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PM Imran wants early framing of trade strategy paper

ISLAMABAD: After delay of more than a year, Prime Minister Imran Khan has asked the Commerce Division for early finalisation of proposed five-year Strategic Trade Policy Framework (STPF) and proposed textile policy to enhance export competitiveness and productivity of the domestic industry.

A well-placed source told Dawn that Khan has directed the Commerce Division to brief him over the status of these policies on Thursday and to discuss the inclusion of all those measures that could accelerate the pace of exports both of textile and non-textile sectors.

In 2018, PM Secretariat had given a deadline of Dec 31, 2018 for finalisation of the policy. However, the deadline was not only missed by almost 14 months but put the whole process on cold burner.

The policy was touted to provide much-needed boost to the country's exports which have remained range-bound between $20-25 billion during the last decade and have declined in the past few years.

The first textile policy was announced in 2009 followed by another one in the year 2015 which was partially implemented. Since then, no policy was formulated for the sector.

Stakeholders demand that the policy address the issue of pending refunds, provision of finance through long-term and export finance scheme. The zero-rated industries, including textiles, also seek electricity at an all-inclusive rate of 7.5 cents per unit (kWh) and gas at $6.5 per million British thermal unit (mmBtu).

The new scheme will also look into issues relating to the State Bank of Pakistan, the Federal Board of Revenue and National Food Security. One of the major issues is of overlapping of power especially related to regulation of imports and exports.

According to an official document, the Commerce Division has almost completed the preliminary work on the draft and also sought feedback from all stakeholders in 2018. "We have done some consultation with specific private sectors recently," the source said.

In the last decade, the Commerce Division had notified three STPFs: in 2009-12, 2012-15 and 2015-18. But none of these were successfully implemented to achieve the desired objectives due to various reasons. Moreover, the policies also failed to alter export paradigm over the period.

The 2009-10 STPF failed mainly due to mismanagement, whereas the 2012-15 framework suffered amid government's failure to release the allotted funds. Meanwhile, 2015-18 policy was announced after a delay of more than nine months and suffered from financial crunch as the government only released Rs500 million of the total budget of Rs20bn leading to poor implementation.

The ultimate target of the last STPF was to enhance the country's annual exports to $35bn by 2017-18.

The new framework is expected to revolve around four pillars — competitiveness, trade related investment, production sophistication and diversification and trade facilitation. Its goal is to increase exports at a minimum compound annual growth rate of 12pc annually till FY25.

On the other hand, an official document estimates serious threats to the country's export sectors in case the government fails to take corrective measures in a timely manner.

A major threat faced by exports comes from the looming de-industrialisation mainly due to absence of proactive industrial policy since the 1990s, over 58pc tax burden on manufacturing, high cost of energy, and elevated tariffs on inputs.

Moreover, the sector also faces sectoral distortions as over the years, exports have remained concentrated in three major commodities — cotton, rice and leather. Other distortions include cannibalisation of the land and water resources of cotton by the sugarcane crop.

Consequently, annual cotton production has fallen short of the target by 4-5m bales whereas Pakistan continues to produce surplus sugar which is uncompetitive in international market due to procurement price mechanism.

A review study of the past three STPFs identified various shortcomings in the implementation of the proposed frameworks. One of the major interventions of previous policies was to extend cash support to exporting enterprises without linking it to their competitiveness increases. The move led to increase in number of corruption vases.

Effort was made to introduce reforms in the existing trade support institutions and create new ones where such gaps exist. However, the results were mixed and not very encouraging.

Furthermore, restructuring exercise for the existing institutions such as Trade Development Authority of Pakistan has encountered strong resistance to change and establishments of new bodies ie Exim Bank, Land Port Authority have taken longer than anticipated due to internal bureaucratic impediments.