DAWN

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'Pakistan can add $12bn to its export proceeds by 2024'

ISLAMABAD: Pakistan can increase its exports by up to $12 billion by 2024 even after taking into account disruptions due to Covid-19, according to the International Trade Centre's latest export potential assessment for the country.

More than half of the country's exporters struggle with domestic and foreign regulatory barriers, says Invisible Barriers to Trade — Pakistan 2020: Business Perspectives. The report was prepared in collaboration with the World Bank Group's country office here.

Market frictions such as regulatory obstacles and lack of information transparency put up to $7bn of this untapped export potential at risk — especially for small businesses looking to trade more across borders, says ITC's acting Executive Director Dorothy Tembo.

"There is great scope for the government of Pakistan to streamline processes, improve quality management and work with exporters to provide consistent, transparent and timely information," she said.

The report, based on a survey of 1,152 importers and exporters, identifies the toughest trade hurdles facing Pakistani businesses.

Almost half of these hurdles are homegrown, which means the government can fix many of the problems holding back exporters. The report suggests ways for the government and the private sector to crank up competitiveness by addressing issues such as export inspections, tax refunds, and certification.

It identifies the most challenging non-tariff measures that Pakistani businesses face which include: complying with technical requirements, lack of trade-related information and inadequate domestic infrastructure. Women entrepreneurs also face social constraints and a general lack of support in government agencies and other institutions.

The NTM Business Survey in Pakistan finds that 49 per cent of small enterprises and 57pc of medium-sized firms have trouble with non-tariff measures, while 54pc of large companies consider them to be burdensome.

Almost half of the challenges these firms reported stem from Pakistani rules on matters such as export inspections, tax refunds, and export certification. These invisible barriers to trade affect exporters and importers differently, and their impact varies across sectors.

The publication finds that regulations and the procedures to comply with them are difficult for 51pc of Pakistani exporters and 46pc of importers. Most agricultural exporters (60pc) — especially those dealing with fresh and processed foods — experience difficulties with these measures, as most countries have stringent regulations in place to protect human health and the environment.

In comparison, 47pc of the Pakistani companies that export manufactured goods face problems. Conformity assessment is the top challenge with requirements like testing and product certification are a bigger concern (41pc) than rules related to quality standards, safety, and production processes (4pc).

Pakistani exporters say complying with European rules is difficult and the accompanying conformity assessment procedures are too strict. The neighbouring SAARC countries account for only 5pc of the problems that local exporters experience with foreign regulations.

At the individual partner country level, the United Arab Emirates and the United Kingdom are responsible for the most reported regulations, each accounting for 8pc. German measures account for 6pc, while Oman and the United States for 5pc each.

Domestic regulations create obstacles

Meanwhile, local regulations account for about 45pc of the troublesome measures that exporters face. Most of these involve export inspections (31pc), tax refunds (27pc), and export certification (10pc).

Pakistani policies cause 55pc of the problems reported by exporters of manufactured goods, and one-third of agriculture. Large firms (52pc) face more problems with domestic export regulations than small and medium-sized businesses (45pc).

Exporters say the regulations are overly strict or compliance is difficult in just 12pc of the cases. In contrast, the procedures are the problem in 70pc of the cases — and most of these occur in Pakistan itself. The remaining 18pc are difficult due to both the regulation and related procedures, of which more than two-thirds occur in the country.

The most important ones are slow processes on the necessary paperwork and high fees and charges to obtain required certification or testing. Informal payments and inadequate facilities for testing and certification in Pakistan were also frequently reported.

As a way forward, the survey identifies numerous challenges, especially regarding export-quality management and infrastructure in the country. For instance, Pakistan should increase the capacity of local laboratories to carry out required testing and certification.

Efforts need to be made to strengthen the capacity of small and medium-sized enterprises to comply with international market access requirements. The absence of a proper warehouse and cold storage facilities at major borders points is a serious problem that must be fixed. Trade procedures need to be streamlined and paperwork at government and customs offices be automated to reduce the administrative burdens and costs shouldered by Pakistani exporters.

Traders need a proper portal that can provide reliable export- and import-related information which should also guide on trade regulations and procedures, provide facts about relevant agencies, port authorities, and customs.

Finally, Pakistani trade regulations and processes must be streamlined to facilitate exports. A policy rethink is needed on advance payment restrictions on raw material imports and processes involving the duty drawback scheme. Export inspection processes at the customs also should be improved.