT

Since government investment and trade barriers have declined, there are apprehensions that the advancements from such liberalization may be disgruntled by private anti-competitive practices. As a result, the general consensus is that sound economic development is achievable through mutually supportive trade and competition policies. Competition policy comprises of antitrust policy (comprising of merger regulation and control) but is continually enlarged to encompass international trade measures and other policies that affect the structure, conduct, and performance of individual industries. This development has transpired the economic transformation viewed globally and leading to an increase reliance on the market mechanism. The influence of the transference has been particularly felt in the realms of the developing countries which have made a dramatic switch toward market- oriented and investment friendly policies. Moreover, the developing countries benefit from the special provisions of WTO including, extended time periods for implementing commitment and agreements, and measures to improve trading opportunities for developing countries. Notwithstanding these advancements, the time requires now for Pakistan to device a complete and effective set of rules in order to compete *with the global market. A growing concern in this regard is import policies based on tariff regimes. It has been observed that a developing nation like Pakistan needs to take lesson from the economies of countries like Thailand and India and how they worked on certain key industries such as the infant industries in order to achieve a concrete economic status within a few years. This paper aims to analyze the need of an effective competition policy with respect to growth of local industry within Pakistan. In this paper, research is based on analysis of statistical data and opinions of the people learned in the subject, it also highlights certain loopholes in the economic policies of Pakistan and lastly provides a solution to these issues in light of certain major industries of the country. The paper argues that Capacity building can only be achieved through mutual consensus, regional and global cooperation and a more effective round of ideas that can shift positively towards a more economic efficient policy.*

***Keywords**: Internationalization, Globalization, Competition law, Competition Policies, Infant Industry Protection, WTO, Economic Policies, Trade, Regional Cooperation.*

Introduction

"Every successful competitive practice has victims. The more successful a new method of making and disturbing a product, the more victims, the deeper the victim's injury" (Judge Frank Easterbrook, "The Limits of Antitrust") Efforts of the international community have, for many years, been primarily concentrated on removing hindrances to the flows of trade and investment erected by countries. These efforts have been mainly in the form of agreements between countries. A good example is the General Agreement on Tariffs and Trade (GATT) which served as a tool to liberalize trade in the post 1950's era. GATT recognized that anti-competitive practices of firms may hinder the growth of world trade and economic development in individual countries, thwart the benefits of tariff reductions and removal of quantitative restrictions and weaken the aims and objectives of GATT. Other efforts can be seen in the light of events leading to the birth of World Trade Organization (WTO). Whilst these efforts have contributed to the growth seen over the years in these flows, it seems that further growth can be achieved if hindrances caused by the anti-trust competitive behaviour of private firms are completely removed (J.Klien – Hearings on Anti-Trust Enforcement Oversight).

The recognition that anti-competitive behavior by private firms may affect the flows of trade and investment between countries that have been increasing, raises important questions in the internationalization of anti-trust policy which need to be addressed. It can be seen that US Competition Policy and EC Anti-trust policy have achieved the desired results to some extent. Also, agreements such as NAFTA and APEC seem to do the job at a regional level but the problem still remains towards achieving a global policy that caters to the need of the developed and developing countries. According to many, the essential purpose of competition law is to safeguard that markets are effectively contestable which relates to the fact that entry and exits by firms to the market is not artificially blocked (Maskus & Lahouel, 2000). Free markets by means of effective competition not deformed by government interference will lead to economically and socially efficient results.

Restraints can be horizontal (between firms operating at the same level of the market) or vertical (between firms operating at different levels). Anti-trust and trade policies operate for market access in domestic markets but have different perspectives. The most difficult firm of hindrance to market access can be caused by practice of firms, practice of countries and in some cases practice of both known as hybrid or mixed practices. If the hindrance is of this type, one can expect that there will be implications for both anti-trust and trade policy. These hindrances can take certain forms such as abuse of a dominant position under which dominant domestic firms engage in abusive behavior, merger between firms, practices of countries and exemptions in which domestic laws of a country are applied in such a that they prevent/exempt the anti-competitive behavior of local firms from the application of domestic anti-trust laws. The issue that arises here is that foreign firms are excluded to penetrate within the domestic markets and the developing countries, having low economies having low economies to support anti-trust laws, are left with no recourse. The OECD's recommendations on the hard core cartels rightfully revealed the reluctance of countries. As a result, an extensive use of exemptions could easily lead to a substantial amount of economic activity around the world avoiding the anti-trust laws of different jurisdictions (E. Fox).

