Paper and Paperboard Sector

By
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Draft Report

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Introduction

Paper industry of Pakistan is an important industry and serves primarily the domestic market. This sector involves process innovation and due to this companies need to improve their technologies in manufacturing process as well as product innovation. In Pakistan, companies like Packages and Century Paper and Board Mills are continuously improving their products by spending huge amount in R&D[1]. If we talk about immaterial, organizational or soft innovation in paper industry of Pakistan, some of the big companies introduced new production concepts and supply chain management as well as they are working on value added services to support products. But still lots of continuous work and consistent policies are required by the government to compete in the world market.

Globally, paper industry has realized a linkage between production of paper and the farming community thereby infusing huge capital in agricultural economy. The USA, Latin America, Scandinavian countries, Australia, Japan and neighboring Asian countries viz. China, Indonesia etc. all have been quick to create conducive land use/forestry policies to encourage large-scale production plantations and attract mega investments in pulp and paper/paperboard manufacturing and in the process creating millions of jobs[2].

Objectives

Pakistan had been conducting its trade with India on a positive list approach before 26th of March, 2012. Recently, steps have been taken to liberalize trade from positive list to negative list. In the wake of this liberalization, there would be challenges and opportunities by opening up the new sectors of the economy to competition. In the light of above, this study is done with the following objectives:

1. Identification of segments of industry which are not competitive vis a vis Indian paper industry.
2. Identification of Pakistan's export potential, for the sector, in India.
3. Identify the comparative tariffs of Pakistan and India for the particular product range

[1] Century Paper and Board Mills Annual Report
[2] http://www.ipma.co.in/agro_forestory.asp

4. Identify the threats and opportunities of paper and paperboard sector by using Revealed Comparative Advantage (RCA) Index.
5. Identification of NTBs that need to be addressed to facilitate exports, of the specific sector, to India.
6. Have trade defense laws been used in this sector.

Scope

The scope of this report has been limited to analyzing the Pakistan and India paper and paperboard sector as new challenges and opportunities would be faced by Pakistan by liberalizing trade between the two countries. The analysis has been done up to time period 2010 as trade figures of the post liberalization period are not available.

This report is based primarily on desk research. Due to time, resource and budgetary constraints interaction with stakeholders was not possible.

Methodology

The first part deals with the trade analysis. This analysis contains the pattern of Pakistan's paper and paperboard sector exports and imports to world, destination markets and product composition. Next a detailed analysis of bilateral trade between Pakistan and India is conducted for this sector. All calculations were based on Trade Map data. The status of products, covered in the paper and paper board sector, is also determined to see whether it was in the positive list (now eliminated), if it is currently on the negative list, its liberalization status under SAFTA, MFN tariffs and preferential tariffs (if any). The next part deals with the identification of Pakistan's and India's comparative position with respect to products of this sector. This analysis is done at the HS 6 digit level using Revealed Comparative Advantage Index. The results are mapped according to Pakistan's paper and paper board sectors strengths, weaknesses, opportunities and threats.

The last part of this report deals with the development of Paper and Paperboard sector in Pakistan, supply and demand side situation, sources of growth and policy issues. Similary, India's industry issues, concerns and weaknesses have also been analyzed. The information for this part was obtained from secondary sources.

Section I: Trade Analysis

Pakistan and India bilateral trade in paper and paper board industry shows that Pakistan is exporting only one product to India which is "paper and paper board labels of all kind" HS Code 482110 and the traded value is very small which is $ 1000 in 2010. Pakistan is exporting other paper products to the world which are indicated in the table 1 below:

Table 1: Pakistan Exports to World

HS Codes	**Description**	**Exports to world in 2010 ($ 000)**
'480519	Fluting paper, uncoated, in rolls of a width > 36 cm or in square or r	7868
'481910	Cartons, boxes and cases, of corrugated paper or paperboard	2410
'481810	Toilet paper	1774
'480524	Testliner "recycled liner board", uncoated, in rolls of a width > 36 c	1556
'481110	Paper, tarred, bituminised or asphalted, in rolls or sheets, nes	1346
'481830	Tablecloths and serviettes, of paper	1295
'480511	Semi-chemical fluting paper, uncoated, in rolls of a width > 36 cm	1074
'482110	Paper labels of all kinds, printed	1024
'481930	Sacks and bags, of paper, having a base of a width of 40 cm or more	897
'481920	Cartons,boxes and cases,folding,of non-corrugated paper or paperboard	646
'481950	Containers, packing, nes (including record sleeves) of paper	409
'481690	Paper, copying/transfer, nes	282
'480300	Paper,household/sanitary,rolls of a w >36 cm,sheets one side >36 cm	282
'480525	Testliner "recycled liner board", uncoated, in rolls of a width > 36 c	280
'481840	Sanitary articles of paper,incl sanit towels&napkin (diapers) f babies	272
'482190	Paper labels of all kinds, not printed	267
'482010	Registers,account books,note books,diaries & similar articles of paper	211
'482210	Bobbins,spools & similar supports of paper,used for windg textile yarn	202

Source: Trade Map

Pakistan has comparative advantage in only four paper products and these products are 480519, 481110, 481830 and 482210 (RCA in appendix I). If we see Pakistan exports to India in this sector, with the exception of "paper or paperboard labels" (HS 482110) there is not even a single paper product exported to India. Similarly, list of products imported from India in 2010 are given in the table 2.Pakistan has imported these products from India in 2010, but now all of them with the exception of only two products (Paper labels of all kinds, printed and paper and paper articles) are included in the negative list. So it means that Pakistan is highly protecting this sector as the domestic industry of Pakistan is collapsing due to cheap imports from other countries including India.

