DAWN

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From the Newspaper

Industrial policy

IN the meeting with Imran Khan the acting chief of IMF (July 23) emphasised on austerity and resource mobilisation to reduce debt. With the current trade imbalance, the government is between a rock and a hard place. It took over with an empty treasury.

The quickest way for the government to get out of its present financial situation is to encourage manufacturing and exports. There have been statements along these lines.

To increase exports in non-conventional and value-added sectors, the government must first encourage local import substitution and provide a favourable environment to industry. Unfortunately, the government in its eagerness to reduce the foreign exchange gap is creating hurdles for the small manufacturer by limiting all imports through letters of credit only. Foreign suppliers normally refuse letters of credit for values of less than $10,000 to 15,000.

Imported material, in many cases, is essential to meet international standards/specification, especially for import substitution. Imported material is usually a small percentage of the final product but is necessary.

Small manufacturers create more jobs than larger companies and can contribute to the balance of payment equation by reducing imports and increasing exports.

The government should make it easier for bonafide manufacturers to do business.

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