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Monitoring Desk

Pakistan plans tax breaks for some sectors in new export policy

ISLAMABAD: Pakistan is considering offering tax breaks to various industries with export potential as it looks beyond textiles to boost outbound trade, Bloomberg reported an adviser to Prime Minister Imran Khan as saying on Monday.

Engineering, chemicals, technology and footwear are among 20 sectors identified for incentives, Abdul Razak Dawood, the commerce and investment adviser to the prime minister, said in an interview in Islamabad. An export policy will be announced next month, he said.

Growing exports from the current over $20 billion a year is Pakistan's plan to increase foreign exchange earnings and end a chronic boom-and-bust cycle.

"I am in favor of limited time-bound incentives," Dawood said, indicating a three- to four-year period for tax breaks. He opposed concessions for the textile industry, saying "they have gone to the point that it is a drug."

Textiles currently account for about 60 percent of Pakistan's total exports. The new plan complements the central bank's aim to offer cheap credit to export-oriented industries to diversify that basket.

"If we want to go to $100 billion or $200 billion exports like Malaysia or Thailand, you ain't gonna do it on textile," said Dawood.

The nation's exporters also stand to gain from the central bank's move to devalue the currency by almost half, besides the government's move to remove duty on some raw materials used for exports and lower utility prices.

Pakistan's exports, particularly textiles, became competitive after the rupee's devaluation and duty cuts, Dawood said, citing a 36 percent jump in quantity of garments shipments. "It means that we are getting market share, we are taking somebody's market share."

Pakistan's trade deficit narrowed 33 percent to $9.7 billion in the five months to November, as imports dropped by 18 percent and exports rose 5 percet in the same period.

Dawood said he sees outbound shipments growing to $24.5-$25 billion this fiscal year ending June from $23 billion last year.

Pakistan is pinning hopes on a new free-trade agreement with China to grow overseas shipments by at least $500 million annually. The agreement, which takes effect next month, will help Islamabad reduce its trade gap with Beijing from the current $12 billion.

Dawood said he is seeing interest from Chinese companies that want to set up factories in Pakistan and use them as a hub for exports.

For low value added engineering products “we are much cheaper than China now,” Dawood said, adding that the plan for the next China international import exhibition is to have only an engineering pavilion. “We got to get out of the textiles syndrome.”