Table 2: Pakistan Imports from India

HS Code	Description	Import Value in 2010 ($ 000)
'482190	Paper labels of all kinds, not printed	365
'482110	Paper labels of all kinds, printed	129
'480610	Paper, vegetable parchment, in rolls or sheets	122
'481910	Cartons, boxes and cases, of corrugated paper or paperboard	98
'482390	Paper and paper articles, nes	43
'481159	Paper and paperboard, surface-coloured, surface-decorated or printed,	4
'480530	Paper, wrapping, sulphite, rolls/sheets, uncoated	2
'480640	Paper,glassine,oth glazd transparent o translucent,in rolls o sheets	1
'481920	Cartons,boxes and cases,folding,of non-corrugated paper or paperboard	1

Source: Trade Map

1.1 Paper and Paperboard—Threats and Opportunities

In this part, RCA index has been used and products in which Pakistan and India both are competitive has been mapped. Industry has indicated this sector sensitive and almost all the products are included in the negative list to protect the domestic industry of Pakistan. Following are the products in which India and Pakistan both are competitive and these products are threat for Pakistan as both countries are competitive in same product lines. Before the negative list was formulated, these two products were not in the positive list which means that these products were not allowed from India and in the current scenario it is clear that Pakistan is still protecting its domestic industry.

Table 3: Products in which both countries are Competitive

Product code	Product label	RCA-Pak	RCA-India	MFN Tariffs	SAFTA Tariffs	Appendix G	Negative List
481690	Paper, copying/transfer, nes	1	1	15	5	0	4816.9
482210	Bobbins,spools & similar supports of paper,used for windg textile yarn	2	1	25	5	0	4822.1

Source: Author’s own calculations

Now if want to see the opportunities in this sector we have calculated RCAs for India and Pakistan and see what are those tariff lines in which Pakistan is competitive and India is not. Following table shows the product lines in which Pakistan is competitive:

Table 4: Product lines in which Pakistan is Competitive and India is not

Product code	Product label	RCA-Pak	RCA-India	MFN Tariffs	SAFTA Tariffs	Appendix G	Negative List
480511	Semi-chemical fluting paper, uncoated, in rolls of a width > 36 cm	1	0	20		0	4805.11
480519	Fluting paper, uncoated, in rolls of a width > 36 cm or in square or r	2	0	20	5	0	4805.19
480524	Testliner "recycled liner board", uncoated, in rolls of a width > 36 c	1	0	20	5	0	4805.24
480610	Paper, vegetable parchment, in rolls or sheets	1	0	20	5	4806.1	0
481110	Paper, tarred, bituminised or asphalted, in rolls or sheets, nes	6	0	15	5	0	0
481830	Tablecloths and serviettes, of paper	1	0	25		0	4818.3
481930	Sacks and bags, of paper, having a base of a width of 40 cm or more	1	0	25		0	4819.3

Source: Author's own calculations

Pakistan is competitive in seven tariff lines in which India is not competitive. We see that before liberalization, six of these items were not allowed from India and after the formulation of negative five of them are again protected and are placed in the negative list. It means that this sector is highly sensitive for Pakistan.

Even if the trade is normalized there is sufficient cushion available for the products which are major exports of India to the world mentioned in appendix II. This is because these products are in SAFTA sensitive list and will not face tariff cuts.

1.2 Protection of Domestic Industry

Both countries (Pakistan and India) are protecting their Paper domestic industry as follows:

1.2.1 Pakistan (Anti-dumping Duty)

Pakistan has imposed anti-dumping duty from Korea, Indonesia, China and Taiwan. Anti-dumping duty is imposed because the domestic industry suffered material injury on: significant price under cutting, price depression, price suppression, negative effects on: inventories, return on investment, cash flow, decline in: profits, capacity utilization, and productivity.In order to prevent material injury, National Tariff Commission (NTC) has decided to impose provisional anti-dumping duties on imports of the investigated product which is One Side Coated Duplex

Grey Back Paperboard weighing from 230 g/m^2 to 400 g/m^2 HS Codes 4810.9200 and 4810.9900originating in and/or exported from the Exporting Countries.

1.2.2 India

Similarly if we see the Indian market of Paper Industry, they also want to protect their domestic industry. According to Associated Chambers of Commerce and Industry of India (ASSOCHAM), paper and paper board industry should be kept in negative list while signing bilateral agreements and should be kept sensitive. ASSOCHAM has urged to increase the customs duty for import of paper and paperboards. The industry has backward linkages with the farming community from where wood (the raw material) is sourced. About five lakh farmers are engaged in growing plantations of eucalyptus and subabul over 10 lakh hectares. Currently, the output of the industry is used in educational, printing and packaging sectors. However, following the slowdown in the global economy, the industry in the export dependent countries is possessing excess capacity. Therefore, finding the import duty in India low at 10%, these countries take India as the best place to diverting their excess inventory.

Section II: Paper Industry of Pakistan

2.1 Development of the Sector

In perspective of analyzing the development rate and its major reasons, we will have to take a look at rise and fall in the Production of paper and board industry during last two decades from1990 to 2010. Different factors are involved in the increase and decrease in the production of paper industry. Such as ever changing policies of government influence production of paper both positively or negatively according to the required or unwanted implementation respectively, social aspects that influence need and production of paper, educational programs by the government and increase in schools and colleges by the private sector, load shedding and inflation etc. To understand the production ratio in these twenty years, we are going to give a brief overview dividing these years into four parts of five yearly periods. That would be from; 1990 to 1995, 1996 to 2000, 2001 to 2005, and 2006 to 2010[3].

[3] Report on Paper and Board Industry of Pakistan by S. Shabbir & S. Mahmood (Aug, 2010)

During the period of 1990 to 1995 over all production in the above mentioned sector increased. In this period first four years got good increase in production as in 1990 it was 88.6 thousand tons (tts) in Paper Board and 64.2 tts in all types of Paper. Whereas, continuously increasing from 1991 to 1994 it became 133.2 tts in Paper Board and all types of paper were 129.3 tts that was a good increase. In 1995 increase in the production was 208.4 tts in all types of paper but it came down in paper board and became 106.2 tts.

In 1996 and 1997 the increase was seen in board paper up to 197.6 tts but decrease in all types of paper to 149.0 tts. Afterwards it continuously increased till year 2000, in paperboard up to 246.3 and others 284.8 tts.

In 2001 there was bad decrease in production in both paper board 187.6 tts and other paper 137.9 tts but from 2002 to 2005 continuous increase in paper board 476.7 tts and all types of paper 167.7 tts.

