

MUSHTAQ GHUMMAN

CPFTA-II to be operational from Dec 1, says Dawood

ISLAMABAD: Prime Minister's Advisor on Commerce, Textile, Industries and Production and Investment, Abdul Razak Dawood on Tuesday said that China Pakistan Free Trade Agreement –II (CPFTA-II) will be operational from December 1, 2019.

Addressing a press conference, Dawood, who accompanied Prime Minister Imran Khan during his recent visit to China, said that during the meeting with the Chinese Prime Minister, the issue of FTA-II also came under discussion, wherein Chinese Prime Minister stated it would be operational within weeks. However, based on his experience, he reckons the trade pact will be operational from December 1, 2019.

The Commerce Advisor acknowledged that he did not hear anything directly from Chinese Commerce Minister about FTA-II. Earlier, Chinese authorities had intended to operationalise the FTA-II from January 1, 2019.

Giving the viewpoint of the Commerce Division about the definition of export data, the advisor said that he held several meetings with the State Bank of Pakistan (SBP), Federal Board Revenue (FBR) which runs Webcon system, and Pakistan Bureau of Statistics (PBS) to find out the reasons for not including exports of Export Processing Zones (EPZs).

He said a difference of \$ 1.2 billion was witnessed in the trade figures of the SBP, FBR and PBS during 2018-19 which made him curious to know the reasons for such a huge difference in statistics. He said that previous governments also did not include the export data of EPZs.

According to the PBS data, exports in 2018-19 were \$ 23 billion whereas SBP's estimate is \$ 24.2 billion.

"It is a very complicated issue. If import of raw material goes in EPZ areas and is re-exported it should be taken as exports, and if raw material is supplied from tariff areas to EPZs it is also exports and if that commodity is exported it is again counted as exports in the international market; we have to determine how to define exports and to ensure there is no double counting," he added.

The stakeholders concerned argued that they need time to sort out the complexities and find out a new defined mechanism on tabulating trade figures, hoping for clarity at the time when trade figures for October are released. The PBS releases provisional trade figures on 10th of each month.

He further stated that Pakistan's software exports are not reported as there is no mechanism in place however now that the country has adopted E-Commerce Policy these exports would be counted. He said there are three or four platforms such as eBay Inc., an American multinational e-commerce corporation based in San Jose, California that facilitates consumer-to-consumer and business-to-consumer sales through its website and PayPal Holdings Inc.,

another American company operating a worldwide online payments system that supports online money transfers and serves as an electronic alternative to traditional paper methods like checks and money orders.

He said the government is committed to increasing the country's exports by removing all the obstacles in the way of trade. He said significant measures have been taken in this regard.

When he was asked which international payment mechanism should be adopted by Pakistan, he said, "I am not competent to take any decision on the matter, it is the responsibility of the Ministry of Information Technology."

Replying to a question, he acknowledged that exporters are facing liquidity crunch as the FBR is not releasing their refunds.

Dawood acknowledged that China has concerns about delay in Gwadar Port project but added that during the recent visit, the Pakistani delegation informed China that most of the formalities have been completed. He said, best SEZ is Faisalabad where more Chinese parties are investing because infrastructure is better.

Dawood said that he did not think the current political situation (Dharna of Moulana Fazal ur Rehman) will have any impact on foreign investment as Chinese are still interested in investing in the country.

In reply to another question, he said that FATF is a very sensitive issue; Finance Ministry is the proper forum to ask questions.

The Commerce Advisor acknowledged that exports target of first quarter 2019-20 has been missed by \$ 200 to \$ 300 million.

Dawood said he does not agree with the word "shutdown" with respect to the auto sector but added that their production has come down by 40 per cent due to currency devaluation, interest costs increase, hike in prices of inputs, and consumer resistance; but added that these conditions are not unique to Pakistan.

Answering a question as to why the businessmen met the Army Chief and not the Commerce Advisor, Abdul Razak Dawood said that if the Prime Minister talks to the Army Chief why not the business community.

With respect to the concerns of Federation of Pakistan Chamber of Commerce and Industry (FPCCI), he said his experience says that if he meets one exporter today they would applaud him but after one month if he disagrees with him he would say "Advisor is doing nothing for them. This happens.

He further stated that FPCCI people are upset but he does know the reasons for their concern. "These (FPCCI) people are very big stakeholders but they are not that big, please understand that. Associations are exporters not the Chambers. I don't mind if someone says you didn't hear him properly. If one person meets two parties, of which, one says turn left and the other says turn right, I have to take a decision which is a judgment call. I take decisions in the best interest of the country after hearing the viewpoints of all parties and I always say Allah please guide me as I have to take a decision either to go left or right."