Government extends export package for three years

The government has extended the export package worth of Rs 195 billion for the next three years. The package extended up to 30th June 2021 aims to improve the competitiveness of the textile and non-textile export sector. The package was initially approved in January 2017 for a period of 18 months (till June 2018).

The package has vitally contributed towards the turnaround in exports in FY 2018 which had been continuously declining since FY 2014.During the first ten months of the current financial year (July-April 2017-18), the exports have registered an increase of 14% compared with the corresponding period of the previous year. It has contributed an additional US$ 2.3 billion foreign exchange earnings during this period. The additional gains are estimated to be around US$ 2.7 billion by the end of the financial year 2017-18. Therefore, in order to maintain the growth momentum in exports, the ECC has extended the package for the next three years with several improvements.

This package approved by the ECC is in addition to the three other relief measures announced by the government for the export sector. In the recent budget the government has included packaging material in the zero-rating regime for sales tax in respect of the five export-oriented sectors i.e. textile, leather, sports goods, surgical goods and carpets; the government has extended the duration of Rs 3 per unit subsidy under Industrial Support Package (ISP) for another three months; and the import duty on 255 out of 484 items of raw material and machinery proposed by the Ministry of Commerce has been reduced during the Budget 2018-19.The extension of the PM's Export Package for the value-added and non-traditional products and non-traditional markets for a period of three years will provide predictability to local and foreign investors to invest in export-oriented production capacities. These components of the exports package are estimated to provide competitiveness benefits of around Rs 65 billion annually (including Rs 41 billion in a drawback of local taxes and levies) to the export sector.

The All Pakistan Textile Mills Association (APTMA) has rejected the textile package extended by the previous government, saying that would reverse the 15% exports growth. Though the previous government had assured that rebate would be offered on indigenous materials. The Association also criticised reduction in rebate and exclusion of yarn and fabric from the list. It also rejected the imposition of the duty on import of cotton from July 15 as domestic cotton production in the coming season is expected to be less than 10 million bales and the industry has to import more than 5 million bales to make for the shortage.

Presently, Pakistan is facing multiple economic challenges, including Pak rupee devaluation, slow foreign inflows, depleting foreign exchange reserves, higher inflation, as the prices of raw material had been increased manifold. Previous government announced Rs 180 billion relief packages for the export sector, but it could not be delivered completely due to bureaucratic hurdles. Under prevailing circumstances, new economic managers would be required to adopt remedial measures for smooth and long-term economic growth. Our country needs long-term economic policies for a sustainable growth. ◆