This forth and last period started with a decrease in production from year 2006 and the decrease was in paper board 464.7 tts and others 161.7 tts. Then in the years 2007 to 2008 the decrease to 449.6 tts in paper board and increase in all types of other paper up to 252.5 tts was seen. But the last years of this period 2009 and 2010 have come up with continuous decrease in both paper board 330.7 tts and all types of other paper 185.4 tts.

2.2 Supply Side Situation

Table 5: Mills and their Installed Capacity

Name of mill	**Installed capacity(Per Annum)**
Packages Limited	302,000 Tons
Century Paper & Board Mills Ltd	240,000 Tons
Flying Group of industries(Flying Board& Paper Product)	100,000 Tons
Premier Paper Mill Ltd	50,000 Tons

Flying Group of industries (Flying Kraft Paper Mills)	40,000 Tons

Source: Paper and Board Industry of Pakistan

2.2.1 Problems and Issues in Supply Side

As we all know that Pakistan is facing all time worst conditions, currently flood is continuously disturbing the country above all we are facing electricity shortage, gas shortage, fuel shortage and all kinds of those shortages which are necessarily required to run the business. Before these problems continuously bomb blasts and suicides attacks swirly disturbed the paper industry as well as whole business in the country. With all above problems Pakistan paper industry was catering the 65% demand of the paper in the country and they were bearing the high cost of doing business, energy crisis and production loss, but still, they were sold with a minimized increase around 8-10%. But after imposition of regulatory duty, the total quantum of duties increased to Rs 35,000 per ton from 25,000 per ton for commercial importers. In Pakistan due to mismanagement and bad governance around 95% import of finish paper products are made in name of waste paper under misquoting and false declaration by the commercial importers this effect of Government as well as the local manufactures. Due to problems discussed above annual production of paper industry decreased as given in table[4]:

Table 6: Annual Production of Paper and Paper Board

Year	Paper Board (000 tons)	Paper (000 Tons)
2000-01	246.3	284.8
2001-02	187.6	137.9
2002-03	228.2	148.0
2003-04	247.9	156.8
2004-05	420.6	163.7
2005-06	476.7	167.7
2006-07	464.7	161.7
2007-08	448.2	192.0
2008-09	449.6	252.5
2009-10(P)	330.7	185.4
Source: http://www.scribd.com/doc/36021911/Paper-and-Board-Industry-Report		

[4] Report on Paper and Board Industry of Pakistan by S. Shabbir & S. Mahmood (Aug, 2010)

2.3 Demand Side Situation

2.3.1 Sources of growth

According to directors of century paper mills and Sayid paper mills, high demand and with the friendly policies of government paper and board sector of Pakistan have a good chance to grow. Currently various impediments are affecting growth of Pakistan Paper and Board Industry. Menace of dumping of paper and board form Far Eastern countries at under invoiced rates is in fringing level playing field. Under invoicing tends to reduce duty for commercial importers, while local producers are subject to excise duty, sales tax and other corporate and local taxes. Under-invoicing also affects national exchequers in face of lower than actual duties. Similarly, the prevalent imbalance of tariff structure deteriorates the operational profitability of local producer's vis-a-via foreign producers. Duties on various raw materials mainly chemicals are substantially higher compared to that on finished Paperboard creating distortions to the local industry as imported material costs 50%[5] of total cost of production. Local paper and board Industry is also under tremendous pressure due to high rates of Fuel and Power compared to competitor countries. Fuel cost forms about 40% of manufacturing costs in paper and paperboard production.[6]

2.3.2 Policy Issues

Since government is the major stake holder in the economy but unfortunately the domestic paper industry is going through difficult times for the last couple of years partly due to depressed economic environment, law and order situation, further forced imposition of new taxes and duties. In addition, the government has adopted policies which are favorable only to imports particularly from dumping of goods from Indonesia, Korea and Taiwan.

According to All Pakistan Paper Merchant Association (APPMA), the prices of books and copies increased around 25% due to rise in regulatory and other duties on imports, which increased around 38% in 2010. With the imposition of 25% regulatory duty, 15% import trade price (ITP) and 20% anti-dumping duty, the total quantum of duties increased to Rs 41,000 per tons from 29,000 per ton for commercial importers. The total duty comes to around 62% on paper industry

[5] Indian Paper Industry by India paper manufacturers Association
[6] http://business.highbeam.com/industry-reports/wood/paper-mills

and due to high rate of duties, import of paper has registered a decline from 69,000 tons per annum to 21,000 tons in 2010, besides the government was facing a loss of Rs 14 billion revenue collection. After the imposition of regulatory duty, local paper mills also readjusted their prices as well as ex-mill prices resulted in increasing the cost of packaging material.

Around 95% import of finished paper products are made in the name of waste paper under misquoting and false declaration by the commercial importers[7]. The paper industry is importing around 15% of the paper waste for manufacturing pulp to prepare different type of paper and paper board[8].

Due to rising wood pulp demand and higher custom duty on commercial imports, the commercial importers were misappropriating the facts. Under customs tariff, paper is treated as a finished good under Section (X) Chapter 48 of Pakistan Customs Tariff, at high customs duty slab at the rate of 25%, while in Customs Policy, raw material is at 10% or zero rate duty slabs. Sales tax increased the import cost by around Rs 15 per kg on all kinds of papers. The international cost of waste paper comes at around $130 dollar per ton while import of coated and uncoated paper costs around $690 per ton.

Similarly, the international cost of finished paper is around $790 per tone and we import paper and duplex box paper from China, Indonesia, Belgium, Finland and other countries to meet our domestic requirements, while local mills cater to around 65% of our requirements. The 60% imported material was used for making office stationery and high-grade paper products and imported cardboards cater to around 35% of our needs[9].

