POLITICAL ECONOMY OF POLICY INTERVENTIONS ON EXPORTS: THE CASE OF MANUFACTURING SECTOR

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CERTIFICATE

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Author's Declaration

I **Mr. Azhar Rafique** hereby state that my MPhil Thesis titled **Political Economy of Policy Interventions on Exports: A Case of Manufacturing Sector** is my own work and has not been submitted previously by me for taking any degree from Pakistan Institute of Development Economics or anywhere else in the country/world.

At any time if any statement is found to be incorrect even after my Graduation the university has the right to withdraw my MPhil degree.

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Dedicated

To

My Parents
and
Everyone who assisted me in learning/progress

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ABSTRACT

Policy interventions with political economic trade have strong impact on the country's economic growth. However, there are various policies, rules and regulations that has been adopted by Pakistan. Therefore, it can be concluded that Pakistan can improve its trade by giving and providing input goods and raw material at zero tariffs, giving a reasonable exemption from duties and taxes rebates to the exporters and provide a better market access through different ways like tax rebates, exemptions of taxes, export schemes providing long term trade policy. The government is trying to focus on the exports and making them as a driver of economic growth. The main target of the government is to improve the efficiency and competitiveness of the industry in the export-oriented sector and import substitution production. The structural change in the industry is an important because when government focus on structural anomalies then it creates market efficiency and reduce the cost of production. The government should provide subsidies to the textile business, reduce internal exporter disputes, eliminate withholding and sales taxes, and so forth. Purchasing new machinery, improving the quality of existing machinery, and introducing new technology can all help to increase research and development (R&D) related activities, which are critical for a country's industrial progress in the modern day.

Keywords: Economic growth, Tariff, Import substituting, Trade Policy, Market Efficiency, Structural Anomalies, Tax Rebates and Export promotion

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LIST OF ABBREVIATIONS

CD	Customs Duty
DTRE	Duty & Tax Remission for Exports
EOU	Export Oriented Unit
GDP	Gross Domestic Product
IPO	Import Policy Order
SRO	Statutory Regulatory Order
EPZ	Export Processing Zone
ISI	Import Substitution Industrialization
WHT	Withholding Tax
PIDC	Pakistan Industrial Development Corporation
RDA	Roshan Digital Account
IMF	International Monetary Fund

CHAPTER 1
INTRODUCTION

1.1 Background of the Study

Policy interventions affecting patterns of trade have a strong impact on the country's economic growth. Economic policies which have strong relations with country's basic economic growth and aligned rules of exports, create a positive impact on the economy. However, their quantity was very much limited and restricted to specific localities. At the time of partition, Pakistan had a nascent industrial sector barely contributing 4% of the total industrial output of the sub-continent. The industrial units within the geographical confines of Pakistan mainly comprised of several jute units in East Pakistan and some Cotton Ginning Factories in West Pakistan. Therefore, it was thought to develop industrial sector as rapidly as possible. Pakistan Industrial Development Corporation (PIDC) was established in 1952 to provide technical and financial assistance and establish those industries in which private sector were reluctant to invest. After the completion of industrial units of Paper, Jute, Sugar, Cotton and Cement, PIDC divested the units, and sold them to the private sector. During 50's and 60's the nation observed remarkable growth in the field of industrialization. More appropriately, the early 60s was regarded as golden period of industrial growth. But many experts are of the view that the economic and social unrest which emerged during the late 60s and in early 70s was attributed to the liberal financial incentives, protection to local industry through higher tariffs, export subsidies and maintenance of artificial exchange rate. However, the role of PIDC was shrunk after the nationalization of industrial units in 1972.

Manufacturing sector is the backbone of the Pakistan and plays important role in development of the economy. Different publications, articles and research shows that from the last decades, manufacturing sector has faced some crisis because of energy so there is a huge gap between Pakistan and foreign market industry. For overcoming this gap, Pakistan was trying to import the heavy machinery and capital goods from the international market to boost up the domestic economy. According to World Development Indicators 2017, the significance of manufacturing sector can be seen through economically and politically in the broader picture of globalization in which exports is the back pillar of any economy. During the 1960s, growth of manufacturing sector was 9.9% for taking the smooth growth. Government took some initiatives for making the growth better in 60s era and they gave the rebates, export subsidies and bonus schemes to the domestic investors for boost up the economy. In the eras of 80s, the government used the concept of denationalization to make the growth better. Different policies and rules were implemented and controlled by the Administrative to speed up the economy without investment and this era, the growth rate was slightly increases from the previous.

Textile is a main element which are supporting the Pakistan economy. This sector plays vital role in development, generation of employment opportunities and foreign exchange earnings. The share of textile industry in large scale manufacturing in Pakistan is 46%, while share of textile in total exports is 68% with the value of US $7 billion. The share of textile industry in total employment is 38%, and its contribution to GDP is 8% (Ministry of Finance, 2017). But this sector faces many problems such as wastage of resources, increase production cost, shortage of gas supply and electricity, lack of research and development, lack of loan facilities, high tariff rate, law and order situation and tax burden, etc. Textile sector is the soul of Pakistan nations, and it has faced competition from the regional players including Bangladesh, India, and Vietnam.

