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RECORDER REPORT

Govt urged to review trade policy

LAHORE: The Friends of Economic and Business Reforms (FEBR) have urged the government to review its trade and export policies with a keen focus on value-addition for a sustainable economic trajectory.

FEBR President Kashif Anwar said that country's exports fell by over three percent in January this year despite currency's depreciation and several other measures. Moreover, export of merchandise recorded a negative growth rate over the last two consecutive months despite multiple currency depreciations, he said.

"So far none of the FTAs or preferential treaty agreements with any country has helped enhance exports from the country after its implementation while the volume of imports has seen a double-digit growth after those agreements with different countries," he added.

Contrary to the expectations, exports entered negative growth of 3.17 percent to $1.97 billion in Jan 2020 as against $2.03 billion over the corresponding month last year. The drop in exports' proceeds has started in December 2019 when it fell by 3.8 percent while a similar quantum of decline was seen in January 2020, he added.

The FEBR president said that the large-scale manufacturing sector of the country had already been in the mode of negative growth since July 2019 but still the commerce ministry's focus was on negotiations for international trade agreements and market access. Between July 2019 and January 2020, the export proceeds' growth fell by 2.14 percent.

Kashif Anwar said that country's exports should have grown over the last few months owing to multiple currency depreciation, but this had not happened as the current figures clearly indicated.

The government projects exports during the ongoing fiscal to reach $26.187bn, up from $24.656bn in FY2019. On the external side, imports are still dropping, which is providing some breathing space despite negative growth in exports from the country, he maintained.

The FEBR chief appreciated the government's efforts to narrow down the current account deficit but warned the authorities that the balance of accounts should not come at the cost of local industry's growth.

The government's strict import policy along with a high cost of doing business owing to multiple rise in fuel cost and energy tariffs had almost halted industrial production, he opined.

The current account deficit reduction should be based on growth in exports, resulting into growth in industrial production as well as employment generation.

But unfortunately the present turnaround was largely due to the fall in imports that accompanied a sharp slowdown in growth after currency devaluations and gradual increase in interest rates, which sent shock waves through the economy. The industry raw material which was not manufactured in Pakistan had also been included in the list of high import duties, he said.

The FEBR president said that the country's trade deficit came down by 28.4 percent in the first seven months of the current fiscal. The decline was mainly due to a double-digit fall in imports. Another reason is the government's corrective measures to slow down imports to reduce pressure on the foreign exchange reserves and a general worldwide slump in the overall demand for goods, he said.

In absolute terms, the trade gap narrowed during the period from July 2019 to January 2020 to $13.75 billion from $19.2 billion over the corresponding months in the last financial year. On a monthly basis, the deficit fell by 15.03 percent to $2.06 billion in January from $2.43 billion during the same month last year, he said.