Increase in the prices of paper and paperboard affected the local price of notebooks, copies, textbooks and office stationery. Prices of all types of paper have witnessed an increase of 35% a kilogram to Rs 115 per kilogram in the country. Prices of paper products increased around 30% on the back of a number of taxes and costly imports of paper and cardboard besides under-invoicing by the importers in the country. The government should rationalize the regulatory duty

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[7] Report on Paper and Board Industry of Pakistan by S. Shabbir & S. Mahmood (Aug, 2010)
[8] http://www.scribd.com/doc/36021911/Paper-and-Board-Industry-Report
[9] http://www.dailytimes.com.pk/default.asp?page=2010%5C04%5C16%5Cstory_16-4-2010_pg5_4

on paper and duplex board to 5% in order to make books and copies affordable for students. The government is losing more than Rs 18 billion taxes annually on paper imports while the printing industry is on the verge of collapse due to higher tax rates. The printing and packaging industry is shifting to Dubai, as the cost of printing has been increased 50% while many printing units would go out of business rendering a large number of people jobless[10].

The increase in domestic price was Rs 3,800 to Rs 74,000 per tonne on paper used for school books and registers etc, Rs 4,400 to Rs 72,000 per tonne on fine paper used for photography and notebooks and Rs 3,900 to Rs 53,900 per tonne on paper used for quality paper books etc, he added. Similarly around Rs 3,700 per tonne was increased in duplex box board to Rs 58,500 per tonne[11]. The price of lower quality and normal paper increased from Rs 49,500 to Rs 59,500 per tonne, which was used in the production of copies and other items. The price of fine quality paper used in different value-added products increased to Rs 67,500 from Rs 59,000 per tonne[12].

Prices for the end users can be controlled if the government reduces custom duty to uniform level on two categories, uncoated and coated paper and board, besides using strict custom clearing mode to check imports on misquoting. The increased sales tax also affected the import cost of around Rs 25 per kg on all kinds of paper. Pakistan import wood pulp for around $900 per tonne from Canada, USA, Norway, Indonesia and Sweden, besides paying one percent excise duty including regular taxes and sales tax[13].

Section III: Paper Industry of India

The Indian Paper Industry accounts for about 1.6% of the world's production of paper and paperboard. The estimated turnover of the industry is $ 5.95 billion approximately and its contribution to the exchequer is around $ 0.69 billion. The industry provides employment to more than 0.12 million people directly and 0.34 million people indirectly. The industry was effective from July, 1997 by the Government of India; foreign participation is permissible. Most of the paper mills are in existence for a long time and hence present technologies fall in a wide

[10] ibid
[11] http://www.ipma.co.in/paper_industry_overview.asp
[12] ibid
[13] http://www.aizads.com/2007/04/analysis-of-pakistan-paper-industry.html

spectrum ranging from oldest to the most modern[14].

The mills use a variety of raw material viz. wood, bamboo, recycled fibre, bagasse, wheat straw, rice husk, etc.; approximately 35% are based on chemical pulp, 44% on recycled fibre and 21% on agro-residues. The geographical spread of the industry as well as market is mainly responsible for regional balance of production and consumption.

With added capacity of approximately 0.8 million tons during 2007-08 the operating capacity of the industry currently stands at 9.3 million tons. During fiscal year 2010-2011, domestic production of paper and paperboard is estimated to be 7.6 million tons. As per industry guesstimates, over all paper consumption (including newsprint) has now touched 8.86 million tons and per capita consumption is pegged at 8.3 kg[15].

Demand of paper has been hovering around 8% for some time. During the period 2002-07 while newsprint registered a growth of 13%, Writing & Printing, Containerboard, Carton board and others registered growth of 5%, 11%, 9% and 1% respectively. So far, the growth in paper industry has mirrored the growth in GDP and has grown on an average 6-7% over the last few years. India is the fastest growing market for paper globally and it presents an exciting scenario; paper consumption is poised for a big leap forward in sync with the economic growth and is estimated to touch 13.95 million tons by 2015-16[16]. The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita would lead to an increase in demand of 1 million tons. As per industry estimates, paper production are likely to grow at a CAGR of 8.4% while paper consumption will grow at a CAGR of 9% till 2012-13. The import of pulp & paper products is likely to show a growing trend[17].

3.1 India Imperative

Foreign funds interest in the Indian paper sector is growing. International Finance Corporation (IFC), the investment arm of the World Bank is already associated with at least three of the

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[14] Report on I http://www.ipma.co.in/paper_industry_overview.asp
[15] Report on Impact of recession and inflation of Indian Paper Industry (http://www.scribd.com/doc/52301066/20/RECESSION-IMPACT-ON-PAPER-INDUSTRY)
[16] Report on Industry Profile: Paper Industry (http://www.scribd.com/doc/49379920/PAPER-INDUSTRY-FINAL)
[17] ibid

Indian Paper Manufacturers Association (IPMA) member mills. In order to replicate success stories of major global players in the field of Production/ Industrial Plantation, IPMA continues to advocate for at least 2% access to degraded forestland on lease[18]. It is IPMA's firm belief that besides facilitation of social/farm forestry on private/revenue waste lands, if paper mills are permitted to grow pulpable wood in the radius of 150- 200 KMs to their facilities on the available degraded forest land as well, it would hugely help mills to achieve cost competitiveness in terms of wood and freight and would also, help generate employment, create wealth for the rural poor and lend protection to environment. In this context, IPMA has pleaded for adoption of Multi Stakeholder Partnership (MSP) model recently propounded by Ministry of Environment and Forests (MoEF) for afforestation of degraded land.

3.2 Issues and Concerns

The increasing demand for paper brings with it new challenges of economies of scale, efficient usage of resources, need to develop and expand sustainable use of fibre, and value chain management, etc. Despite the fact that the Indian Paper Industry holds its importance to the national economy, unfortunately it stands fragmented.

Paper sector is dominated by small and medium size units; number of mills of capacity 50000 tons per annum or more is not more than 25. Less than half a dozen mills account for almost 90% production of newsprint in the country[19]. There is a growing need to modernize the Indian mills, improve productivity and build new capacities.

The Indian paper and paperboards industry has potential and also capabilities to service the growing demand in domestic and international market and also to create huge employment avenues in the rural-India through agro/production, forestry and at mills, provided the competitiveness of the value chain is encouraged by the government.

