

**Trade projection for five years: Government envisages bringing C/A deficit to below 1.3 percent**

Pakistan Tehreek-i-Insaaf (PTI) government envisages bringing current account deficit to below 1.3 percent of Gross Domestic Product (GDP) by achieving 12.5 percent growth in exports (FOB) and curtail import growth at 6.8 percent (FOB) by 2022-23.

The government has projected negative (-) 4.7 percent current account deficit of GDP in 2018-19, - 3.9 percent in 2019-20, -3 percent in 2020-21, -2.2 percent in 2021-22 and -1.3 percent of GDP in financial year 2022-23.

According to Balance of Payment Projections (2018-2023), the government envisages bringing the current account balance from US\$ 18.99 billion to US\$ 5.23 billion and the balance of trade in goods from US\$ 31.18 billion to US\$ 30.84 billion during the next five years.

The government projects US\$ 25.66 billion export of goods in 2018-19, US\$ 28.1 billion in 2019-20, US\$ 31.1 billion in 2020-21, US\$ 34.67 billion in 2021-22 and US\$ 38.99 billion in 2022-23. Import of goods has been projected at US\$ 57.7 billion in 2019-20, US\$ 61.35 billion in 2020-21, US\$ 65.37 billion in 2021-22 and US 69.84 billion in 2022-23.

The government also projected an increase in remittances from US\$ 19.6 billion to US \$ 32.6 billion in the next five years and a decline in the Balance on Trade in Services from US\$ 5.72 billion to US\$ 4 billion during the next five years.

According to sources, the government envisages a strong recovery in the exports sector with substantial curtailment of the import burden with the government's plan to bring the deficit to below 1.3% of GDP on the back of a very buoyant remittance inflow and enormous surge in services exports.

Sources added that although both exports and imports are expected to grow, the trade deficit has begun to decline this year and even though it is likely to remain in deficit yet the overall Balance of Payments (BOP) would be sustainable over the plan period with deficit narrowing from US\$ 18.9 billion in 2017-18 to US\$ 5.2 billion by 2022-23, depicting a decline of around 72.5 percent during the plan period.

The sources said that the government envisages a considerable surge in Foreign Direct Investment (FDI) and technology transfer will take place on the back of planned industrial cooperation under China-Pakistan Economic Corridor (CPEC). They said that it will help Pakistan industry move up the value chain through joint ventures with Chinese and other countries' firms which would lead to an increase in exports of value-added goods. Establishment of "Special Economic Zones" across the country and "Free Trade Zone" at Gwadar would have a multiplier effect on export growth via connectivity, and access to other regional markets.

The government plans to implement structural reforms in five years and is looking to improve Pakistan's ranking in the two internationally available/used data sets notably Ease of Doing Business

and Global Competitiveness Index Ranking. In this regard, the role of provincial governments is considered critically important, sources added, considering that many of the pillars and indicators come under the domain of provincial governments.

Developing export clusters, facilitating Small and Medium Enterprises (SME"s) to establish their businesses, enhance their production capacity and develop their linkages to global markets would also be part of the government strategy. Sources added that linkages between private sector academia and industry would be developed to promote research and development in manufacturing sector; as well as increasing share of value added products in the export basket, currently dominated by primary and intermediate products. Trade Development Authority of Pakistan (TDAP) as the premier trade organization in export promotion will be made dynamic and adequate budgetary allocation will be provided in this regard.

The sources said that the government would also take measures to improve trade balance; power supply shortage was considered the main impediment to growth of industrial sector therefore uninterrupted supply of energy to industrial sector will be ensured.

Establishment of special livestock farms for meat, milk and dairy products along the CPEC routes in rural areas would have the potential to enhance exports to China as they are importing more than US\$ 125 billion food items from USA, Australia, Canada, Brazil, and New Zealand. Food safety standards will be implemented in line with requirements of international markets. Sources stated that Ministry of National Food Security & Research will establish a one window operation with consultation and cooperation of provinces & other stakeholders and prepare guidelines to facilitate investors in establishing special livestock farms.

Ministry of Commerce in consultation with relevant stockholders has formulated a draft of Trade Related Investment Policy Framework 2018-23 (TRIPF) designed to promote investment in export-oriented sector and competitive import substitution. Sources told this correspondent that tariffs on imported raw materials which are used as input in export oriented industries will be reduced to encourage outward orientation, so that anti-export bias is abolished, and tariff anomalies will be reduced to enhance competitiveness of our exports. Concessions granted under Free Trade Agreements (FTAs) will be appraised in terms of their impact on bilateral trade and reviewed/renegotiated accordingly by Ministry of Commerce.

Reforms in Trade Development Council (STDC) and Trade in Services Wing will be undertaken with the objective to promote domestic liberalization and facilitation in services exports. Ministry of Information Technology & Telecommunications plans to launch new programs for strengthening Pakistan"s IT industry through a series of dynamic projects and programs. These programs will help increase IT exports by 20-30% every year in future. Primary objective is to cross at least US\$6 billion in IT exports by 2020 and US\$10 billion by 2025, sources said.

Edible oil cultivation will be encouraged through effective revival of Pakistan Oil Seed Development Board (PODB) as they make up about 33% of our food imports; Pakistan Agricultural Research Council (PARC) will make special arrangements in this regard with consultation and co-ordination of provincial governments, sources added.

The government would focus on regional integration to promote trade and socio-economic development of the country, sources concluded.

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