BUSINESS
RECORDER

PAK-CHINA FTA

INCOMING GOVT TO GIVE MANDATE FOR NEXT ROUND OF PHASE-II

TAHIR AMIN 08 Aug 2019

ISLAMABAD: The next round of China-Pakistan Free Trade Agreement (FTA) Phase-II will be scheduled after seeking mandate from the incoming government, as the bilateral trade gap has further widened to $14 billion in 2017-18 compared to $12.67 billion in 2016-17.

This was stated by Secretary Commerce Mohammad Younus Dagha, who also said the country is confronted with twin deficit i.e. fiscal deficit and foreign exchange deficit. He also hinted at import rationalization plan to curtail imports while briefing the Senate Standing Committee on Commerce and Textile Industry.

The committee chairman Syed Shibli Faraz recommended the Commerce and Textile Divisions to come up with practical measures to increase exports as old policies/ system would no more work in 'Naya Pakistan.' There is need of new economic and trade policies to overcome economic challenges, he added.

The secretary commerce said the country's exports were $23.3 billion while imports stood at $59.6 billion in 2017-18.

Dagha said there are two causes of increasing trade gap. Exports decline due to preference erosion because of China-ASEAN FTA (2010-11) and supply side constraints included energy issues, security concerns and reduction in commodity prices. Surge in imports was due to 40 percent ($4.3 billion) increase registered in products placed in No Concession List or 20 percent concession category, remaining constitute machinery @ 3 percent MFN and intermediate/raw material which are vital for industrial and economic growth and duty free imports under China-Pakistan Economic Corridor (CPEC). The secretary also admitted that under-invoicing and absence of Electronic Data Exchange (EDE) system were the major reasons behind the widening trade gap.

He further said during the 10th round of CPFTA Phase-II, both sides exchanged their offer lists. Pakistan requested that apart from top priority 57 items, other products of Pakistan's export interest may also be granted concessions at par with ASEAN. Both sides agreed to continue negotiations to bridge the gap and the next round will be scheduled after seeking mandate from the incoming government.

The secretary commerce further said no tangible progress achieved till the 7th round. To break the impasse, level of negotiations was raised to secretary commerce from Pakistan and Chinese vice minister of trade and claimed that major breakthroughs achieved in the 8th, 9th and 10th rounds.

He said reduction of liberalization level from 90 percent to 75 percent, increasing protection for industry from 10 to 25 percent and longer implementation period for Pakistan have been agreed upon. Pakistan shall liberalize 67 percent of goods' trade value for China, whereas China will do 90 percent of goods. Longer liberalization period, 10 years for China and 15 years for Pakistan, and immediate elimination of tariff on Pakistan's 57 top priority items which constitute 69 percent of Pakistan's exports to China and 23 percent of Pakistan's global exports have also been agreed upon.

Revision of safeguard provisions to protect the domestic industry and best possible terms extended to any other partner by China have been secured while Balance of Payment (BoP) has been included.

Both sides have implemented the Electronic Data Exchange (EDE) system since 30th April 2018, the committee was informed.

Replying to a question, the secretary said tariff reduction would cause around Rs 45 billion revenue loss, but the EDE would help in increasing the revenue by around Rs 70 billion.

The committee was also informed about the shortcomings in CPFTA Phase–I which included weak safeguard measures to protect against surge in imports, no provision to address BoP difficulties, as majority of FTAs have a standard provision in line with WTO Agreement to address balance of payments difficulties, and no mechanism to share real time trade data to discourage under-invoicing and misreporting.

The committee chairman said mobile phone handsets of around one billion dollars were imported during the last year and such things should be discouraged. He said concessions should be given to investors to come and establish plants on the pattern given in other sectors to curtail import bill. He further said that Pakistan is an agriculture country, but still over $5.5 billion imports were recorded in the agriculture sector.

The secretary commerce said Trade Related Investment Policy covering 19 sectors is on the cards where major incentives will be given to investors. He further said that a policy has been planned to rationalize import bill including raising duties by three times.

The committee chairman recommended the secretary Textile Division to come up with practical measures to enhance country's textile exports from the current around $ 12-13 billion to $20 billion by 2021.

The committee also took notice of textile machinery, worth millions of rupees, stopped by the Federal Board of Revenue (FBR) at port.

The committee directed the FBR chairman to report in ten days.