[18] Report on Indian Paper Industry by Indian Paper Manufacturers Association
[19] Report on Paper and Board Industry of Pakistan by S. Shabbir & S. Mahmood (Aug, 2010)

3.3 Weaknesses --Fibre Deficiency

3.3.1 Wood:

India's wood resources are limited therefore; cost of wood is much higher in global comparison. Since there is conspicuous absence of Government's enabling policies favoring industrial/production plantation, securing future wood supplies will be Industry's biggest challenge. Wood based segment of the paper industry meets its current wood requirements mainly through social/farm forestry and supplements with purchases made from the State Forest Development Corporations.

3.3.2 Bagasse/ Straw:

Though annual availability of agro residues is large yet, this may not be able to sustain the future growth of the Industry, taking due account of quality of paper required, environmental issues involved, etc. Moreover, bagasse is increasingly used by sugar mills for co-generation of power and no more easily available to the paper mills as raw material.

3.3.3 Waste Paper:

Recovered fiber consumption is going up globally. In India about 850,000-1,000,000 tons of waste paper is being currently recovered annually[20]. The recovery rate works out to about 20% which is much lower in comparison with 65% recovery achieved by many global players. Low recovery is on account of alternate use of paper in wrapping, packing, etc. The utilization rate of recovered fibre is only 47%[21]. Paper mills are heavily dependent on imported waste paper which commands very expensive price due to inadequate availability. India needs a well-defined and aggressive system for collection, sorting, grading and utilization recyclable waste paper to contain imports.

3.3.4 Energy Cost:

The Government of India has recently withdrawn core sector status hitherto enjoyed by the paper industry. Cost of coal is escalating and prospect of availability of quality coal is diminishing. The imported coal price (Indonesian Origin GCV 6000Kcal/Kg) had crossed USD 100/MT; such steep price rise had resulted in escalation of cost of production of those mills which happened to

[20] ibid
[21] http://www.scribd.com/doc/36021911/Paper-and-Board-Industry-Report

be dependent on imported coal for generation of steam/power[22]. Also, power purchased from the grid is proving expensive for the industry.

3.3.5 Certification:

Forest stewardship council certification is becoming a non trade barrier for Indian paper companies. As bulk of the raw material is obtained from farm and agro- forestry, IPMA is of the view that it would not be practical for huge number of farmers involved in social/farm forestry to group and obtain the FSC certificate for their product. Though the farm forestry is a sustainable model promoted by the paper industry, the FSC principles and criterions are difficult to satisfy. IPMA is monitoring the move set afoot by the Government of India to establish Indian Forest Stewardship Council to help the process of certification.

Conclusion

The import of paper and paper board is subjected to 25% import duty and 15 % regulatory duty, 18 % sales tax, 2 % withholding tax and 1 % special excise duty which is on very higher side, after imposition of such high duties import of paper and paper board dropped from 65,000 tons in the year 2008 to only 18,000 tons in 2009. Huge quantity of paper and paperboard was coming illegally into Pakistan from Afghanistan and other border countries to fill the gap between demand and supply. The total demand of paper and paper board is approximately 850,000 tons per tons per year, whereas total domestic production is approximately 500,000 tons per year and the gap b/w demand and supply is 350,000 tons, while the legal import is very limited, and the import tariff in Pakistan as compared to other countries is very high at 25% in India, Vietnam it is only 10 % and in China, Japan, and Singapore it is 0%. Due to high cost of paper and paperboard of Pakistan's export of printing material had fallen drastically. The rising cost of such paper and paperboard products, which contribute to and enhance learning is fatal to the vitality of the education sector as well. So, immediately remedial action must have to be taken to save the paper and paperboard industry of Pakistan.

All Pakistan Paper Merchants Association proposed government to reduce duty/taxes on paper & board so that common peoples can also buy quality books/copies, further, competition creates

[22] ibid

local manufacturers also improve their quality. They are of the view that due to very high custom duty taxes, and increase in the value of dollar the cost of imported wood-free paper shockingly comes around Rs.108,000 pmt. Quality wood-free paper not only use in printing of books, copies and register also consume for making photo copies, lasers printers uses imported paper. They said that there are four types of duties levied on duplex board; customs duty 25%, regulatory duty 15%, exciseduty 1% and antidumping duty ranging from 3% to 21% on different origin. Due to these heavy duties, besides the Printing & Packaging Industries, export of Pakistan is also very badly effect because the cost of packaging of a good quality has been increased more than 40%.

On the other hand, Pakistan Pulp Paper and Board Mills Association (PPPBMA) requested that regulatory duty of 20% may be levied on import of coated duplex board and sack kraft paper for providing the local industry a level playing field in the wake of cheaper imports of these products. Local manufacturing of these items has decreased substantially since June, 2011 after removal of regulatory duty, which resulted in that the domestic industry is fighting for its survival due to cheaper imports and higher cost of local inputs, including electricity, gas, etc. The PPPBMA claims that many local manufacturers have closed down their operations, rendering hundreds of workers jobless. The country is wasting precious foreign exchange by importing huge quantities of these items, while domestic industry uses indigenous raw materials. FBR pointed out that the annual domestic demand for sack kraft paper is 50,000 tonnes and manufacturing capacity of local industry is around 40,000 tonnes, which has drastically dropped, catering only for 14% of the domestic requirement. Presently, only one local manufacturer of sack kraft paper, namely, M/S Flying Kraft Paper Mills is partially operational. The remaining units have closed down and same is issue for coated duplex board where imports have increased manifold at the expense of local production.

Recommendations

- The government should enhance competitiveness by bringing the prices low down to International prices by reducing the duties on paper and paperboard.
- Duty should be reduced on the imported raw material (including wood pulp, chemicals, waste paper, plant and machinery).

- Bagasse can be used for making newsprint, which has not been fully explored. Efforts should be made to attain optimum capacity utilization by up-gradation of technology and availability of raw materials at competitive rates
- Due to current flood many mills face very losses so government has to announce interest free loans for them for rehabilitation
- Withdrawal of 15% Excise Duty on locally produced paper and board
- Levy anti-dumping duties to combat cheaper imports from Far East.