As mentioned before, anti-trust and trade policies have a different prospective. Firstly, these policies address economic distortions of different kinds and origin. Anti-trust policy is interested with the conduct of private firms, is determined nationally and is focused centrally on protecting the operation of the market. Trade policy on the other hand, is internationally determined and is principally focused on the behavior of countries, aiming to eradicate discriminatory acts by the latter that foreclose admission to domestic markets for foreign firms. Secondly, the legal basis of anti-trust policy enforcement is wider than that of trade policy because some commentators argue that trade policy is decided more through political processes than legal (C. Doern), although it is arguable that the difference in politicization of anti-trust and trade policy is one of kind rather than degree.

Thirdly, trade policy has to center on the political consent and agreement of those who win or lose from the trade expansion, therefore, a greater weightage is set on “producer interests”, whereas the anti-trust policy tends to be more concerned with consumer interests than trade policy. Fourthly, not all anti-trust policy concerns are relevant to trade policy e.g. the procedural and substantive features of multi-jurisdictional under trade policy. In, addition, international cartels appear to be seriously problematic for individual countries and the global economy, which provide serious anti-trust policy issues but do not, directly at least, influence trade policy issues. Fifthly, when there is a similarity in anti-trust and trade policy issues, various conclusions concerning the effects of a particular restraint may be reached. Despite the differences in perspective, it is important to realize that competition and trade policy are compatible too. Both the policies aim to provide/improve efficient allocation of resources as competition policy does this by preventing firms from harming the process of competition in the market place and trade policy does this by eliminating obstacles that hinder the capability of foreign firms to contact new markets.

To deal with restraints involving the anti-competitive behavior of private firms, certain approaches under anti-trust and trade policies can be adopted such as extra territoriality or bilateral cooperation between anti-trust authorities. The issue that arises here is that the extra- territorial application of domestic anti-trust laws may not enjoy sufficient impact to address anti-trust concerns beyond domestic markets. Reliance on it can aggravate conflicts between countries and disagreement over its application can lead to a serious friction in the interface between anti-trust and trade policy. Soft law instruments such as bilateral treaties can provide a positive framework to cater to this issue.

Infant Industry Protection and Competition Laws:

One of the economic rationales for trade protectionism is the infant industry argument. The cornerstone for this argument emphasizes on the need to protect the nascent industries as the often lack economies of scale that their mature competitors internationally. Therefore the need is for such industries to be protected from their mature competitors, until they can enjoy similar economies of scale. Despite the argument this is an economic rationale for trade protectionism. This notion was raised by Hamilton (1791), and List (1856) to in order to introduce industrialization in Germany and the United States. This idea being quit influential was endorsed by intellectuals like J.S Mill (1909), Alfred Marshall, and Schumpeter also submitted to it and debated in favor of limited protection. Others such as James Mead (1955), Harry Johnson, Max Corden, and Jagdish Bhagwati have taken into account this phenomenon to address market failures. It has long been accepted fact that infant-industry has a detrimental effect on countries which engage in them as duties misrepresent consumption and are unsuccessful in achieving a socially efficient allocation of productive resources in new industries. Examples can be found in the Proton Cars of Malaysia or the big three automobile lobbying in Pakistan. The time has come for such countries to benefit from examples of Thailand and India. Perhaps, even more important is to address the special issues of industries in their infancy in a straighter and discerning policy measure than to introduce non-discriminatory import duties.

Research Methodology:

This study has incorporated the descriptive method of research. As said by Margarete Sandelowski, “Qualitative descriptive studies have as their goal a comprehensive summary of events in the everyday terms of those events. Researchers conducting qualitative descriptive studies stay close to their data and to the surface of words and events." The objective of this study is to explore the competition policies within Pakistan and compare them with them with the competition policies of more successful countries within this arena. This can further lead to Pakistan collaborating with countries like Malaysia and gaining technical assistance in the field of competition. This method of research helps the researcher to study to vast geographical expansion of competition laws globally in depth, which will benefit and enable the competition authorities and policy makers to benefit from the experiences of other countries. Data collection is primarily conducted through reviewing scholarly work in this area, such as articles and journals, unstructured interviews with the local competition authorities, observations and data available through various newspapers and websites.

