BUSINESS RECORDER
Founded by M.A. Zuberi

11th August, 2020

TAHIR AMIN

Pakistan can increase exports by $12bn: report

ISLAMABAD: Pakistan can potentially increase its exports by up to $12 billion by 2024 even taking into account disruptions caused due to the COVID-19, but around $7 billion of this untapped export potential is at risk, due to market frictions such as lack of transparency and related non-tariff measures, especially for small businesses looking to trade more across borders.

This has been stated in a report "Invisible Barriers to Trade - Pakistan: Business perspectives", published by the International Trade Centre (ITC) and the World Bank Group, which also reveals that more than half of Pakistani exporters struggle with domestic and foreign regulatory barriers.

Better integration with the global value chain and increased exports are important for Pakistan's economic development through job creation – especially for youth and women.

Identifying which non-tariff measures hinder Pakistani exports is critical for the government to better formulate its trade policies.

It further added that supporting small businesses to achieve export success also requires a clear understanding of the challenges they face.

The report, based on a survey of approximately 1,200 exporters, identifies the toughest trade hurdles facing Pakistani businesses.

The main concern about the business environment is time delays, identified by 86 percent of surveyed companies.

Corruption and arbitrary behaviour (84 percent) and limited or costly airline transportation (81 percent) are their second- and third-biggest criticisms of the trade-related business environment.

Despite the free-trade agreement between Pakistan and China, Pakistani exporters encounter obstacles in China.

The 'arbitrary' behaviour of Chinese customs officials means local certificates might be refused, even if they are issued by a recognised private laboratory.

Exporters also believe they face a longer inspection process in China than traders from other countries.

Furthermore, exporters say many Pakistani goods are excluded from the trade agreement, which means they are subject to high Chinese customs duties, the report added.

More than half of the exporters in Pakistan face difficulties with restrictive regulations or related trade obstacles.

Among these are difficulties complying with technical requirements, lack of trade-related information and inadequate domestic infrastructure.

Women entrepreneurs also face social constraints and a general lack of sufficient support in government agencies and business support institutions. Market access begins at home.

Trade regulations in areas such as testing, certification and licensing are challenging for 60 percent of Pakistan's agricultural exporters.

This is largely because most countries have stringent regulations in place to protect human health and the environment.

The survey found that 47 percent of companies that export manufactured goods also have difficulty with these regulations.

Destination countries, particularly in Asia and Europe, are responsible for most of the reported barriers.

In addition, domestic rules – from export inspections and tax refunds to export certification – also create difficulties.

About 45 percent of the measures that cause problems for Pakistani exporters originate in Pakistan.

The report's recommendations focus on greater transparency, upgraded quality and customs infrastructure, streamlined procedures and better enforcement of quality compliance.

It also recommends digital solutions, such as an integrated trade portal to give exporters the guidance and information they need to succeed.

Technical measures are the main obstacle for exporters.

Conformity assessment requirements such as testing and product certification are a bigger concern (41 percent) than rules related to quality standards, safety and production processes (4 percent).

Pakistani exporters say that high costs and administrative hurdles related to conformity assessment mean it is actually tougher to prove compliance with regulations than to comply with.

Issues such as the pre-shipment and border clearance procedures of partner countries, price-control measures and rules of origin are relatively minor compared to the difficulties associated with conformity assessment procedures, the survey finds.

Destination partners apply 55 percent of the measures that are troublesome for Pakistani exporters.

Transit countries apply less than one percent.

Almost 43 percent of the difficulties involve regulations of Asian countries (excluding the South Asian Association for Regional Cooperation, (or SAARC), and particularly Gulf Cooperation Council members.

More than one third (36 percent) of burdensome foreign regulations are European.

Pakistani exporters say complying with European rules is difficult, and the accompanying conformity assessment procedures are too strict.

The neighboring SAARC countries account for only five percent of the problems that Pakistani exporters experience with foreign regulations.