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Gaping export void can only be filled by a wide industrial base: economist

KARACHI: Dr Miftah Ismail, former finance minister, on Thursday said over the past five decades share of Pakistan's exports in world trade had shrunk from 2 percent in 1950 to less than one percent today, largely owing to the fact that it lacks a substantially strong industrial base.

"Pakistan's economy needs to be rebuilt on an export-led growth model, which is the only future of the country and economy," Ismail said while addressing a post-budget meeting and launch of the Dr Hafiz A. Pasha's book titled "Growth & Inequality in Pakistan".

The event was jointly organised by the Sustainable Development Policy Institute (SDPI) and the Friedrich-Ebert-Stiftung, oOffice Pakistan. The former finance minister said Pakistan needed to increase its industrial base in order to double the exports volume.

Ismail said the target of collecting Rs5,555 billion in tax revenue was impossible to achieve in this economy, when the economy, especially on the manufacturing front, was downsized and the government could only be able to collect around Rs4,000 billion with much effort.

He said aiming for a 38 percent growth in revenue collection was not rational and the government may introduce one or two mini budgets in the coming fiscal year. "It is also appeared that the government may not complete this IMF (International Monetary Fund) program, as drastic measures taken in the budget cannot be achieved," he added.

He said due to high policy rate, it was difficult to attract foreign investments. On rupee, Ismail said due to currency devaluation almost every day the average minimum wage of a Pakistani had been reduced to $107 from $143 in the tenure of the last government.

"This has directly impacted the purchasing power of poor and middle class. Moreover, increase in gas, electricity, and oil prices has further exacerbated the already debilitated condition of the marginal segment of the society," he added. On Financial Action Task Force (FATF) conditions, he said the FATF was more a political issue and world powers were using this platform to put pressure on Pakistan, which should focus more on controlling the terror financing as compared to money laundering.

Dr Vaqar Ahmed, joint executive director SDPI, said Budget 2019-20 promises higher revenue collection targets, but increased revenues were not possible without improving tax administration at both federal and provincial levels.

"If tax authorities resort to predatory measures, this will discourage local and foreign investment," he said and added that a long-term tax policy was required to promote competitiveness in manufacturing, where focus should be on promoting exports of new sectors including information technology, software, and allied services sectors.

Ahmad said on the expenditure side of budget, there was a large room to reduce current spending by merging or consolidating federal ministries and divisions.

“This could create additional fiscal space for Ehsaas program,” he said. The SPDI official stressed that in order to demonstrate strong resolve for structural reforms, the government would need to expedite reforms, which could bring down circular debt and reduce losses of public sector enterprises.

Ease of doing business measures are also required to lure foreign direct investment, particularly in special economic zones and export-oriented sectors, he added. Dr Kaiser Bengali, a senior economist, said the budget was an attempt to kill the economy with the aim to grab the money from the pockets of the people.

Bengali said Federal Board of Revenue inspectors would now rob the people. He said Pakistan had entirely been an import-oriented economy for the last 40 years and there was a need to completely ban the non-essential consumer imports item. “We need to aggressively reverse the import orientation of the economy and support and expand our manufacturing industry,” he added.

Our Correspondent