Impact of Infant Industries on Competition:

The protection of infant industries is widely considered as a myth as all companies are "infants" at some point in time. At the commencement of any business, costs nearly always surpass price on the primary units produced. Thus, as economies of scales are attained, the average cost of a good goes down with following unit produced. However, the protectionist argument permits "infant" industry to obtain profits from these incompetently manufactured units at its initial stage. This leads to several issues, including the incentive to achieve economies of scale followed by costs reductions allowing a business to compete and secondly this could lead to anti free trade practices by other countries. Examples can be found in the US steel industry which remained to be an infant industry.

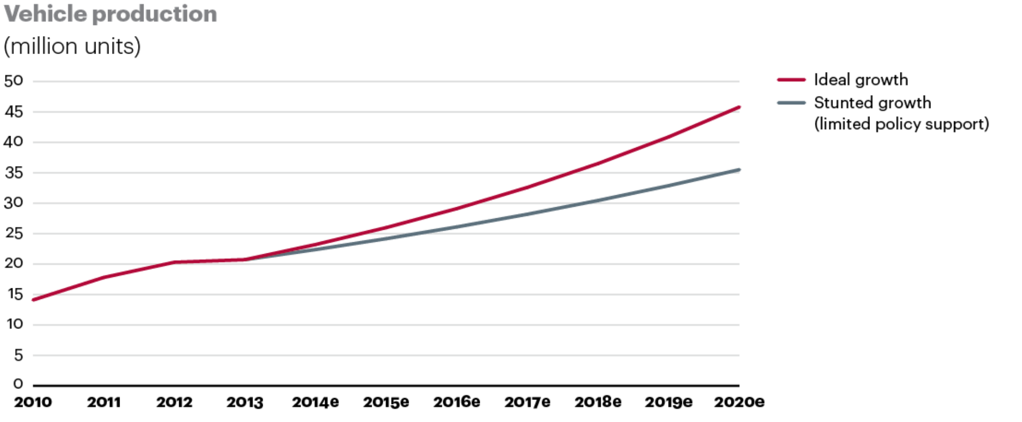
Competition and Trade Liberalization and Uplifting Status of India:

Automobile industry of India has been a key example of infant industry protection. Whilst one sixth of world's population resides in India, the quantity of passenger vehicles is only 1 million per year. The stringent protectionist measures led to Ambassador dominating over 70% of the market share, while a relatively smaller Indian firm, Premier Padamini held the remaining 30% of the share. The reason behind leaving the Indian population with no choice but to purchase cars from the local manufacturers was due to high import tariffs on foreign cars. Consequently the demands for locally manufactured cars outdid the capacity of very inefficient plant to manufacture them. Additionally there was a huge deficit in the supply as demands exceeded it and often people would wait for years before purchasing cars. Such hurdles would of course overcome by facility payment services.

India, however addressed such issues by liberalizing trade and introducing competitive market mechanisms by reducing and removing most tariffs during the 1990s. As a result 7% of automotive output is produced globally by Indian automotive industry compared to literally zero two decades earlier. Most of the companies functioning in India are in partnerships with multinational automotive manufacturers, including Hyundai, Ford, Renault and Honda, to name a few. (Srivastava 2006). The increase in the cross border activity has allowed foreign competitors to penetrate in the Indian market. The automobile industry is expected to create more than 25 million jobs in the near future. Furthermore, consumers have a wider variety of choices at a cost effective prices. Compared to an earlier deficit of supply within the automobile industry, foreign and domestic automakers are planning on rolling out over 50 new car models in 2007 according to the Society of Indian Automobile Manufacturers. (Srivastava 2006).

Benefits of trade liberalization and lowering of import tariff has also fostered completion for local manufacturers like Tata Motors, who dominated the market through 1991, on production of light trucks, heavy trucks, buses, cement mixers and heavy vehicles of all kinds. Increase in completion led to Tata motors to expand its portfolio and venture into passenger cars, to counterbalance the cyclical swings it faced in the heavy truck market. Consequently Tata is the frontrunner for small vehicle production globally. The removal of protectionist measures from the infant industry as increased efficiency which has benefited Indian economy. Accordingly, the social surplus will at present come back to the consumer and profit all stake holders. Another major benefit is the increase in foreign direct investment (FDI).

