

STPF 2018-23

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ISLAMABAD: Commerce Division has proposed export target of \$ 46 billion for the next five year Strategic Trade Policy Framework (STPF) 2018-23, pending with Imran Khan-led government that has yet to take any bold policy decisions, including rationalisation of tariff.

These assertions were made at a meeting of the Senate Standing Committee on Commerce and Textile, headed by Senator Syed Shibli Faraz, who presided over his last standing committee meeting. Faraz has been appointed as the Leader of the House in Senate. He apologized to the officials of the Commerce Division if his behavior seemed "unfair or rude" during the meetings, explaining that the purpose of the committee was to improve the country's trade.

Faraz was unhappy with the absence of Prime Minister's Advisor on Commerce, Textile, Industries and Production and Investment, Abdul Razak Dawood.

"We have delayed committee's meeting and were expecting him to attend the meeting and share his vision with us about promotion of trade," he said.

While briefing the committee about new trade promotion initiatives, Secretary Commerce, Younus Dagha said that Commerce Division has proposed export target of \$ 46 billion in the proposed STPF 2018-23; adding that the import target cannot be projected, but acknowledged that insiders claim imports would be around \$ 80 billion if current figure of \$ 60 billion is kept in mind.

Pakistan's trade deficit touched an all-time high of \$37.67 billion in the fiscal year 2017-18, up by 15.95 percent over \$32.488 billion for 2016-17. The government was unable to achieve \$25.7 billion export target set for last fiscal year with \$23.228 billion total exports against a whopping \$60.898 billion of imports.

Secretary Commerce said that the trade deficit increased due to increase in oil prices.

Senator Shibli Faraz, who has headed the committee for three years, commented that the trade gap was unprecedented and added that the previous STPF failed as other stakeholders like Federal Board of Revenue (FBR) did not extend cooperation.

Senator Nauman Wazir said that the current account deficit was \$ 18 billion in 2018 as compared to \$ 2.8 billion during the PPP tenure (2008-2013).

Commerce Division, in its new five-year STPF has proposed rationalisation of tariffs on raw materials and intermediate goods. Secretary Commerce said that tariffs on raw materials for export sector would be reduced gradually.

In addition, Commerce Division has proposed competitive valuation of currency, electricity price at Rs 9 per unit (based on direct wheeling) and new electricity connections to industrial units within 30 days and provision of LNG to industrial sector in 30 days.

It has also proposed clearance of duty drawbacks and sales tax refunds within 100 days that would generate \$ 3 billion liquidity for export sector.

Secretary Commerce further argued that without investment industrial sector would be unable to double exports. He said, if corrective measures are not taken to boost exports, higher cost of oil would hit the economy badly.

Younus Dagha said that investment in manufacturing sector is declining. During the last five years cumulative FDI inflows were \$ 10 billion, of which 81 per cent has been for the non-manufacturing sectors.

"FDI in manufacturing sector remains market-seeking rather than efficiency seeking," he said, adding that foreign companies must not be allowed to sell only burghers.

Secretary Commerce also informed the committee that Commerce Division is working on trade-related investment policy framework proposed by the Cabinet Committee on Production and Exports which is working under the Prime Minister.

Commerce Ministry, he said, has also drafted National Tariff Policy 2018-23 which is focused on removing anomalies in the tariff structure. The policy is waiting for Prime Minister's approval. The purpose of the tariff policy is to employ tariffs as an instrument of trade policy rather than as a revenue source. Commerce Secretary informed the committee that FBR is opposing rationalisation of tariffs.

Dagha further stated that the government has to rationalise electricity and gas tariffs adding that price of gas (national gas and LNG) should be fixed on weighted average. "This will sort out complaints of Punjab-based industry," he said.

Senator Nauman Wazir supported Secretary Commerce on this issue, saying that price of electricity and gas must be rationalized to improve the economy. He further stated that PTI government has included all the academia in task forces, proposing that the industry's people should have been included in some of the task forces.

Senator Nuzhat Sadiq said that PLM-N government had given Rs 2 per unit subsidy to the industry which should be appreciated. Secretary Commerce said that incumbent government is continuing this subsidy.

Senator Shibli Faraz said whatever good initiatives were taken by the former government are appreciated but there is a need for transparency and accountability. However, the PTI government does not have a switch which would put things right immediately.

Senate Standing Committee on Commerce and Textile Industry in its meeting has recommended to the Ministry of Commerce to take due measures for clearing the 55 arms and ammunition shipments lying with the Customs authorities at the port in favour of the importers.

The Commerce Division was directed to respond to the recommendation positively and the petitioners were asked to take up the matter in light of the Committee's recommendations in Islamabad High Court order at the earliest if the ministry failed to implement the recommendations of the committee.

Secretary Commerce told the committee that the import policy allowing arms and ammunition expired in 2015 and all parties were given a time period of two years to complete their contracts but these shipments reached after the expiry of the period. The Committee, however, was of the view that if compensation was given to some importers back in 2015 then a one-time relief can be given to these 55 shipments with a caveat that it will not happen again. The members of the committee called for promoting documented arms and ammunition industry and facilitating them within the ambit of the law so that smuggling can be reduced.