Ministry of Commerce to revisit proposed tariff policy

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ISLAMABAD: The Ministry of Commerce is expected to change its proposed tariff policy and suggest a number of measures for the new government in waiting to curtail rising import bill of the country.

The Commerce Division is working on two policy documents which are in contradiction, official sources told Dawn on Thursday.

According to the draft law on tariff policy, it was proposed to simplify and rationalise the existing tariff structure for enhancing efficiency of existing domestic industries. Moreover, the policy will make exports more competitive and facilitate participation of local manufacturers in global and regional value chains.

But contrary to this policy, the ministry is now working on a proposal to impose quantitative restrictions and in some cases restrict imports of certain commodities – a move which is contrary to the tariff policy goals.

Officials said the policy was drafted in a fashion to remove anomalies in the tariff structure, which is causing distortions between sectors and in the value chain of same sectors.

It was also suggested to allow duty free access to imported raw materials and intermediate goods. However, the proposed restrictions will minimise the impact of the said policy to a large extent.

Under the new policy which is under consideration, the Commerce Division is now proposing to the new government to restrict imports of certain commodities to contain rising trade deficit of the country.

"We have also received several requests from raw material producing factories seeking regulatory duties on its imports on the plea to control the rising import bill," the officials said.

The officials added that the Commerce Division is not clear about its stance on promoting trade regime of the country. The new policy if implemented will go against the concept of integration in global value chain, the officials said.

Domestic industries have also approached the Federal Board of Revenue to impose regulatory duties on its locally produced products. This policy, according to the officials, will only benefit FBR to pocket extra few billions in revenue.

An official said the proposed move of regulatory duties will harm export proceeds in the long run. The import bill reached a record $60.86 billion in 2017-18 from $52.9bn in the previous year, reflecting an increase of 15 per cent.

Last year the Commerce Division also took several measures such as proposing regulatory duties as well as qualitative restriction to control the import flows. Yet the country's trade deficit reached a historic $37.6bn in 2017-18 from $32.5bn in the previous year.

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