Growth projections for India's auto industry



Sources: Society of Indian Automobile Manufacturers, International Energy Agency; A.T. Kearney analysis

Competition and Trade Liberalization and Uplifting Status of Thailand:

The leading force behind internationalization in Thailand is the private sector. This can also be witnessed in case of automotive industry which consists of foreign multinationals along with the local part suppliers. This advancement can be viewed against the backdrop of Thailand's emergence of automotive industry in early 1960s. Passing of Industrial Investment Promotion Act of 1960 played a pivotal role, as the Board of Investment (BOI) created ventures for the development of automotive industry by increasing incentive for foreign direct investments and establishment of assembly plants within Thailand. Such a strategy has been fruitful in attracting FDI from US, Japan and Europe, leading towards foreign ventures with local businesses. Examples of such ventures during the 1960s include Thai Motor Industry Co. Ltd (Ford and Anglo- Thai Motors) and Siam Motors and Nissan Co, Limited's Joint Venture.

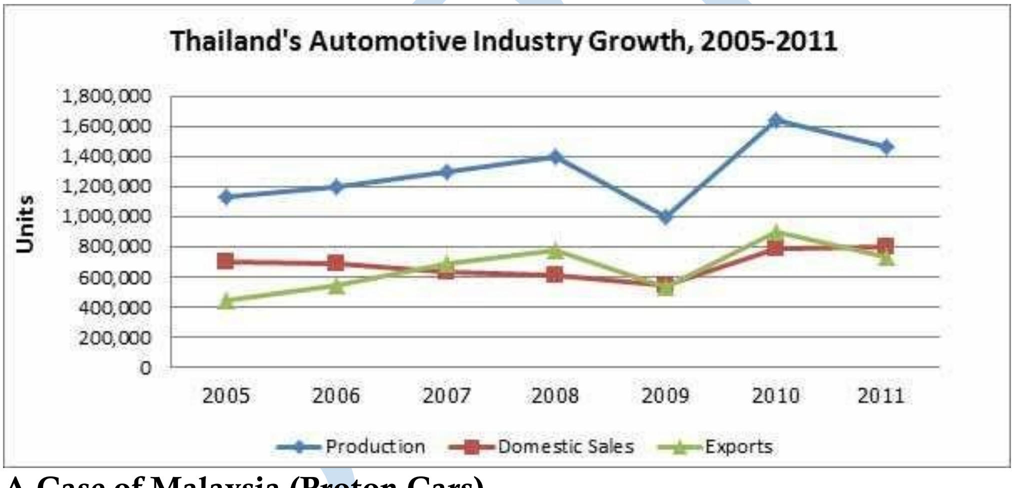
However, with the inception of Automobile Development Committee under the auspice of Ministry of Industry, a more progressive policy towards localization was adopted. For example the ratio for localization included 25% for passenger cars, commercial cars with windshields was 20% and passenger cars without wind shields was 15% by 1975. A more rigorous policy was adopted in 1978 by the government. Import ban was introduced on CBU passenger cars with increase in import tariffs on CKD kits up to 80%. In 1983, the passenger cars required 50% of local content.

Furthermore, from late 1970s to mid-1980s, Thailand's automotive industry met with a number of issues such as domestic uncertainty and economic downfall due to 1970s oil crisis. This situation was further intensified by the Vietnam War which had an impact on foreign direct investment. The crisis led to various major stake holders such as Ford and General Motors to withdraw from Thailand. Moreover, the local content requirement coupled with strict policies and instability led to the exit of Fiat. Consequently, similar trends in economic growth were witnessed in the early 1980s, which further worsened the position for Japanese manufacturers who unlike their competitors did not pull out of the market. Resultantly, they Japanese manufacturers constitute a major part of Thailand Industry.

Notwithstanding, economic growth increased in the late 1980s as a result of rise in the foreign direct investment assembly plants. The 1990s witnessed as an era of globalization with the establishment of World Trade Organization. As it led to deregulation of various nationalist policies and increased cross border merger and acquisition activities. This change was also witnessed in Thailand leading to drastic changes towards market oriented policies and trade liberalization of industries including the auto industry. The deregulation of protectionist measures fostered competition within Thailand auto market, increased economic efficiency and provided consumers with a vast array of choices at competitive car prices. There was a significant lift on import ban of CBU passenger cars and a considerable reduction on import duty of CKD cars in the 1990s. Furthermore, six important components and materials witnessed further tariff reductions and new plants to assemble vehicles were announced by the government in 1993.

