

GOVERNMENT OF PAKISTAN
MINISTRY OF COMMERCE



TRADE POLICY (1988-89)

English text of the Speech by

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بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

It is a great privilege for me to announce the Trade Policy for the financial year 1988-89 which was approved by the Federal Cabinet today.

You would recall that when I had announced the current Trade Policy last year, it was made effective for three years (1987-90) so that the trading community could draw up their future plans with assurance and confidence. The new Policy approved by the Federal Cabinet for 1988-89 aims at certain structural improvements without in any way changing the essence of the long-term trade policy.

Before I come to the new measures, let me offer a brief review of the current year.

The export target for 1987-88 was fixed at US\$ 4.2 billion which reflected 15% increase over the previous year. The significant increase in our exports during the current year is a happy sign and we estimate that our total exports will touch US\$ 4.4 billion, showing a 20% increase over the previous year. Thus, our export earnings would pay for 70% of our import bill. Though we have exceeded our estimated export target, I am not fully satisfied with this performance. We cannot always depend on the exceptionally high prices fetched by certain export commodities this year. The export structure has not so far undergone significant changes and our export earnings are far below our real potential. Other countries have made dramatic progress and so can we. During the last 25 years, South Korea has surged ahead to an export earning of more than US\$ 40 billion after starting far behind us. Similarly, Turkey has attained an export earning mark of

US\$ 10 billion after having remained at par with us five years ago. I see no reason why we cannot make a dramatic increase in our export earnings. We have full confidence in our dynamic trading community. We wish to introduce revolutionary changes in our policy which would speed up our progress and bring us closer to national self-sufficiency.

Certain changes have already been made in the current year like induction of private sector in export of cotton. Private sector made export sale contracts for 1 million bales. The total textile exports have increased to approximately US\$ 2 billion, though export of garments have shown some decline. We are encouraging the export of value added textiles by now. We have already given export quota to the Powerlooms Associations and in near future the economically weak regions would also get export Textile Quota for the first time. Concessionary loans of Rs. 250 million will soon be provided to assist the powerloom sector. We have also negotiated with United States of America and the European Economic Community for increasing our textile quotas. Besides, export of leather garments, engineering goods and vegetables also increased considerably through various Government policies. To a great extent, the import of tea has already been linked with our exports. All these changes are quite encouraging. However, we had taken many fundamental decisions last year which will take time to mature.

EXPORT POLICY FOR 1988-89

The Cabinet has taken some further decisions to improve our export performance and I would briefly state a few of these decisions now. Details of the Cabinet decisions would, Insha Allah, be announced by me in the Press Conference tomorrow.

(1) Fundamental changes have been made in the existing scheme of Income Tax Rebates for exports. Previously export earnings were eligible for 55% income tax rebate. It has now been decided that higher value added items should be given comparatively higher rebate e.g. export earnings from textile garments, leather garments, engineering goods and electronics would be eligible for 75% income tax rebate. Cotton yarn exports would qualify for 25% income tax rebate. Earnings of all other items including fresh fruits, vegetables and cut flowers would be eligible for 50% income tax rebate. Crust leather has been subjected to export duty of 10% and wet blue leather to 50%. Export duty on raw cotton would continue. We hope that this new scheme would discourage the trend to export raw materials and semi-manufactured items and lead to export of higher value added products.

(2) Export Houses Order 1981 has been amended. Now only those Export Houses will be registered which have export earnings of more than Rs. 150 million and export performance in at least three products of Rs. 10 million each. The export Houses will be allowed to retain 5% of their foreign exchange earnings for publicity and development of export products. They will be allowed to make their own arrangements for transporting goods through cargo or chartered plane services. They will be given freight subsidy on export of vegetables, fruits and cut flowers. They will also be given various other incentives.

(3) Private sector exporters of cotton are now being allowed to make local purchase of cotton from the market and they will not be constrained to purchase cotton only from the Cotton Export Corporation.