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Appendix I

Revealed Comparative Advantage of Pakistan and India in Paper and Paperboard Products for the year 2010:

HS Codes	Description	RCA_Pak(2010)	RCA_IND(2010)
'480519	Fluting paper, uncoated, in rolls of a width > 36 cm or in square or r	2	0
'481910	Cartons, boxes and cases, of corrugated paper or paperboard	0	0
'481810	Toilet paper	0	0
'480524	Testliner "recycled liner board", uncoated, in rolls of a width > 36 c	1	0
'481110	Paper, tarred, bituminised or asphalted, in rolls or sheets, nes	6	0
'481830	Tablecloths and serviettes, of paper	1	0
'480511	Semi-chemical fluting paper, uncoated, in rolls of a width > 36 cm	1	0
'482110	Paper labels of all kinds, printed	0	0
'481930	Sacks and bags, of paper, having a base of a width of 40 cm or more	1	0
'481920	Cartons,boxes and cases,folding,of non-corrugated paper or paperboard	0	0
'481950	Containers, packing, nes (including record sleeves) of paper	0	0
'480300	Paper,household/sanitary,rolls of a w >36 cm,sheets one side >36 cm	0	0
'481690	Paper, copying/transfer, nes	1	1
'480525	Testliner "recycled liner board", uncoated, in rolls of a width > 36 c	0	0
'481840	Sanitary articles of paper,incl sanit towels&napkin (diapers) f babies	0	0
'482190	Paper labels of all kinds, not printed	0	0
'482010	Registers,account books,note books,diaries & similar articles of paper	0	1
'482210	Bobbins,spools & similar supports of paper,used for windg textile yarn	2	1
'480255	Uncoated paper and paperboard, of a kind used for writing, printing or	0	1
'481960	Box files,letter trays & similar articles of paper,used in offices etc	0	0
'481940	Sacks and bags, of paper, nes; including cones	0	0
'481160	Paper and paperboard, coated, impregnated or covered with wax, paraffi	0	1
'481159	Paper and paperboard, surface-coloured, surface-decorated or printed,	0	0
'480810	Paper, corrugated, in rolls or sheets	0	0
'480610	Paper, vegetable parchment, in rolls or sheets	1	0
'482390	Paper and paper articles, nes	0	2
'482090	Office supplies nes, of paper	0	2
'481730	Paper stationery, nes	0	1
'480530	Paper, wrapping, sulphite, rolls/sheets, uncoated	0	0
'482369	Trays, dishes, plates, cups and the like, of paper or paperboard (excl	0	0
'481720	Cards, letter or correspondence, plain postcards, of paper	0	0
'481820	Handkerchiefs, cleansing or facial tissues and towels, of paper	0	0
'482020	Exercise books of paper	0	4
'481031	Paper,kraft,in roll/sheet,bl,>95% chemicl pulp,</=150 g/m2,clay coatd	0	0
'480593	Paper and paperboard, uncoated, in rolls of a width > 36 cm or in squa	0	0

'481013	Paper and paperboard used for writing, printing or other graphic purpo	0	0
'481099	Paper, in rolls or sheets, clay coated, nes	0	9
'480254	Uncoated paper and paperboard, of a kind used for writing, printing or	0	1
'480439	Paper, kraft, rolls or sheets,</=150g/m2, uncoated, nes	0	0
'481890	Household or hospital supplies, of paper, nes	0	0
'480257	Uncoated paper and paperboard, of a kind used for writing, printing or	0	2
'480258	Uncoated paper and paperboard, of a kind used for writing, printing or	0	2
'481710	Envelopes of paper	0	0
'481141	Self-adhesive paper and paperboard, surface-coloured, surface-decorate	0	0
'480990	Paper,copying/transfer,rolls of a wdth >36cm,sheets one side >36cm,nes	0	1
'480640	Paper,glassine,oth glazd transparent o translucent,in rolls o sheets	0	0
'481310	Paper, cigarette, in the form of booklets or tubes	0	0
'481019	Paper and paperboard used for writing, printing or other graphic purpo	0	1
'481490	Wallpaper and similar wall coverings, nes	0	0
'480220	Paper, sensitising base stock, in rolls or sheets, uncoated	0	1
'480261	Uncoated paper and paperboard, of a kind used for writing, printing or	0	0
'480240	Paper, wallpaper base, in rolls or sheets, uncoated	0	0
'481190	Paper,in rolls o sheets,ctd,impreg,cov,surf-col,surf-dec o printd,nes	0	1
'480540	Paper, filter, in rolls or sheets, uncoated	0	0
'480442	Paper,kraft,rol/sheet,>150g/m2but<225 g/m2,bl,>95% chem pulp,unctd nes	0	0
'482340	Rolls,sheets and dials,of paper,printed,for self-recording apparatus	0	0
'481149	Gummed or adhesive paper and paperboard, surface-coloured, surface-dec	0	0
'480820	Paper, sack kraft, creped or crinkled, in rolls or sheets	0	0
'481032	Paper,kraft,in rolls/sheets,bl,>95% chemical pulp,>150 g/m2,clay coatd	0	0
'481420	Wallpaper,coatd/coverd on the face side w a decoratd layer of plastics	0	0
'482030	Binders, folders and file covers, of paper	0	0
'480100	Newsprint, in rolls or sheets	0	0
'480210	Paper, hand-made, uncoated, in rolls or sheets	0	19
'480451	Paper,kraft,rolls or sheets,>/=225g/m2, unbleached, uncoated, nes	0	0
'480591	Paper and paperboard, uncoated, in rolls of a width > 36 cm or in squa	0	0
'480419	Paper, Kraftliner, in rolls, o/t unbleached, uncoated	0	0
'480421	Paper, sack kraft, in rolls, unbleached, uncoated	0	0
'481039	Paper, kraft, in rolls or sheets, clay coated, nes	0	0
'480920	Paper,self-copy,in rolls of a w >36cm,sheets at least one side >36 cm	0	0
'480620	Paper, greaseproof, in rolls or sheets	0	0
'480256	Uncoated paper and paperboard, of a kind used for writing, printing or	0	0
'480269	Uncoated paper and paperboard, of a kind used for writing, printing or	0	3
'480441	Paper,kraft,rolls or sheets,>150g/m2,<225 g/m2,unbleached,uncoated,nes	0	0
'481620	Paper, self-copy, nes	0	1
'482370	Moulded or pressed articles of paper pulp, nes	0	0

