

• **PAKISTAN**

Five-year trade performance remained unsatisfactory

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- The performance of the PML (N) government on trade remained unsatisfactory during its five-year term with the deficit widening to \$30.245 billion (July-April 2018) against \$26.436 billion in the comparable period of the previous year.

There has been an upsurge in exports in recent months attributed to the rupee depreciation and further refining the export incentive package announced in January 2017 however failure to check the absolute rise in imports accounts for the widening of the trade deficit - to \$ 30.245 billion during the first ten months (July-April) 2017-18 compared to \$ 26.436 billion during the comparable period of 2016-17, a rise of 14 percent, according to the Pakistan Bureau of Statistics (PBS) data.

However there is a discrepancy between trade figures released by the PBS and the State Bank of Pakistan website with the latter indicating that the July-April 2017-18 trade deficit was \$ 25 billion compared to \$26.68 billion for the entire previous year (2016-17).

Imports of petroleum products, LNG as well as imports under projects associated with China Pakistan Economic Corridor are claimed by the PML-N government to be the major contributors to a rise in imports.

Efforts by the former Minister for Commerce, Engineer Khurram Dastgir Khan to fuel exports and decrease imports were unsuccessful due to international financial crunch as well as flawed domestic policies including an over valued currency, failure to release refunds as well as higher input costs relative to international competitors. These problems persisted till the end of the PML-N tenure notwithstanding the announcement of two export incentive packages - one in January 2017 and the other in September 2017 which elaborated on the earlier package. The third export package was approved two days before the end of the tenure and its implementation is dependent on the election results.

The PML-N led Commerce Ministry officially acknowledged that export sector was adversely affected due to high energy costs, exchange rate appreciation and high import tariffs on inputs.

Another factor in a rising trade imbalance identified by the Senate Standing Committee on Commerce was lackluster performance of trade officers posted abroad. The Strategic Trade Policy Frameworks (STPFs) 2012-15 and 2015-18 were failures and did little to improve the country's exports. The ongoing STPF 2015-18, was delayed by 18 months before it began to be implemented.

According to Commerce Division, delay of nine months in announcement of STPF 2015-18, late publication of circular/SROs, limited scope of EDIs and inherent flaws in business procedures were reasons for the poor performance of the STPF.

The country's textile sector which contributes about 55 per cent to total exports has consistently complained about the failure of the government to fulfill its commitments especially with respect to rationalization of RLNG price in Punjab to bring it at par with that prevailing in Sindh and KP.

Finance Minister, Dr. Miftah Ismail announced that Rs 100 billion refunds of exporters will be cleared prior to the government completing its term but this promise has not been honoured.

"There are policy gaps and internal flaws in the overall structure and business procedures in addition to

non release of refunds by the Ministry of Finance," said an official.

Senate Standing Committee on Commerce and Textile has already directed the Commerce Division to prepare a research paper on potential, non-traditional markets for Pakistani exports and provide incentives for exports of these non-traditional markets.

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