Pakistan is doing trade with these major partners in different project. Economic factors such as currency depreciation, increasing interest rates, and high inflation have also placed significant hurdles in the country export promotion. The shortage of skilled labour, advance technologies and infrastructure are making the Pakistan economic growth down. The role of government is to impose the trade barriers to protect the domestic producer and make a capable for competition in international market.

In international trade market, sometimes the government intervene in the market to maintain the stability and boost up the economy and to protect the specific political interest groups by implementing the policies to regulate the trade flow in international and domestic market. In country economy, we can see the government interference in market in two aspects, political and economic aspects. The state intervenes in markets when it is concerned with securing benefits for special interest groups; that can only be achieved at the expense of others. The most common reason for political based intervention is to protect domestic jobs and is accomplished by limiting trade between nations. According to Vito (2005), the protection of domestic producer from foreign influence in such cases helps maintain nation sovereignty.

In this research the political system theory will be focused, with current state of political economy along with the measures that impacts on the manufacturing sector of the country would be analysed and studied. Furthermore, the research questions would be addressed in the literature review of the study.

1.2. Problem statement

The purpose of this study is to find out the policy interventions, policy shifts and SROs, in the trade sector with the help of Export performance model. Given the fragile state of the economy to serve as an engine of growth, the political economy behind these policy interventions must be studied and challenges will be identified with the help of Content analysis of the Statutory Regulatory Orders (SRO's).

1.3. Research objectives

Following are the specific research objectives of this study:

- Find out the policy interventions, specifically SROs, in Pakistan's export sector.
- Identify the political and economic factors behind the interventions.

1.4. Research questions

The questions to be addressed by this research are as follows:

- What specific SROs have been introduced that affect the external sector?
- What is the status of the SROs introduced?
- What is the process of introducing and implementing SROs?

1.5. Significance of the study

The Pakistan economy is confronted with a myriad of challenges, and the external sector is highly susceptible to distortions introduced by policy interventions such as SROs. This study significantly focuses on identifying the scope of SROs in the export sector and find out the factors influencing such interventions. The process of these interventions is also explored through this research with the help of Content analysis. It sheds new light on a previously unexplored area of domestic economy that is crucial to ensuring our growth potential is realized. In this research, with the help of Statutory Regulatory Orders (SRO's), I will answer my objectives with Content analysis of SRO's. Moreover, the analysis that is presented in this study will convey valuable information for future research that will explore the various SROs in the Export sector of Pakistan.

1.6. Organization of the study

This thesis is organized as follows. Chapter 2 provides a historical overview of Pakistan's international trade economy in the context of previous research in this area. This provides the basis for a discussion of political economy of the Pakistan trade especially focused on the exports of manufacturing sector. It also elaborates the role of government in the trade sector internationally and domestically. The next chapter puts forward the theoretical framework that is used to answer the research questions and the methodology of the research. Chapter 4 provides a snapshot of Pakistan's exports and imports, the key trading partners, and what type of trade we are doing with them. Political Economy of Policy Interventions is discussed in the next chapter with a detailed discussion of the Statutory Regulatory Orders (SRO). Policy interventions in the form of various schemes, that were geared towards the export sector are covered in Chapter 6. Main findings and conclusions that can be drawn are discussed in Chapter 7.

CHAPTER 2
LITERATURE REVIEW

2.1. Introduction

The purpose of this chapter is to review the literature which will be attained through secondary resources. The aim of literature review is to provide effective knowledge and understanding regarding the political economy of the policy intervention on exports by considering the case of manufacturing sector. The purpose is to determine the current state of political economy along with the measures that impacts on it or is significant for manufacturing sector. The studies that reviewed will be based on manufacturing sectors, focuses on political economy and the interventions of policies on exports to result in effective outcomes.

Lugovsky et al (2016) described in his study that growth rate can be measured by the exports and imports, and he described the different factors which effect the export by taking the growth side. The first variable, Population is very important because the impact of population density is the positive impact on industrial sector because when people migrate from the village to cities then labour will be increased, and industrial facilities will be grown high, and more products will be made for the exports. The author defined another variable of exports i.e., distance. He said that there are both effects on exports and this relationship will depend on the importers condition. Skiba (2016) talked about the important component of the exports i.e., tariffs. This variable can be observed in exporting and importing countries because both countries importers and exporters bear the tariff factors and it pass through on the consumer in the form of taxes or tariffs in short or long run of the economy. The main purpose is to protect the domestic employment and promote the local industries in front of foreign markets to gain the revenue. ITC (1994) talks about trade promotion scheme in his research paper. The main purpose of this organization is to reduce the imperfection problem with aim of diversify exports such like, labelling, marketing, trade mission and quality etc.

Ballam et al (2001) stated in his research that the imports and exports of the country talks about the factual position of the country. For this reason, the government need to intervene in the market and take necessary measures and introduce some regimes for the protection of domestic producer in international market. He said that different countries use different tripods but mainly Pakistan trade policy is depending upon tariff regime such as SRO’s. Based on different regimes, every developed and developing countries wants to protect the domestic economy to impose the tariff, importing quota and antidumping policies on the international producers. These measures can be helpful in international market to compete the foreign players.