Thus, the shift towards market oriented policies led to an increase in passenger cars imported from US and Europe. This coupled with the dissemination of Korean cars offered at reasonably low prices further intensified competition for Japanese multinationals. Changes in the landscape of the car market led to a decrease in the sales of Japanese cars from 79% to 68% by 1995. As a result, Japanese firms adopted a more progressive and competitive approach by cutting down the cost of production and introduced a series of passenger cars offered at lower prices.

The turning point for Thailand was in 1993, when the government endorsed export orientated policies. The Board of Investment in connotation with "The Automobile Industry Export Promotion Project" introduced incentives for assembling automobiles for export, such as exclusion of import duty of auto parts and corporate income tax exemptions for corporate income tax after eight years of formation. By 1996 Domestic Car Sales increased to a 6000,000 and expected a rise to 915,000 in 2000. Furthermore Mazda and Ford also formed a joint venture for pickup trucks production with the intention to export 50% production. Thai government also provided special privileges to GM such as freeing all assemblers from local content requirement by the date stated by WTO.



A Case of Malaysia (Proton Cars)

Proton was launched by national automobile company in 1980s in Malaysia. The reason was to protect the subsidies and to achieve economies of scale and gains enjoyed by established automobiles exporters. From the onset, losses were incurred by the sales of Proton Cars. Proton Cars dominate the Malaysian market from the start with the market penetration of the first car, the Saga, and successive cars. Proton was an average man's car as imported models were a luxury for the elite class.

However, under this protectionist regime, assumed efficiencies of Proton destined to benefit or advantages never materialized.

Proton never achieved the desired economies of Scale. This regime only created a "cozy trap of comfortability" that Proton was unwilling to renounce. And yet today, over 2 decades since Proton's launch, the protectionist tariffs and subsidies have only started to dismantle, and even then, at a glacial pace. As highlighted by the Economist"...output never rose above 227,000 cars a year and exports never exceeded 20,000 units annually. In an industry dominated by a handful of global giants, each producing 3m-6m cars a year, Proton remains a minnow. Yet it has refused to scale down its ambitions. Proton has built factories capable of churning out 1m cars a year and has launched a range of models. But quality is poor and low volumes mean it is not able to compete on cost."

The plight of Proton has heightened as further reduced import tariffs were inserted into the Malaysian economy in accordance to Asian Free Trade Area (AFTA) specifications for cars produced in the region. Worse yet, Perodua, local competition primarily owned by Toyota, eclipsed Proton in local sales for 2006: "In 2006, Perodua led national sales with 152,733 units, giving it a market share of 42 percent, up from 32 percent the year before, according to MAA data. Proton sales fell to 115,538 units for a market share of 32 percent, down from 40 percent in 2005. It had held the top sales spot since 1985. Japanese small-car maker Daihatsu Motor, a subsidiary of Toyota, owns a 51 percent stake in Perodua which has produced a series of attractive models well suited to the Malaysian market..." (The Infant Industry Which Never Grew, Posted by Emmanuel in Marketing, Southeast Asia).

Unprofitable Proton is in the course of choosing a strategic partner to seize its steep losses and, therefore, has initiated talks with US auto giant General Motors, German engineered Volkswagen and French automotive group PSA Peugeot Citroen. It seems that Volkswagen is has shown interest towards acquiring Proton. However, as Proton falls short of cash, there may be no other viable option for Malaysia than to sell its 43% stake. "In short, Malaysia's automotive industry has been built around national car firms which depend on government support for capturing a large share of domestic market. Progress in liberalization and recent currency crisis have revealed the constraints of such policies." (M.Fujita)

Table 2 Car Prices in Malaysia (as of May 1996)

Manufacturer	Model	Displacement Volume (Unit: cc)	Price Range (Unit: Thousand Ringgit)
Perodua *	Kancil	659	25.0 - 32.7
	Rusa	1296	34.3 - 39.4
Proton *	Tiara	1124	34.9 -36.8
	Saturia	1298 / 1597	35.0 - 47.2
	Saga	1298	38.1 - 39.4
	Wira	1298 / 1800	46.0 - 73.0
	Perdana	1997	86.4 - 92.4
Toyota	Corolla	1332 / 1587	72.3 - 89.4
	Camrey	2164	111.7 - 121.4
Honda	Civic	1493 / 1590	85.5 - 95.7
	Accord	1997 / 2156	108.7 - 141.9