'482040	Manifold business forms and interleaved carbon sets, of paper	0	0
'480890	Paper,creped,crinkled,embossed or perforated,in rolls or sheets,nes	0	0
'481029	Paper, fine, woodcontaining, in rolls or sheets, clay coated, nes	0	0
'481850	Articles of apparel and clothing accessories, of paper, nes	0	0
'482050	Albums for samples or for collections, of paper	0	0
'480431	Paper,kraft,rolls or sheets,</=150g/m2, unbleached, uncoated, nes	0	0
'480550	Paper, felt, in rolls or sheets, uncoated	0	0
'480592	Paper and paperboard, uncoated, in rolls of a width > 36 cm or in squa	0	1
'480262	Uncoated paper and paperboard, of a kind used for writing, printing or	0	2
'480452	Paper,kraft,rolls/sheets,>/=225g/m2,bl,>95% chemical pulp,uncoatd,nes	0	0
'482290	Bobbins, spools and similar supports of paper, nes	0	1
'482361	Trays, dishes, plates, cups and the like, of bamboo paper or bamboo pa	0	0
'481151	Paper and paperboard, surface-coloured, surface-decorated or printed,	0	0
'480630	Paper, tracing, in rolls or sheets	0	0
'481022	Light-weight coated paper used for writing, printing or other graphic	0	0
'481092	Multi-ply paper and paperboard, coated on one or both sides with kaoli	0	0
'481320	Paper, cigarette, in rolls of a width not exceeding 5 cm	0	0
'481390	Paper, cigarette, nes	0	0
'482320	Paper, filter, cut to size or shape	0	0
'480700	Composite paper and paperboard "made by sticking flat layers of paper	0	0
'480830	Paper, kraft, creped or crinkled, in rolls or sheets, nes	0	0
'480411	Paper, Kraftliner, in rolls, unbleached, uncoated	0	0
'480429	Paper, sack kraft, in rolls, o/t unbl, uncoated	0	0
'480449	Paper, kraft, rolls or sheets, >150g/m2, <225 g/m2, uncoated, nes	0	2
'480459	Paper, kraft, rolls or sheets,>/=225g/m2, uncoated, nes	0	0
'480512	Straw fluting paper, in rolls of a width > 36 cm, weighing >= 130 g/m²	0	0
'481014	Paper and paperboard used for writing, printing or other graphic purpo	0	0
'481200	Filter blocks, slabs and plates, of paper pulp	0	0
'481410	Paper Ingrain	0	0

Appendix II

India's Major Exports to World and Mapping with SAFTA Sensitive List

HS Codes	Description	India exports to world in US $"000"	Pakistan imports from world in US $"000	SAFTA
482390	Paper and paper articles, nes	104306	1768	5
481099	Paper, in rolls or sheets, clay coated, nes	63687	123	#N/A
480257	Uncoated paper and paperboard, of a kind used for writing, printing or	63197	2655	#N/A
481019	Paper and paperboard used for writing, printing or other graphic purpo	61863	17040	#N/A
482010	Registers,account books,note books,diaries & similar articles of paper	44456	509	#N/A
480261	Uncoated paper and paperboard, of a kind used for writing, printing or	42520	18	#N/A
481190	Paper,in rolls o sheets,ctd,impreg,cov,surf-col,surf-dec o printd,nes	42182	9415	#N/A
480255	Uncoated paper and paperboard, of a kind used for writing, printing or	33372	22973	#N/A
482020	Exercise books of paper	28664	123	#N/A
481920	Cartons,boxes and cases,folding,of non-corrugated paper or paperboard	25323	1005	#N/A
480210	Paper, hand-made, uncoated, in rolls or sheets	23770	24	5
480258	Uncoated paper and paperboard, of a kind used for writing, printing or	23441	2422	#N/A
480269	Uncoated paper and paperboard, of a kind used for writing, printing or	23089	309	#N/A
481910	Cartons, boxes and cases, of corrugated paper or paperboard	22192	9338	#N/A
481159	Paper and paperboard, surface-coloured, surface-decorated or printed,	22025	19783	#N/A
481141	Self-adhesive paper and paperboard, surface-coloured, surface-decorate	18530	6686	#N/A
482110	Paper labels of all kinds, printed	12417	8140	#N/A
480256	Uncoated paper and paperboard, of a kind used for writing, printing or	12359	318	#N/A
482090	Office supplies nes, of paper	9397	271	5
480100	Newsprint, in rolls or sheets	6962	48576	5
481950	Containers, packing, nes (including record sleeves) of paper	5927	1249	#N/A
481092	Multi-ply paper and paperboard, coated on one or both sides with kaoli	5830	30729	#N/A
480439	Paper, kraft, rolls or sheets,</=150g/m2, uncoated, nes	4933	854	#N/A
482190	Paper labels of all kinds, not printed	4894	9741	5
480592	Paper and paperboard, uncoated, in rolls of a width > 36 cm or in squa	4306	864	#N/A
481160	Paper and paperboard, coated, impregnated or covered with wax, paraffi	4023	2539	#N/A
480591	Paper and paperboard, uncoated, in rolls of a width > 36 cm or in squa	3828	1769	#N/A
480254	Uncoated paper and paperboard, of a kind used for writing, printing or	3735	1016	#N/A
481013	Paper and paperboard used for writing, printing or other graphic purpo	3677	22615	#N/A
480262	Uncoated paper and paperboard, of a kind used for writing, printing or	3410	19199	#N/A
480300	Paper,household/sanitary,rolls of a w >36 cm,sheets one side >36 cm	3134	826	#N/A
482369	Trays, dishes, plates, cups and the like, of paper or paperboard (excl	2567	440	5
481840	Sanitary articles of paper,incl sanit towels&napkin (diapers) f babies	2559	56022	#N/A