Statutory regulatory orders are playing important role as well by contributing to the alignment of the economic policy. Further development and improvement of the economic growth depends on the ground implementation of the policy, which will clearly define the economic situation. However, this section of this study discussed the policy interventions, specifically SRO’s, in Pakistan’s external sector. And further identify the political economy factors behind the interventions. The output of the policy in terms of implementation gives fruitful benefits to the economy, relevant to the rules and regulations proposed and define such like of SRO’s contributes in different format to the economy. Some sectors like manufacturing refers to those industries which are directly or indirectly involved in the process of manufacturing and processing of indulge and related items, providing the assistance to the economy in terms of value and capital addition (Adebayo et al., 2010). Industries contributing to the economy of the country, by adopting different sector policies and regulatory orders. Study suggest that the new mixed economy policy reforms were in the state of implementation, but the final stage of the policy were never implemented (Tekeste 2014). Several governments are now generally preferred to help and assist manufacturing industries by providing import and export rules protection rather than production subsidies at large scale. The structural dependency, types of industries, and the conflict management role of the governments deciding the organizational running capabilities (Andreoni and Chang, 2019). The policy changes and the conflict management depend on the government role in its priorities, active implementation results in the increase in the capital and stable economy align with future planning.

Jevons (1965) supported the above statement that in every country these factors are helpful to boost up the economy. He introduced another important variable that is political factor which plays important role in international market. In every country, political involvement in the international trade is very helpful to boost the domestic trade. He said that with the help of political factor the trading process can be smoother by the traders as a regulation and small industries can be developed by imposing the policies in the international market. In the economy, the political aspect does not mean the political parties, it talks about the rules and regulations imposed by the government in the economy to balance the trade by imposing the tariffs. Islam et al (2017), defined the term politics as an act of state to protect the interest by imposing the tariffs in the trade. Jevons (1965) defined the term of economic aspects as economics is an interconnection between the two countries to protect the interest of own economy. He explained that if government does not intervene in the economy to protect the domestic producer, then economically expert international players would have paralyzed. Thus, the political intervention in the economy is necessary to protect the economy by the international players and it helps to smooth the trading process. Balaam & Veseth (2001) discussed the government policies that if government does not impose the policies in the economy, then small and medium enterprises producer would not be strengthened. The government should implement the polices to protect the local producers to give them an advantage in the term of tax rebates, exemptions, subsidies etc.

2.2. Government interventions

The role of the Government is the important in the development of country especially in the trade sector to boost the economy and income of the people by using different policies like export and import policies. The government role is like a facilitator and provides a license to the business community to enhance the productivity of the economy. He also invests in the market to minimize the risk factor from the market locally and internationally and try to perform another role in the market through mobility of capital, movement of technicians. These measures become the country better in front of international market. The other role which is important i.e., law and regulation, when government makes regulation then our business is in legal protection.

The government intervention is necessary in the economy to maintain the trade balance and protect the domestic producers. The government intervenes in the economy through different ways like giving the exemption in the taxes to the producers, subsidies and impose a tariff on the imported products to highly protect the domestic producers in international trade. Subsidies are the important and most used element in international trade economy because it helps the producers to give subsidy on the imported raw materials

Root (2000) stated that tariff is an instrument which is used in every country to protect the domestic industries against the foreign competitors. Tariff is a tax which is imposed by one country from another country to achieve the revenue target. This is a national policy for the international market to get revenue from the products. It also used to generate the revenue for the government at domestic level. Government set the tariff rates at normal level to get better revenue from the importing products. Mitra et al (2015) conducted a study on political economy. They said political factor in the economy is very important because economy policy formulation is governed by the politically and all decision made by the political factor. The role of political economy in the international trade is very important because they have some scope of interest in the trade.

2.3. Import Substitution

Import substitution is the substitution in which the imported goods are substituted with locally produced goods to meet local demand. Bruton (1998) shows that when government intervene in the market to protect the domestic exporters then the import substitution concept is used. In 1950s and 1960s, import substitution formed the basis of economic development efforts and domestic industry in less developing countries and the growth result was appreciable. The import substitution is the tool which is used by the government to make structural changes in the manufacturing industries. The role of import substitution was observed in many countries and basic role is to produce the substitutes at local level of imported goods. Krueger (1978) found support for the above arguments in 50s, 60s and 70s the growth was achieved at sustainable level. He said the government should use the import substitution instead of imports because from this LDCs can make the industry strong. Rey and Sen (1951) stated that their different option which can be used at domestic level to achieve the development in the country.

- They can import capital goods to make the capital goods
- They can import investment goods and raw material to produce consumer goods.

Ogujiuba et al (2011) defined the import substitution as the import substitution is the protection of local infant industries through protective tariffs, import quota and special loans to local infant industries. The import substitution element is used for the protection of domestic producers by giving them a rebates, subsidies, and tax exemptions in the imported raw materials to import from the international market for the reexport. Segal (2019) supported the above definition and define the import substitution in another way that it is the economics theory that adhered to by developing countries that seek to their dependence of the developed countries. He said the import substitution is important element for the developing countries because by the help of import substitution, developing countries can easily import the raw material from the developed countries to make the export internationally.