(4) The private sector will be encouraged to export Basmati rice in packets upto 20 kgs. The minimum export price for Basmati rice would be US\$ 825/- per metric ton. The export duty has been reduced from Rs. 5,000 to Rs. 4,000 per metric ton.

(5) Imports of machinery by the export industry will be totally exempt from customs duty provided that such industry uses at least 70% of local raw materials and similar machinery is not being manufactured in Pakistan. Besides, machinery for manufacture of textiles, leather products, footwear, sports goods, surgical instruments and jewellery will have total exemption from customs duty provided that such machinery is not manufactured in Pakistan. Shoe moulds will also be duty exempt.

(6) The Government is allowing export of those new items which show surplus production in proportion to local demand e.g. the private sector is now being allowed to export blended lubricants in finished form. Similarly, various new vegetables like sweet potatoes and mushrooms etc., are being opened up for export (without the necessity of obtaining an NOC from Ministry of Food and Agriculture) considering their demand and good prices in international market and the fact that their exports will not create any shortage in Pakistan.

(7) The exporters are being given various facilities and the existing administrative controls are being abolished. Now hand-knitted carpets will not be subject to minimum export price. The private sector has been allowed to consign their goods to India directly without passing through the channel of TCP. The condition of post-shipment registration on various products has been removed. Now businessmen will be able to get credit cards on the basis of Foreign Exchange Bearer Certificates. Similarly various other changes have been introduced to reduce export controls and streamline the procedures.

(8) It is necessary not only to provide facilities to our exporters, not only to encourage them, but also to recognise the importance of their national service. Accordingly, Charimen of Export Houses, leading exporters of the year and Export Trophy winners will be entitled to VIP facilities and they will be given VIP lounge airport cards and distinctive passports.

(9) In order to increase our exports, it is imperative that Export Promotion Bureau should be re-organized. The Government has decided to convert the EPB into an independent Corporation which will be called Export Promotion and Development Corporation. This Corporation will be allocated a budget of Rs. 250 million during 1988-89 so that it can acquire services of experts in all fields of exports, undertake survey of international markets, advertise Pakistani products abroad and provide genuine assistance to the exporters, particularly the Export Houses. The new charter of the Corporation and the appointment of the Chairman will be announced shortly.

I had announced basic and far-reaching changes in the field of exports last year. Now additional facilities have been given. It is essential that the new Export Policy is fully implemented with joint efforts of the Government and the private sector.

The export target for 1988-89 has been fixed at US\$ 5.1 billion which is 15% higher than the current year. This is a promising target considering the fact that our export earnings were stuck below US\$ 3 billion for a long time. However, even this target is far below our potential and we should endeavour to exceed it in actual practice.

IMPORT POLICY FOR 1988-89

Several fundamental changes have also been made in the Import Policy for the next year. All these changes are a part of the long term trade policy which I had announced last year.

(1) We have already carried out a far reaching tariff reform in the 1988-89 budget. There is a major reduction in all import duties on raw

materials; duty on imported machinery is now between 20% to 50% provided it is not manufactured in Pakistan; protective duty is normally around 80%. It is also our objective to provide protection to the domestic products through tariffs instead of bans so that not only the industrialists but also the rights of consumers are protected and the efficiency of the productive system is ensured. In order to achieve this objective, the Government removed non-tariff barriers from the import of 146 items last year. In continuation of that policy, it has been decided to lift quantitative restrictions and non-tariff barriers from additional 162 items and they should now be regulated through protective duties. A complete list of these items is being published separately. It is hoped that this measure will ensure adequate supply of all raw materials to our industrialists and exporters. These items have been subjected to appropriate and realistic rate of import duties to discourage smuggling as well. The negative list of imports has now shrunk to hardly a few items, which are less than 1% of total imports.