Note: * indicates Malaysia's national car firms.
Source: Daiwa Institute of Research (1996)

Table 1 Localization Requirement in Malaysia

	Passenger cars (Displacement volume)			Commercial vehicles (Vehicle weight)	
	1,850cc or less	1,850 to 2,850cc	over 2,850cc	2.5 tons or less	over 2.5 tons
1992	30%	20%	no specified localization ratio (only mandatory deleted items)	20%	no specified localization ratio (only mandatory deleted items)
1993	40%	30%		30%	
1994	50%	35%		35%	
1995	55%	40%		40%	
1996	60%	45%		45%	

Source: FOURIN (June, 1997)

Pakistan's Automobile Industry:

Like the trends observed with most developing countries, Pakistan's government has also implemented radical trade liberalization reforms. With tariffs reduction typically lower than the bound rates as mandated by the WTO, the average applied tariff of roughly 20% in 2002 represents a sharp fall in contrast to the average of 56% in 1995 and nearly 80% in1985 (Lall and Weiss 2003). With deregulation, the import duties have massively declined and removed to a larger extent. However, Pakistan's industrial and trade policies have steered back to the protectionist import substitution policies and a turnaround of trade liberalization policies as result of high twin deficits during the second half of the 2000s and after the global financial crisis of

2007-08. Coupled with this scenario is that Pakistan being a captive market still use the argument of "infant industry".

"In the process, consumers suffer immensely due to high repair and maintenance costs, greater inconvenience and injuries or deaths in case of accidents due to poor quality controls. Besides, the country continues to be dependent on foreign sources for the assembly of cars and hardly has any chance to enter into the export market. Various policies to manage the auto sector have been put in place by various governments to regulate the supplies in the market, incentivize car production locally and ensure the availability of various models to consumers at reasonable prices. However, almost every policy had certain drawbacks and stakeholders have continued to agitate against the perception of the government to favor one party or the other... It may be mentioned that in its recently released Annual Report, State Bank has endorsed the assessment of Competition Commission of Pakistan (CCP) to reduce protection of the local automobile sector and allow the import of new cars. In short, the government needs to devise a new policy after a great deal of thinking on every aspect of the matter and without compromising the quality of the product. The sooner it is done, better it would be for the industry and auto customers." (M.A. Zuberi, The business recorder)

International Competition prospects for Pakistan

At a global level Pakistan stands very low in the line of economies that provide audible environment for investment and the issues related to it. According to many, Pakistan is still using globally retarded models lacking basic safety features. With the growing unrest in Pakistan it has been really difficult to cope up with the desired outcomes but substantial efforts have been seen in the last few decades. Pakistan has managed to outright eliminate certain import restrictions except those relating to security. Neither there are restrictions nor prior approval requirements to enter or exit the market for Foreign Portfolio Investors (FPI). The Competition Act 2010 has managed to list out important provisions relating to competition issues and this can be seen as a major step forward in the efficacious implementation of the Competition rules. At a global level Pakistan stands very low in the line of economies that provide audible environment for investment and the issues related to it.

It would not be wrong to mention that when it comes to the automobile industry, Pakistan can be regarded as one of the emerging economies. There are around 82 vehicle assemblers in the industry and more than 192,000 people are employed directly by the Vehicle manufacturers. In Pakistan, Japanese players contribute towards a significant portion of the market share. These include Pak Suzuki Motor Company Ltd (market share of 60%), Indus Motor Company Ltd (market share of 33%), Honda Atlas Cars Ltd, Ghandhara Nissan Ltd and Dewan Motors. Out of these, Pak Suzuki Motors comprises of major position in the market which is approximately 60% of the total market share. Major names in the market relating to trucks and buses comprise of Hino-Pak Motor, National Motor, Ghandhara Nissan Diesel. The tractor market constitutes of key players such as Al-Ghazi, Millat Tractors and Master Motors. The automobile industry significantly contributes 2.8% to the GDP. The current auto policy dictates the production of half a million cars on a yearly basis with the aim of investing USD 4.09 billion in the next five years.