2.4. Export Promotion Performance

Export Promotion is a tool which can be used to check the performance of export through different measures. Francis et al (2004) said that the role of EPPs is very important to achieve the better level in the international market. EPPs are the public policy measures which is used for the business community to improve the domestic industries in front of international market. Lages and Montgomery (2005) supported the above argument that from the export promotion, the domestic market goes towards better way by giving good incentives to the business community. Tesfom (2008) stated that export promotion makes the business community strong in foreign market and capable to sell the product in international market. Shamsuddoha et al (2009) described the impact of EPPs with export outcome. He said there is a positive impact on export outcomes because when government give chance to business community to invest in the business at micro and macro level then export goes high, and they can meet the foreign market requirements. Ayob et al (2014) told in his study about the factors affecting the relationship between EPPs and Export performance. He defines the three factors which told the relationship.

1. Firm demographics
2. Export strategy
3. Resources and capabilities

These three factors make the export performance good because firm demographics include the firm location, size, and capacity. Demographics are main variable for the export promotion because it decides the actual locality of the firm and where it is existed and how they distribute in the foreign market. Montgomery (2005) said that the export strategies is the key point for the firm because it decides where firm exist and how they are treated with customers in international market. Leonidou et al (2011) described the organization resource and capabilities. He said there are four things which are included in the organization resources such like, human, raw material, capital and monetary. These factors play key role in export promotion.

According to Theodosioy (2004) said that information in EPPs is important in delivering to the business community because it tells us the basic requirement, changes in the business market domestically and internationally. Seringhaus (1986) modify the point of above point. He said that the information in EPPs is not requirement for the firm because EPPs just share the information with business community, but utilization of information depends upon firm. EPPs is necessary but not be sufficient for firm to compete in foreign market. According to the Fang (2009), the market implementation capabilities are the key thing in the export performance because without this we cannot transform the resources. So, the market implementations are directly related to venture success.

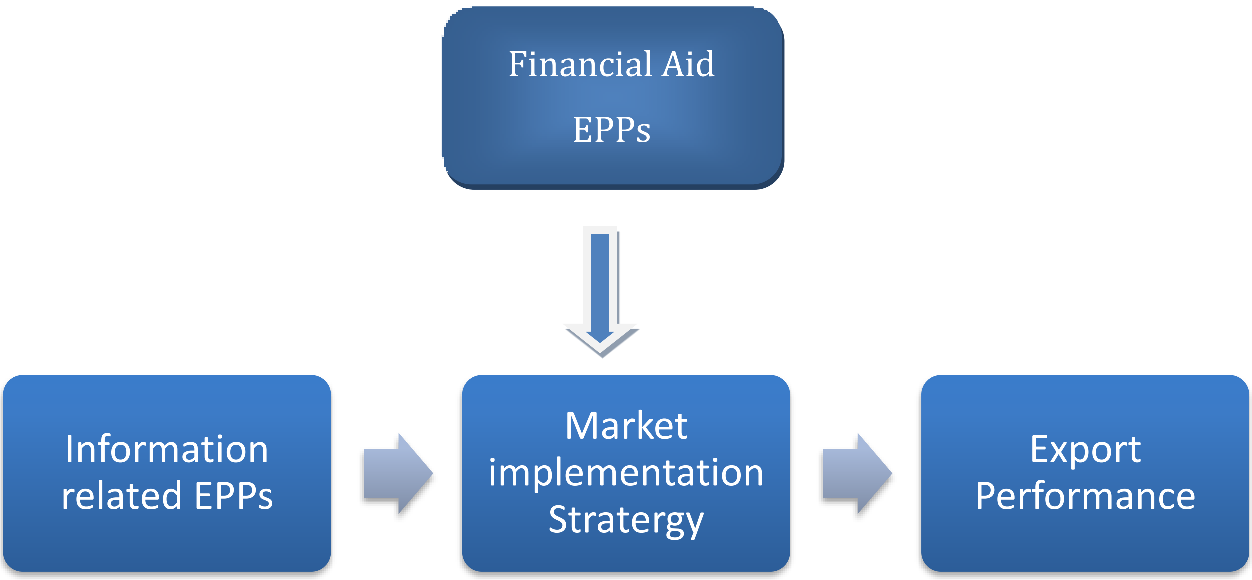

Figure 2.4: **Export Promotion Performance Model**

According to Wiklund (2005), stated that financial aid related to EPPs is important because finance is required for the promotion of export and this finance can be transformed into other resources. He said that firm can use the finance aid related to EPPs for the usefulness of information, so producer can meet the target line of export.

2.4.1 SROs and Export Promotion Performance Model

S.R.0.70(1)/2021. The order no. 70 in SROs rules is discussed about the Export oriented units and SMEs. This rule clearly defines the benefits of the exports in the form of subsidies, tax levied, withholding tax relief etc. when government announced this scheme, the especially focused was on the small and medium enterprises units because SMEs unit plays important role in the development of country economy and export performance. In export promotion model, this statutory regulatory order supports the model because market implement the strategies on the industries then government intervene in the market and make the regulations for the domestic producers to enhance the export performance. S.R.0.70(1)/2021 tell us about the tax remission scheme for the small and medium enterprises units because government gives duty and tax remission to the domestic and small exporter for playing strong role in economy.