480220	Paper, sensitising base stock, in rolls or sheets, uncoated	2435	55	5
481690	Paper, copying/transfer, nes	2392	146	5
482290	Bobbins, spools and similar supports of paper, nes	2310	157	5
481620	Paper, self-copy, nes	2305	#N/A	5
482370	Moulded or pressed articles of paper pulp, nes	2235	208	5
481730	Paper stationery, nes	2144	96	5
481029	Paper, fine, woodcontaining, in rolls or sheets, clay coated, nes	1961	585	#N/A
480431	Paper,kraft,rolls or sheets,</=150g/m2, unbleached, uncoated, nes	1953	47042	#N/A
481149	Gummed or adhesive paper and paperboard, surface-coloured, surface-dec	1856	1410	#N/A
481940	Sacks and bags, of paper, nes; including cones	1790	384	#N/A
481710	Envelopes of paper	1631	150	5
480593	Paper and paperboard, uncoated, in rolls of a width > 36 cm or in squa	1625	1303	#N/A
481960	Box files,letter trays & similar articles of paper,used in offices etc	1489	378	#N/A
481390	Paper, cigarette, nes	1435	6340	5
480990	Paper,copying/transfer,rolls of a wdth >36cm,sheets one side >36cm,nes	1302	162	5
481930	Sacks and bags, of paper, having a base of a width of 40 cm or more	1240	99	#N/A
480419	Paper, Kraftliner, in rolls, o/t unbleached, uncoated	1039	7953	#N/A
481830	Tablecloths and serviettes, of paper	977	22	#N/A
482210	Bobbins,spools & similar supports of paper,used for windg textile yarn	927	466	5
480429	Paper, sack kraft, in rolls, o/t unbl, uncoated	917	290	#N/A
480700	Composite paper and paperboard "made by sticking flat layers of paper	830	24	5
482030	Binders, folders and file covers, of paper	825	127	5
480459	Paper, kraft, rolls or sheets,>/=225g/m2, uncoated, nes	817	23	5
481039	Paper, kraft, in rolls or sheets, clay coated, nes	765	1130	#N/A
480519	Fluting paper, uncoated, in rolls of a width > 36 cm or in square or r	759	3493	5
480449	Paper, kraft, rolls or sheets, >150g/m2, <225 g/m2, uncoated, nes	726	155	5
481890	Household or hospital supplies, of paper, nes	720	144	#N/A
482320	Paper, filter, cut to size or shape	709	1081	5
480540	Paper, filter, in rolls or sheets, uncoated	558	246	5
481110	Paper, tarred, bituminised or asphalted, in rolls or sheets, nes	528	3	5
480810	Paper, corrugated, in rolls or sheets	482	10	#N/A
480830	Paper, kraft, creped or crinkled, in rolls or sheets, nes	437	46	5
480890	Paper,creped,crinkled,embossed or perforated,in rolls or sheets,nes	435	406	5
480411	Paper, Kraftliner, in rolls, unbleached, uncoated	423	8521	#N/A
482050	Albums for samples or for collections, of paper	417	84	5
480451	Paper,kraft,rolls or sheets,>/=225g/m2, unbleached, uncoated, nes	409	59	5
481320	Paper, cigarette, in rolls of a width not exceeding 5 cm	371	7624	5
480421	Paper, sack kraft, in rolls, unbleached, uncoated	337	40233	#N/A
480610	Paper, vegetable parchment, in rolls or sheets	272	176	5
480640	Paper,glassine,oth glazd transparent o translucent,in rolls o sheets	247	473	5
482340	Rolls,sheets and dials,of paper,printed,for self-recording apparatus	202	131	5

481810	Toilet paper	202	281	#N/A
480630	Paper, tracing, in rolls or sheets	202	153	5
481031	Paper,kraft,in roll/sheet,bl,>95% chemicl pulp,</=150 g/m2,clay coatd	181	0	#N/A
481820	Handkerchiefs, cleansing or facial tissues and towels, of paper	154	237	#N/A
481490	Wallpaper and similar wall coverings, nes	144	79	5
481200	Filter blocks, slabs and plates, of paper pulp	144	171	5
481014	Paper and paperboard used for writing, printing or other graphic purpo	134	10	#N/A
481022	Light-weight coated paper used for writing, printing or other graphic	122	27	#N/A
480441	Paper,kraft,rolls or sheets,>150g/m2,<225 g/m2,unbleached,uncoated,nes	115	26	5
482040	Manifold business forms and interleaved carbon sets, of paper	106	36	5
480550	Paper, felt, in rolls or sheets, uncoated	100	14	5
480240	Paper, wallpaper base, in rolls or sheets, uncoated	100	95	5
482361	Trays, dishes, plates, cups and the like, of bamboo paper or bamboo pa	96	2	5
481720	Cards, letter or correspondence, plain postcards, of paper	94	11	5
480620	Paper, greaseproof, in rolls or sheets	83	139	5
480524	Testliner "recycled liner board", uncoated, in rolls of a width > 36 c	80	559	5
480442	Paper,kraft,rol/sheet,>150g/m2but<225 g/m2,bl,>95% chem pulp,unctd nes	50	24	5
480525	Testliner "recycled liner board", uncoated, in rolls of a width > 36 c	48	640	5
480511	Semi-chemical fluting paper, uncoated, in rolls of a width > 36 cm	41	1318	#N/A
481850	Articles of apparel and clothing accessories, of paper, nes	40	31	#N/A
481420	Wallpaper,coatd/coverd on the face side w a decoratd layer of plastics	35	226	5
480530	Paper, wrapping, sulphite, rolls/sheets, uncoated	26	2714	5
481032	Paper,kraft,in rolls/sheets,bl,>95% chemical pulp,>150 g/m2,clay coatd	25	462	#N/A
480820	Paper, sack kraft, creped or crinkled, in rolls or sheets	22	#N/A	#N/A
480920	Paper,self-copy,in rolls of a w >36cm,sheets at least one side >36 cm	15	1904	5
481151	Paper and paperboard, surface-coloured, surface-decorated or printed,	11	12	5
481310	Paper, cigarette, in the form of booklets or tubes	1	5	5
480452	Paper,kraft,rolls/sheets,>/=225g/m2,bl,>95% chemical pulp,uncoatd,nes	0	0	5
481410	Paper Ingrain	0	0	5