

The Impediments In Promoting Trading Activities In PAKISTAN

The trade balance of Pakistan during last five years tremble immensely with exports declined and the imports continued to accelerate. The data from State Bank of Pakistan (SBP) shows that the exports reduced from US \$ 24.8 billion in FY 2013 to US \$ 21.6 billion in FY 2017. On the other hand, imports mounted from US \$ 40.1 billion in FY 2013 to US \$ 48.6 billion in FY 2017. So a clear balance of payment crisis prevails and even gets worse with the passage of time.

The business environment in Pakistan is affected by number of factors which curb the trading activities in the

country. If we talk about agriculture sector, distribution of improved seeds and the production of tractors decreased, as a result the productivity of crops cannot be enhanced. Thus the share of agriculture sector which was 23.9 in 2010 decreased to 22.7% in 2016. The textile

sector is also losing its competitiveness in global market as growth of clothing, knitwear, carpets, towels and rugs declined in 2016-17. The production losses have compelled the traders to shutdown their factories which have also increased the unemployment in the country. India, China, Bangladesh and Vietnam are major competitors of Pakistan in textile sector where



exports of all these countries increased while Pakistan is losing its competitiveness.

The exporters are unable to attain the rebate on time which is their basic right. There is abundance of taxes which is increasing the cost of production for business community. Indirect taxation is also



major concern for traders which needs to be curtailed. Higher duties on import of raw material and machinery condense the trading activities within the country. Overvalued exchange rate is also a worry for exporters as it makes the exports costly in international market.

Energy crisis is affecting the production level and the cost of available energy is also very high. The government policies are unable to promote the trading activities within the country. Extensive rules and regulations are impediment for exporters and the policies are inconsistent in nature. The process of providing licenses is quite complex and it takes a lot of time to obtain the license, especially the pharmaceutical sector is victim of this scenario. Infrastructure is yet to be developed properly in the country as dry ports lack facilities of cold storage. In the absence of train cargo, traders are relying on trucks which are expensive. Apart from that, custom clearance process is time consuming and the mishandling of shipment by the law enforcing agencies is also a concern for traders.

It is required that government should provide the rebate to exporters on time. The tax burden should be reduced on business community so that trading activities can flourish. Then the energy crisis should be addressed at priority

basis whereas the prices of energy should also be reduced. Dry ports should be equipped with latest facilities including cold storage and inspection of consignment with computerized system to speedup the trading process. The government should involve the business community in policy making process in order to make the policies more transparent.

Farmers should be provided seeds at affordable prices and the provision should be at time to enhance the productivity of crops. Livestock sector can be develop with controlling animal diseases and establishing laboratories where vaccines can be produced that curtail the animal diseases. Import duty on cotton needs to be reduced to promote the textile sector. Export base of Pakistan is quite narrow which can be enhanced by focusing on sectors which posses the potential. Apart from that, new markets should be tapped with the help of government for which trade missions and trade fairs can be valuable to provide knowledge regarding potential markets.

Asif Javed

(email: asifjaved@sdpi.org,

twitter: [@asifjaved04](https://twitter.com/asifjaved04)) &

Syed Shujaat Ahmed

Sustainable Development

Policy Institute

(SDPI), Islamabad