2.5. Literature Gap

There is numerous researcher and scholars that have discussed about the different aspects of international trade and what type of strategies used by the government to boost up the economy to meet the international market. However, these strategies have rarely been highlighted in the case study of Pakistan external sector. Thus, research gap has been found in different literature and research papers that the policy interventions in Pakistan and their implications were not discussed and missed which solve the external issues of Pakistan in trade sector. This study will find out such intervention in Pakistan trade sectors.

CHAPTER 3
METHODOLOGY

3.1 Introduction

This research will frame the interaction between policy interventions in the external sector and Pakistan’s exports in the context of standard trade theory, building from the political system theory. The implementation of SROs has significant impact on the external sector of any economy, and implementation in the policy intervention on exports has modernised the industrial sector (Lučić, Boban, and Mileta, 2018). Implementation and influence of these regulatory orders can be described with the System theory.

3.2 System theory of public policy

In other terms, a political system is any system of interactions in which authority allocations are made and implemented in the form of policies and choices in any community. Public policy can also be defined as a political system's response to external pressures. In other words, systems theory views public policy as the political system's response to external pressures. The political system is made up of institutions that make authoritative value allocations that are binding on the entire society. The political system's environment is made up of institutions from the economic, social, cultural, and international systems that influence and are influenced by the political system's actions. Customers who purchase the product or service, suppliers who give supplies, employees who provide labour or management, shareholders who invest, and governments who regulate are all dependent on their environs.

In this chapter, the focus will be on the SROs and political system of Pakistan and their factors which affect the export side. I will discuss these terms with the help of system theory and tells us how these terms fit into the political system theory. The detailed explanation of political system theory will be discussed with the help of Conceptual framework. The sort of government could also be that system of interactions in any society through which authoritative allocations are made and implemented within the form of policies and decisions. Public policy can also be seen as a political system’s response to demands arising from its environment. In other words, Political system is a cyclical process where government transform the inputs into outputs for the whole society. Public policy is viewed because the response of the form of government to forces delivered to bear thereon from the surface environment. The environment surrounds the form of government. In political system theory, the government involvement is necessary in the economy because to stable and boost up the economy using different policies. The role of politics in international trade is important because every economy wants to protect the domestic producer. Different countries do the trade with the help of SROs and every country have its own Statutory Regulatory Order (SROs). In my research the major focus is on the SROs and with the help of system theory I will describe the policy shifts and intervention especially Statutory Regulatory Orders in the light of political system theory. In Pakistan, most of the trading products done through SROs. When government intervene in the trading sector, they make a policy in the form of SROs and implement on trading sector. Sometimes Statutory Regulatory Orders (SROs) makes to protect and give benefits to specific interest groups of any sector.

3.2.1 SROs and the Theoretical framework

S.R.0.70(1)/2021 and S.R.0.1301(I)/2020 discussed about the schemes which given by the government to the exporters of domestic country for the boost up the economy. Government offers financial assistance to the domestic producer through the use economic incentives in the form of rebates, duty tax remission, tax abatements and low interest financing etc. in political system theory, the government make the statutory regulatory orders to protect and boost up the specific industry and gives financial incentives to them in the form of rebates, tax remission and duty drawback etc. The main purpose to give incentives to the domestic industries is to invest in the market and take advantages from the government. From these SROs, the industries can import the input goods from the international market and reexport them.

3.3 Research Philosophy

Research philosophy is considered as the significant component of the methodology chapter (Renz et al., 2018). It is a kind of general thought or understanding which is used by the researcher during the analysis. The research philosophy for this research will be the interpretivism philosophy which will be applied in terms of analyzing the following research because the knowledge is social constructed by the human being. As the research is based on the secondary analysis, this research philosophy helps in concluding the findings in a generalized manner. Another reason using interpretivism philosophy is requirements of identification of political economic factors and SROs in a wider perspective. By using the method of interpretivism, I will do the Content analysis of SRO’s of export and analyze them.

3.4 Research Approach

The research approach is one of a most important elements of the methodology. It determines the approach through which analysis of the research will be carried. It is a kind of framework that signifies the process and findings of a research (Magenheim, et al., 2010). In an Inductive research approach, I will use the qualitative approach for the research and in this approach my focus is to use the secondary data. I will use the secondary data and with the help of Statutory Regulatory Orders, themes will be identified for the content Analysis.

3.5 Research Design

Research design is an element that signifies the type of research that indicates the process through which the data will be collected and analyzed (Magenheim, et al., 2010). It is one of the components upon which, the whole research analysis and findings are depending upon. As far as the following research is concerned, it will be inductive research approach, which will be depends on the themes and will let us know the answers to the research question with help of content analysis. The reason behind using the qualitative research design is the nature of the study aims and objectives. The exports policy interventions need to be analyzed with the data and policies which will help in concluding the findings with a broader perspective. With considering the previous literature, various economic factors and understandings could play a significant role in concluding the results.

3.6 Data Analysis

Data analysis is a major part of the research as this is a section which process the above determined approaches and frameworks (Renz et al., 2018). There are various types of data analysis which are based on the research design and approaches. The focus of data collection and analysis is from primary data. Relevant data will be gathered with considering the primary sources such as FBR, Ministry of Commerce, Stakeholders. Moreover, the secondary data will be used for the content analyses such like Google scholar, research gate, World Bank, global financial data, Google books and various other online available libraries.

