

1. PROTECTION AND RANKING

- Import tariffs provide protection to many domestic industries in Pakistan.
- Local industries raise the prices of their products due to the protection from international competition.
- The motor vehicles industry is the most protected industry in the country.



2. CAUSES OF PROTECTION

- "ON money" charged by car dealers is a type of premium added on top of the vehicle's price in Pakistan, intended to expedite the delivery process.
- Undersupply of automobiles in the local market generates the ON money market.
- Resultly, domestic car prices are around 45.4% higher than the international market.

	Import tariffs rate	ON Money rate	Overall Protection
MOTOR VEHICLES	32.9%	12.5%	45.4%
ELECTRICAL EQUIPMENT	23.0%	-	23.0%
METALS	23.0%	-	23.0%

- Eliminating import tariffs on motor vehicles will also eradicate the ON money market.
- The subsequent rise in trade reduces general prices by more than 15% in the local market.
- Finally, the overall welfare level improves by more than USD 7 billion.

MOTOR VEHICLES INDUSTRY

