

# **Overview of the Reconstruction Opportunity Zones**

**For Afghanistan  
and border areas of Pakistan**

# What are ROZs?

- Through an ROZ program, the United States would grant duty-free treatment to goods produced in Afghanistan and designated areas of Pakistan.
- ROZs will be designated areas where production of these goods must occur
- Similar programs have been implemented in Jordan and Egypt through the Qualifying Industrial Zones (QIZs)

# ROZs Support Economic Integration

The goal is to:

- Stimulate trade and development with sustainable initiatives linked to the ongoing development and reconstruction programs
- Create investment opportunities and jobs creation
- Encourage greater cooperation and better trade relations between Afghanistan and Pakistan;
- Provide long term legal employment opportunities for citizens on the border areas; and
- Increase broader economic growth in Afghanistan and border regions of Pakistan by creating connections to the global economy.

# Complimentary Project

- ROZs are complimentary to the on-going development and economic measures underway by the Govt of Pakistan and FATA Secretariat as well as the U.S. Government, NATO and other international donor countries.
- ROZs are designed to be sustainable initiatives linked to the ongoing development and reconstruction programs in Afghanistan and in the border regions of Pakistan.
- ROZs Represent a Long Term U.S. Commitment to the Region
- 15 years duty free access to U.S. market (until Sept 2023)

## Where will ROZs be located?

- -- For **Pakistan**, only the border region to include selected areas within:
  - the Federally Administered Tribal Areas,
  - the North West Frontier Province – including Peshawar,
  - the earthquake affected areas of Azad Jammu Kashmir,
  - 100 miles of Balochistan province measured from the Pak-Afghan border
  - Other areas of Pakistan such as Karachi, Gwadar, etc. will NOT be included.
- -- For **Afghanistan**, all areas within the entire territory are eligible, including new and proposed industrial parks by USAID and World Bank.

# ROZ Eligible Area



# What products should be included in ROZs?

- 3 types of Product Categories
  - Products of the Generalized System of Preferences (GSP)
    - Afghanistan (4910 non- textile products) and Pakistan (3474 non- textile products)
  - Additional "non-sensitive products" after advice from ITC in strategic sectors of importance to Pakistani border region and Afghanistan.
  - Textile and apparel products

# Strategic Industry Sectors

Textiles, apparel, and home textiles	Leather (gloves, handbags and footwear)
Carpets	Marble products
Gem and jewelry	Wood furniture
Agricultural products	Ceramic tiles

# Why are ROZs beneficial?

- This is the simplest rule of origin for textile products ever presented in a preference program (simple "cut and sew" AKA "single transformation")
- No safeguard provision
- No production limitations or caps (as in AGOA)
- No joint production requirements (as in the QIZs)
- Sourcing of inputs for textiles can be from anywhere without limitations
- All current GSP and GSP plus products will remain duty free for 15 years regardless of whether GSP is extended or not.
- The competitive needs limitation waiver has been eliminated for GSP products that are included in ROZs
- SAARC accumulation is allowed for those products on the GSP list

# Next Steps

- Legislation has been introduced in the U.S. Senate and soon will be introduced in the U.S. House of Representatives
- Pending final approval from U.S. Congress and implementation by GOP
- Continue working with GOP and GOA on implementation requirements
- Designation of ROZ areas

# Supporting Initiatives

Success of the ROZs would be enhanced by implementing initiatives in partnership with GOP & GOA including:

- Customs Enforcement & Harmonization
- Transit Trade
- Labor
- Investment Incentives
- Financing
- Infrastructure Upgrades
- Training & Institutional Development
- Market Outreach & Trade Promotion