3.7 Ethical Consideration

Ethical consideration plays an important role in terms of validating the authenticity and validity of a research (Magenheim, et al., 2010). In this context it is important for every research to consider all ethical research policies and roles during the conduction of a research (Renz et al., 2018). The following research will be certified from the ethical committee and will be as per the standards of the ethical research policies. Moreover, this research will only consider the valid and authentic sources through which the data will be collected. Any non-ethical information such as any type of data associated with any criminal or objectionable concern will not be considered for this research. Plus, the research findings and analysis will remain under the research scope; however, the future aspects will be the part of the research findings.

3.8 Conceptual Framework

Conceptual framework is the one that investigate and determines demonstrates the factors that the researcher is likely to rectify within the research. It is an analytical tool that is used numerous fields of work and is used in for explaining the variables of the study. In current study, the conceptual framework is designed based upon the compilation of various factors including economic and political context and drivers of better regulation and the impact on the SROs. As per the above designed figure, it demonstrates that there are two aspects which runs the country economy, first, is the political aspect and second is economic aspect. The purpose of both aspect is to protect the domestic producer and make capable for competition. When policy makers make the policies for the economy, they focused to the specific interest group to give them benefits. These interest groups used the SROs for the rent seeking and avail full and partial exemptions in taxes through the SROs.

However, according to the researcher, the data can be manipulated by understanding the conditions and current situation. In present research, there are various factors that are affecting the Statuary Regulatory Orders (SROs). Though, the factors affecting on SROs include better regulation, economic and political context, and drivers of better regulation. In political economy, the ministries and politicians make the rules, regulations, and policies for the producers to run the economy and protect them from the international competitors. Policies made to protect the domestic producers in the form of SROs in the form of rebates, taxes free environment and subsidies. In the Pakistan economy, the government made the policies to protect the specific interest groups or specific industries to boost them. My framework shows how government support the interest groups in the form of Statutory Regulatory Orders.