(2) We have also decided that the present system for issuance of import licences should be improved. Now every import licence will be issued within 24 hours. Under the existing procedure, a letter of credit is to be established within 60 days after the issue of import licence. This period has now been extended to 180 days. The details are being published separately. The objective is to make the import licensing process easier and free of unnecessary delays.

(3) Since the trading circles face difficulties in obtaining duty draw backs we have simplified this process. Now 80% draw back will be given automatically within three days and the remaining amount will be paid after scrutiny within one week.

(4) As you are aware, overseas Pakistanis can set up industries in Pakistan from their own foreign exchange earnings held abroad. Under this

investment scheme (NRI Scheme) they can also import second hand machinery which is otherwise banned under the import policy. These imports do not involve foreign exchange expenditure from Government resources. It has, therefore, been decided that the scope of NRO Scheme be extended and the existing import restrictions are further reduced. Under this Scheme, not only industrial machinery but also machinery for agriculture, fisheries, tourism, livestock and horticulture (including Greenhouses) will be importable. The details of such machinery and the import procedure are being announced separately.

(5) Under the present import policy, certain commodities on the restricted list can be imported only by specific organizations. To facilitate the importers, it has been decided to remove additional 55 items from the restricted list which can now be imported freely by registered importers so that the right to import these items does not remain restricted to only a few specific organizations.

(6) National Tariff Commission is being constituted to provide appropriate protection to deserving industries and to ensure decisions on scientific basis. I will announce the name of the Chairman of the National Tariff Commission tomorrow in my Press Conference.

(7) As already announced during the Budget Speech, smuggled confiscated goods will be destroyed publicly. The Central Board of Revenue is separately issuing relevant procedures.

In addition to the above changes, various steps have been taken in the 1988-89 budget to eliminate underinvoicing and dumping in imports and to minimise the discretion of the customs officers. Enforcement of Import Trade Price (ITP) is one of the important measures. RMR Scheme would

now become redundant as restrictions have been removed from the import of all raw materials.

All these changes are designed to ensure free availability of raw material and machinery to the local industry without excessive duty, to provide legitimate protection to the domestic products and to make the whole system fair and equitable. We have made considerable progress towards our destination and, Insha Allah, we will remove any remaining impediments with the cooperation and consultation of the trading community.

As I stated at the outset, my purpose was to highlight certain new policies which have been approved by the federal Cabinet today under the guidance of the President of Pakistan. I will, Insha Allah, announce the details in my Press Conference tomorrow.

In conclusion, I would only like to say this to our trading community: we are rightly proud of your courage and your efforts. It is because of your efforts that Pakistan has assumed the status of a respectable industrial country in such a short time. It is because of your endeavours that our exports have been experiencing a significant increase. You have shown an unflinching determination in all ebbs and flows of our national life. The Government stands fully committed to encourage the private sector in every possible manner and there will be no change in this policy. Our only expectation from you is that your every action will be taken within the framework of national laws and national interest. If you are fair with the nation, we shall be more than fair with you.

We are confident that you will stand side by side with the Government and, with mutual cooperation, you will make Pakistan into such a State where :—

- all our people have open avenues for prosperity and employment.

- all the doors are opened for private sector investment.
- we are all judged on the scales of Islamic justice for our efforts and our performance.

I would like to conclude my speech on the same note I did last year. The success of our policies does not depend on the sole endeavour of the Government and the Ministry of Commerce. Their success requires the perspiration of our farmers, the sweat of our labourers and the courage of our traders. The Government can only create a favourable environment for trade. But the Government cannot increase production or trade by itself. For that purpose, all sections of society will have to move forward with great determination. We shall all be equal partners in this great national enterprise.

- Our goal is national self-sufficiency.
- Our strategy is encouragement of the private sector.
- Our real asset is the hard work of our masses.
- Our destination is clear.
- Our aims are high and our leadership steadfast.

Let us move forward with this spirit and determination.

God is with us.

Pakistan Paindabad.