INTERNATIONAL THE NEWS

7th February, 2019

Trade facilitation unit planned to boost exports-to-GDP ratio

KARACHI: Government planned a trade facilitation unit at the Federal Board of Revenue (FBR) to boost exports-to-GDP ratio from the existing single digit, sources said on Wednesday.

Sources in the ministry of finance said the government planned to establish trade facilitation unit at the FBR to support exports and manufacturing industry under the medium-term reform strategy.

“The country has been trapped in a low growth trajectory and export to GDP ratio declined to 7.9 percent from 11.6 percent during the last 30 years,” a source said.

Exports amounted to $23.212 billion in the last fiscal year of 2017/18 compared to $20.422 billion in 2016/17, $20.787 billion in 2015/16, $23.667 billion in 2014/15, $25.110 billion in 2013/14, $24.460 billion in 2012/13, $23.624 billion in 2011/12 and $24.810 billion in 2010/11, according to the Pakistan Bureau of Statistics.

The dismal export performance could be attributed to narrow product base and market concentration, eroding competitiveness, unpredictability of policies, higher costs and investment-trade disconnect. Resultantly, local businesses largely remain uncompetitive in the international market.

Sources said government planned measures to drive manufacturing sector and export growth: elimination of distinction between industrial and commercial importers, reformation of statutory regulatory order regime and their consolidation, support for integration into global value chains, and establishment of trade facilitation unit.

The sources said initiatives that have already been undertaken to enhance exports and strengthen small and medium enterprises include reduced gas price to $6.50/million metric British thermal unit for five key export sectors (textile, sports goods, leather, carpets, and surgical goods).

Custom duties on imported raw materials have already been reduced. Besides, subsidised electricity tariff for industrial sector has been provided. Subsidised power tariff for five zero-rated export sectors to ensure international competitiveness will have annual revenue impact of Rs80 billion.

The process of clearing backlog of tax refunds has been initiated and Rs8.7 billion has been repaid. Furthermore, the duty drawback scheme is being revamped at an expected outlay of Rs24 billion, according to the sources.

The sources said other measures to be undertaken in medium-term would include tariffs to be employed as a trade policy instrument rather than a revenue generation tool, which is a departure from prior practice, where the primary goal of tariffs was to enhance government revenue. It will also include maintaining vertical consistency through cascading tariff structures.

The sources said strategic trade policy framework (2018-2023) would ensure consistency and consistency of policies.

The government also planned the implementation of national single window strategy, connecting trade-related stakeholders, such as banks, businesses – exporters, importers, shipping lines, freight forwarders – and government/regulatory agencies, through a single data information exchange platform.

Shahnawaz Akhter