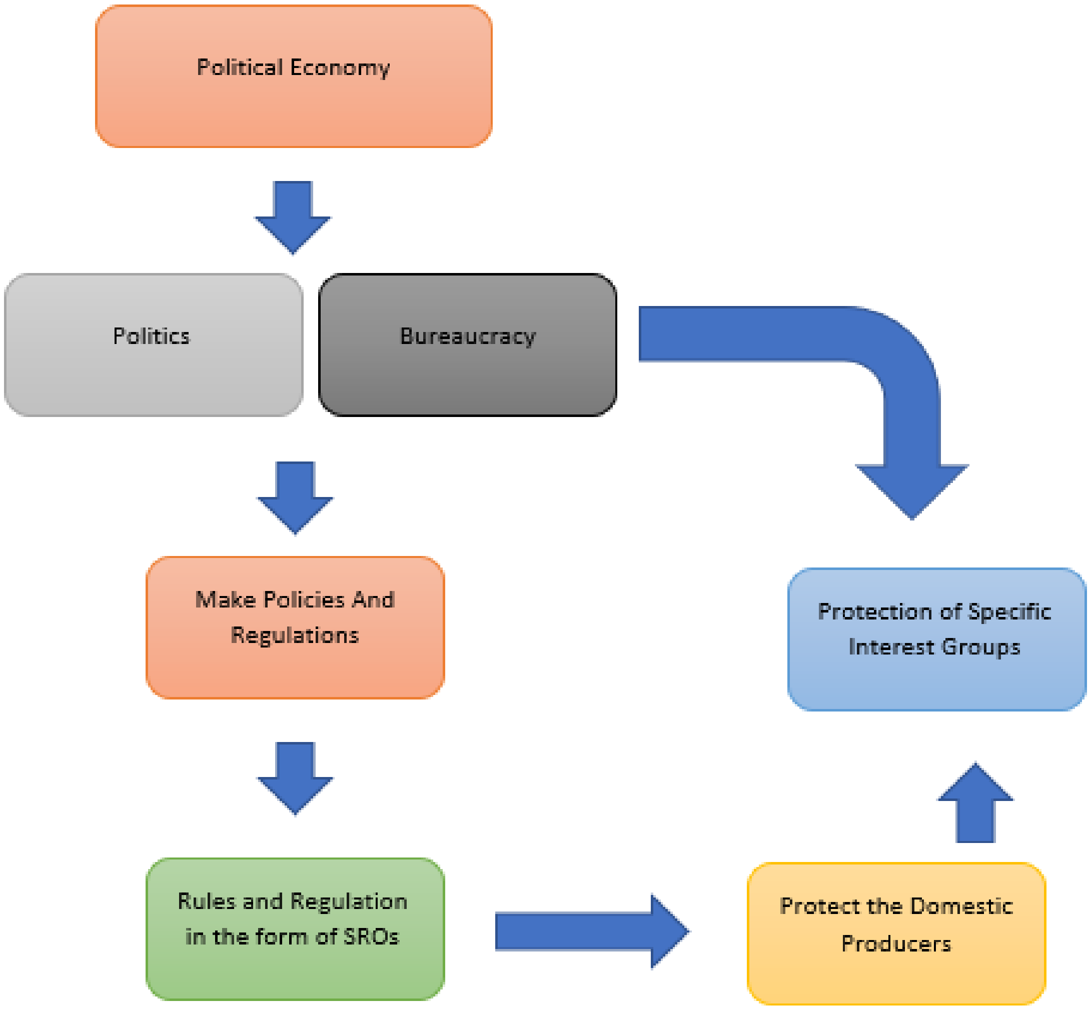

Figure 3.8: **Conceptual Framework**

3.9 Content Analysis

This framework shows the factors which affect the Statutory Regulatory Orders (SROs) and its impact on the economy. In the given picture, I have defined the categories and codes with the help of organized themes. To analyze the SROs, I will use the four themes which will answer my research questions. The four themes are Tax relief, Market Access, Political benefits to cartels and Abuse of regulations. Let discuss one by one in the light of Statutory Regulatory Orders (SROs).

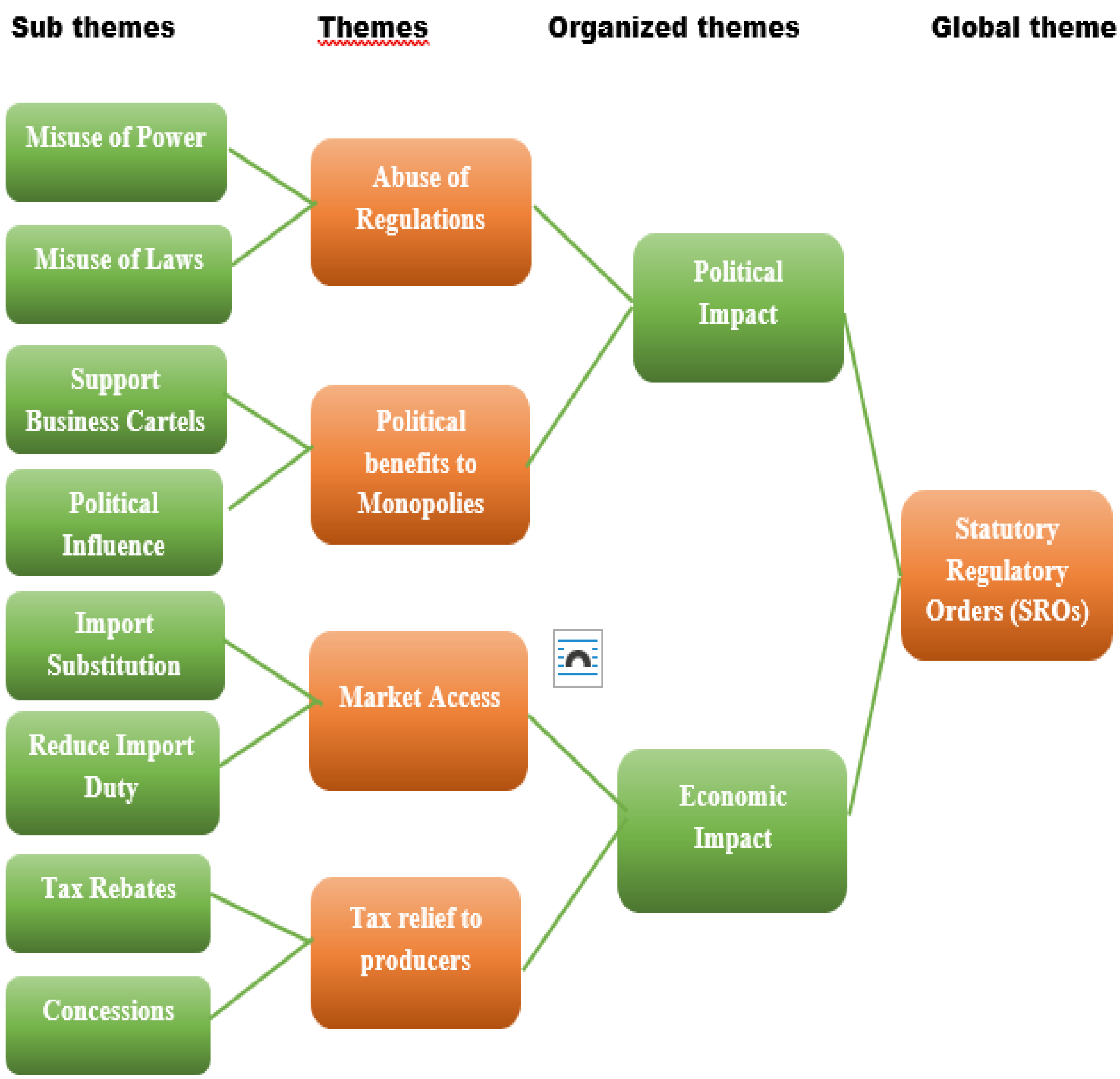

***Figure 3.9*: Content Analysis**

3.9.1 Market Access

Pakistan external sector is under growing stage and different economists and policymakers discussed the fault lines in the trade policies and find out the right direction to reverse this trend in the economy. They also focused on the low value-added export products ignoring the need of effective import substitution policy. In Pakistan, government is trying to focus on the import substitution policy instead of export promotion. Import substitution is the good slogan for the economy of Pakistan and if import substitution works then Pakistan should build the capacity to substitute the product. The government should address the problem of import substitution where we have domestic advantage. For the rising in the export, the government should provide incentives to specific industries where it sees a high potential for investment and exports. In the light of Statutory Regulatory Orders (SRO's), I will answer the themes of import substitution and reduction of import duty on the imported items.

