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# WB explains why exports crucial to recovery

ISLAMABAD: The World Bank (WB) has recommended that Pakistan ease up import restriction, harness the potential of online marketing platforms, comply with international standards, and upgrade regulatory environment to speed up export recovery.

"Pakistan is not immune to the economic shock caused by the coronavirus, and its exports have been hit hard. The country recorded $1.39 billion in merchandise exports last May, the lowest number in years, and a 34 percent drop from a year ago," stated the bank in a blog "Act Now Pakistan" series focusing on ideas, policies and actions for Pakistan to recover stronger and better as the Covid-19 crisis subside.

The short-term global trade prospects do not offer room for optimism as maritime traffic analyses, a good predictor of trade flows, forecast contractions in exports in the months ahead, said the bank.

Exports are crucial to Pakistan's recovery for several reasons; (i) exports in Pakistan are labor-intensive and provide plenty of good jobs for Pakistanis; (ii) exports offer a genuine boost to otherwise stagnant productivity as Pakistani exporters are 25 percent more productive than non-exporting firms, and their productivity grows as exports pick up; (iii) exports are a good source of foreign currency to pay for needed imports; and (iv) the world economy is 258 times larger than Pakistan's, making the global marketplace an inevitable destination for Pakistani firms, and offering vast opportunities for Pakistani firms to scale up.

The bank has recommended four actions to help Pakistan speed up its export recovery.

The initial priority is to ease up import restrictions to make exports competitive.

The success of the recently announced industrial strategy, "Make in Pakistan" relies mainly on the ability of Pakistani producers to access raw materials and intermediate inputs at world prices.

For a potential Pakistani maker of N95 masks, this means the elimination of tariffs, regulatory duties, and additional customs duties on melt-blown fiber, that currently stand at 12 percent.

And if "Make in Pakistan" is to be successfully complemented by a "Sell to the World" initiative, then import duties on final goods will also need to fall gradually.

With effective rates of protection at 261 percent for food processing, it is unlikely Pakistani makers will go global anytime soon, since they will prefer the coziness of the highly protected domestic market.

In this way, import taxes are nothing but export taxes in disguise.

Introducing sunset clauses to tariff protection is key to eliminating the anti-export bias.

It has further stated that Pakistan needs to promote its exports "smartly" and "proactively".

The Covid-19 did not just reduce export flows; it broke many of the underlying buyer-seller links.

Large global buyers such as JC Penney and J Crew, which filed for bankruptcy or stopped their operations, have left many Pakistani exporters without clients.

Helping firms to seeking new ones needs to be policy priority.

The Trade Development Authority of Pakistan (TDAP) should take note of this fast-changing reality, and leverage artificial intelligence and big data to help exporters harness the potential of online marketing platforms.

In addition, it is critical that Pakistan helps its firms comply with international standards and secure the right certifications to prove it.

Pakistan has a comparative advantage in the personal protective equipment (PPE) market.

Many textile and apparel firms have adapted quickly to the Covid-19 crisis and shifted their production to facemasks and shields for healthcare providers and frontline workers at home and abroad.

But complying with strict health standards expected by clients is expensive.

Since testing standards are non-negotiable in global markets, producers from across the world have seen their products turned down at the border of importing countries because they were not properly certified.

These rejections create reputational risks for both exporters and their countries of origin.

The government of Pakistan needs to provide information about standard requirements and support the country's exporters to comply with them.

With tele-work becoming a more prevalent reality, exports of services – and in particular of information technology (IT) and IT-enabled services (ITeS) – will grow substantially.

To take advantage of this trend, Pakistan needs to upgrade its regulatory environment.

To sustain growth in these sectors and encourage firms to innovate in the industry, intellectual property needs to be adequately protected.

The Covid-19 pandemic has brought in massive changes in the ways we interact, consume, and produce.

What has not changed is the need for more and better exports for Pakistan's growth and development, it added.