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RECORDER REPORT

Owned, monitored by PM, PBC calls for devising long-term export policy

KARACHI: Pakistan Business Council (PBC) has said that a long-term export policy must be owned and monitored by the Prime Minister to give exports the consistent priority and importance that it clearly deserves.

In the 'Contours of a National Charter for Exports,' the PBC outlined the directions that a long-term export policy must take. "Do nothing new" is not an option. A "business unusual" approach is called for.

The export policy must be owned and monitored by the Prime Minister to give exports the importance that it clearly deserves. And this policy or charter should be empowering rather than controlling, as many of the policies impacting business in general, and exports in particular, have been in the past.

This policy should shift the mindset of the bureaucracy from "control" to "empowerment." Long term policies need to facilitate planning and to encourage investments leading to scale and improved competitiveness. Even the traditional export sectors are running out of capacity and there is a need to diversify and develop capabilities to address changing global demand patterns. An example is the shift from 100 percent cotton to man-made fibres.

A 5-year National Charter for Exports, launched and regularly reviewed by the Prime Minister with frequent interaction with exporters from the relevant sectors will give exports the importance and focus that it deserves.

The export policies and the bureaucrats implementing them need to treat exporters with respect and with a generous mind-set, giving the benefit of the doubt in the interest of creating a positive and empowering culture. The current policies are "control" motivated, whereas the need is of "empowerment".

A regulatory guillotine needs to be applied to simplify and automate the interface between exporters and the bureaucracy.

Secondly, Pakistan needs to invest to grow exports. This requires a shift from retrospective investment, meaning a percentage of realized export proceeds being utilized for this purpose, to prospective investment, requiring up-front investment in the well-premised strategies of higher and more diversified exports.

It also means a more enlightened policy on buying and developing brands as also in allowing exporters to warehouse goods abroad and not being prosecuted for delayed remittances and bad debts.

Certainly, integrating into the fast growing online portals abroad will require a totally different approach than hitherto. In a nutshell, the PBC urges a quantum change from a suspecting, doubting, untrusting and controlling to an empowering and more risk taking approach.

At the same time, PBC recognizes that in the past some unscrupulous exporters have misused policies. It is a sad fact that "Made in Pakistan" carries a negative perception abroad. This is not just due to poor and inconsistent quality but also unethical behavior of some exporters.

The PBC therefore advocates an in-depth engagement with responsible exporters to develop checks and balances leading to high standards of governance and accountability. Denying the formal, responsible and accountable sector from benefits of an empowered policy because of misuse by others in the past is not valid.

With 75 percent of export reliance on traditional products and with textiles comprising 60 percent of exports, of which in turn, 68 percent are destined for the European

and North American markets, Pakistan needs to invest heavily in diversifying both products and destinations.

As a matter of principle, all import levies and domestic transaction costs, irrespective of where they are incurred in the supply chain leading up to the point of export should be refunded to the final exporter, allowing price competitiveness.

Strong brands command premium prices. Pakistani exporters should be allowed to both acquire and develop brands. The former is a capital investment, whilst the latter is expensed when incurred. However, the purpose of both is to generate higher exports.

Marketing and selling branded goods costs more than selling simple commodities. The present 10 percent export retention allowance does not adequately cover the cost of establishing a brand, registering the products with supermarket chains, paying for shelf rentals etc. These costs are high in the early years of market entry. It is recommended that such costs incurred abroad may be allowed at actuals, subject to audit or other verification.

Pakistan could learn valuable lessons from the Turkish "TURQUALITY" Programme through which the Turkish government has been funding the development of 10 worldwide Turkish brands. Stakeholders and regulators need to be engaged in developing safeguards to prevent the misuse of the policy to promote exports of branded goods.

Industrial areas around the big cities are choked, land is expensive and infrastructure is lacking. Manufacturing and exports can be jump started by providing "plug & play" facilities in industrial zones.

SEZs are an ideal way to do so. "Ready-to-Go" facilities will also attract relocation of manufacturing from China which is otherwise moving to Vietnam and Ethiopia.

The five core export sectors were offered energy at reduced rate. This promise has not been fully honored. In principle, all exports should be entitled to energy at a cost which is globally competitive. Where industries produce a mix of exported and domestically marketed products, a rebate should be offered on the quantity exported to render the input cost of energy to a globally competitive level.

Many SME's are oblivious of global opportunities. Whilst an export house is one solution, educating SMEs in global trade procedures would be another way to widen the export eco-system.

It said the investment in plant and machinery for export industries to be exempt from duties and sales tax.

Due to a combination of poor breeding, feeding and hygiene standards, Pakistan is unable to fully exploit the potential of meat exports to the Middle East or China. A fresh strategy for livestock exports is required to realize this.

The Centre and Provinces need to work together to promote progressive agriculture policies to achieve this export potential.