The last few years have seen a major shift in the automobile market of Pakistan. With the growing number of imported cars, the local market has suffered a major setback which in turn has damaged the quality and costs both for the manufacturer and the consumer. In terms of the entry into the Pakistani market, the Government is playing an active role in helping new players within the market to achieve the level of competence that has already been achieved by the existing ones. Through the new auto policy, certain incentives by the government with an idea of encouraging new investors including reduction in smuggling and import restriction in terms of the age of cars which has now been reduced to three years. The new auto policy makes competition a necessary tool for survival by localization of the auto parts and lastly the auto policy aims to strike a balance between the standard tariffs and new players through these incentives. This has a twofold effect. Firstly it will be a major leap in the development of the domestic automobile sector and secondly it will bring the cost of vehicles down by a margin.

Conclusion and Findings

"Pakistan is a virgin market for the automotive sector", (Qazi Ebadullah Khan, Former CEO, and Engineering Development

Board). Going forward it can be argued that the China – Pakistan Economic Corridor (CPEC) can be regarded as a golden opportunity for the Pakistani markets. The demand for trucks, busses and other LCV's have already grown and as a result of this project, the demand will increase to a much greater extent. The new Auto policy will enable is seen as a positive shift in the Pakistani market as a senior economist Dr. Saboor Shayur points out "Pakistan can also export its products through this policy, which would create employment opportunities. This would also increase the country's GDP and generate revenue. Our economy will strengthen as there is demand on a large scale." This will enable new players to enter into the market more freely and enable effective competition will the three major assemblers working in Pakistan. The issue in Pakistan automobile industry is that three local manufactures have the control over the local market and the consumers are at a disadvantage due to the increase in the prices at the pleasure of the big players. The second had imported cars suffer from lack of availability of spare parts therefore have only managed to take a small share of the local market. The Indian automobile industry is much more efficient and productive as compared to Pakistan because of the higher "deletion level" and economies of scale of a bigger market. This has the effect of availability of similar cars manufactured in India comparatively at almost half the price. In terms of deletion programmes, the Pakistani automobile industry was given the permission of local assembly of the Japanese vehicles leading to a steady deletion level in order to achieve an improved local content of the automobile parts along with the giving up of concessional tariffs that were available under specific deletion programmes. In order to achieve this goal, the government had also taken an exemption from the WTO as such concessional tariffs are prohibited under the TRIMS agreement of the WTO of which Pakistan. The expectation did not materialize to reality as the undertaken deletion levels under the programme were not achieved by the respective local manufactures. In comparison to the Indian manufacturers, Pakistani manufactures have also suffered a lot as a result and the influential ones have enjoyed concessional tariffs. Sincere efforts on the part of manufacturers is the need of time as would only be possible through better and effective competition to raise their productivity.

It is suggested that certain factors need be monitored very closely because effective economic growth can be achieved if the automobile industry flourishes. Better living standard is an essential part of an increased demand of automobiles and other vehicles and a better economic activity can guarantee this. A major issue in Pakistan is low income which results in the industry suffering from severe capital issues. On the other hand the existing industry suffers from weakness plus the costs of the vendor industry is comparatively at a higher end leaving it underdeveloped. It can be seen that these are certain inter related issues which can be best solved collectively. To lower the costs of manufacturing cars, the local vendors should have better technological and regulatory barriers. The effect of this would not only be reduction in the prices but an increase in the demand domestically leading to making Pakistani vehicles internationally competitive. The time is right for this measure to be taken in light of the globalization policy of the World Trade Organization (WTO) as the protection of local industry would be impossible. Making Pakistani automobile industry stronger and cost efficient is what is required in order for it to compete with international products. This will not only protect local markets but will also give a better chance to the Pakistani industry to explore its export potential too.

Pakistan needs to learn from the other countries as we have discussed in detail how economies and build themselves from the ground. Pakistan needs to style its industry to be cost-efficient, well nurtured and competitive enough to compete with international products in order to protect its local market while tapping into its export potential. The government should be consistent and devise its policies with meticulous care. The smuggling of automobiles should be kept in control and restrained by strict implementation of rules contained in the guidelines. Additionally, instead of just giving deletion targets, the government should follow the required measures needed to implement them.

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