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Task force identifies impediments to export growth

ISLAMABAD: The Commerce Ministry's "Make in Pakistan Task Force," the author of new five-year Strategic Trade Policy Framework (STPF), has asserted that the government's financial constraints and delay in payment of refunds are the main impediments to growth of exports, sources in the Ministry of Commerce told Business Recorder.

The task force, which had been assigned the agenda of recommending policies that, would lead to export enhancement and promotion of import substitution has had various consultative industry meetings starting from October 2019.

The task force, headed by Ali S Habib, has found various areas that impede exports such as inconsistent policies, competition from undocumented sector, outdated ITP valuations, involvement of too many government departments, and others.

"We see a potential growth in the country's exports to $38 billion by 2024, if we incentivise exports and remove regulatory and operational roadblocks that are currently in place. A statistical analysis-based working from the State Bank of Pakistan (SBP) shows similar potential," said, Habib, in a letter to the Prime Minister's Advisor on Commerce, Industries and Production, and Investment, Abdul Razak Dawood.

After the various meetings with 27 separate sectors and sub-sectors, the task force has arrived at the findings and recommendations, which are now under consideration at the Ministry of Finance, after the in principle approval by the prime minister.

According to the task force, there are various schemes that currently exist for exporters such as duty and tax remission for exports, duty drawback, Export Processing Zone (EPZ), export-oriented unit, manufacturing bond by the FBR, local taxes and levies drawback by the Commerce Ministry, and long-term finance facility and export finance scheme by the SBP, but all these schemes lack awareness and implementation.

The task force is of the view that the FBR has been assigned a conflicting role of collecting as well as paying back taxes, which should be assigned to a separate institution.

Moreover, due to the government's financial constraints; refunds and payments get delayed and hence fail to translate to any increase in exports.

After carefully examining all impediments to growth in exports, the task force has recommended a new scheme based on the premise that there should be no element of local duties and taxes on exports.

The exporter on the receipt of three documents namely, Goods Declaration, Form-E and Proceeds Realization Certificate, shall automatically receive the incidence of local taxes and duties, which must be pro-actively determined by Input-Output Coefficient Organization (IOCO) of the FBR, and paid by the SBP.

This process would help exporters account for such guaranteed payments in their costing, thus making cost competitive, helping them achieve higher exports.

Recently, Abdul Razak Dawood told media that the existing trade policy was effective 2021, which would not be touched by him, adding that refunds of exporters had been paid since 2009, whether it was right or wrong.

"Whatever incentives [were] announced by the two previous governments of the PPP and the PML-N for the exporters, I honoured them, because these were announced by the Government of Pakistan," he added.

Dawood said that majority of the benefits went to the textile sector and he wanted to "get out of textile sector mindset."

The whole international textile market is $837 billion, whereas engineering sector and chemical sector are approximately $ 2trillion each, that is why I want to move away from textile, he continued.

Dawood said the STPF would be implemented in parts, adding that amendments in the SRO would be done in the budget of 2020-2021. He said that export of cars from Pakistan would start after few more years.