S.R.O.775(I)2014,

> **"**The Federal Board of Revenue is pleased to authorize repayment of customs-duties, to the extent specified in column (4), paid on the importation of the raw materials specified in column (1) and used in the production or manufacture of the goods**"**.

In the SRO, the government is reducing the import duty on the raw material of imported inputs for the export of the product.

S.R.O. 565(I)2006.

> **"**The Federal Government is pleased to exempt raw materials, sub-components, components, sub-assemblies and assemblies, as are not manufactured locally, specified in column (3), imported for the manufacture of goods specified in column (2), from so much of customs-duty leviable under the First Schedule to the Customs Act, 1969 (IV of 1969)**".**

Under my analyses of SRO 565(I)2006, shows that the government allowed most of industries to import the raw material at low concessionary rate of duty are also the import substitution industries. Bruton (1998) showed in his research that when government intervene in the market, they protect the local producers by giving tax exemptions in the form of SROs. The import substitution concept is used for the protection of domestic industries.

3.9.2 Abuse of Regulations

Under the **S.R.O. 569(I)2012,**

> "The tax on payments under compulsory Monetization of Transport Facility for Civil Servant in BS-20 to BS-22 (as reduced by the deduction of driver salary) shall be charged at the rate of 5% as a separate block of income".

In this Statutory Regulatory Order, the bureaucracy misused the power by taking the benefits of itself. Bureaucracy is likewise beneficiary of those powers, e.g., S.R.O 569(I)/2012 issued on twenty sixth May 2012 imparting that authorities' officials in Grade 20-22 could simply pay 5% tax on their monetized delivery allowance as a separate block of income.

In my analysis under the above SRO's, in most of the countries politicians and bureaucracy misuse the power in the economy for only itself benefits. The obtrusive examples of abuse of delegated power through SRO's replicate in useful notifications for sugar and steel industries owned by producers in energy. In the sugar industries, most of the time the specific cartels, take the tax exemptions or subsidy from the government.

3.9.3 Political benefits to Cartels

A cartel may be a grouping of producers that employment together to guard their interests. Cartels are created when a couple of large producers plan to co-operate with reference to aspects of their market.

Under the **S.R.O. 569(I)2012**,

> "The tax on payments under compulsory Monetization of Transport Facility for Civil Servant in BS-20 to BS-22 (as reduced by the deduction of driver salary) shall be charged at the rate of 5% as a separate block of income".

In considering above SRO's, my argument is that the different specific cartels, politicians, and bureaucracy in ruling government have some influence in the economy at high level. These takes tax exemptions, subsidies, duty rebates from the government based on political influence. With the help of political affiliations in different sectors, they used the Statutory Regulatory Orders (SRO's) for itself benefits. Few years back, the crisis of sugar industry was arisen in Pakistan. In the crisis, the specific cartels of sugar industry hiked the prices of sugar and made a shortage in the local market. The government took the notice and fine out the causes of the crisis and apportion responsibility on different stakeholders. In the whole scenario, the silent spectators were the part of different influenced sectors to capture the whole economy.

3.9.4 Tax Rebates and Concession

Under the **S.R.O. 327(I)/2008**.

> "The rule may be applicable only to the units licensed as export-oriented units which are registered as manufacturers-cum-exporters under the Sales Tax Act, 1990. In this scheme the rebates to the exporters in the form of licence. This process is renewed after two years based on previous contract with exporters".

S.R.O. 1065(I)/2005.

> "The Federal Government is pleased to exempt the whole of the customs–duty and sales tax on temporary importation of goods for subsequent exportation".

In my analysis of above SRO's, the government gives subsidy or tax exemption to the exporters on the imported of raw material goods. These Statutory Regulatory Orders were issued for the textile industry except leather industry. In the year of 2013-14, the cost of exemption to the producers in the form of Statutory Regulatory orders was high in the Pakistan approximately Rs 137 billion. In later, the legislation was approved in 2015 to permanently prohibit the practice for the financial assistance from the International Monetary Fund (IMF). Nasir (2020) described the tax exemptions given to the different sectors in his study. He said the main concession was given to the automotive, fertilizer, textile, and pharmaceutical sectors.

CHAPTER 4
A TRADE SNAPSHOT OF PAKISTAN

Pakistan is doing trade with international players on different commodities. In 2017-18 the economy was not stabilized, and government introduced the policies to stabilize the economy trade. In 2019, the economy was recovered from macroeconomic imbalances. Suddenly the COVID-19 slowed down the economies of different countries as well as Pakistan economy. Government tool several policy decisions to better the economic growth with the help of NCOC such as smart lock down, rapid vaccinations etc. before COVID, population working in the economy was 66.74 million. This number was declined in COVID to 35.04 million which shows the decreasing trend in the loss of jobs in the economy. Manufacturing industry such as textile, food, beverages, and Tobacco sector shown some improvement in fiscal year 2020. In 2021 the growth rate was high at 8.99% due to high inflow of exchange through Roashan digital Account (RDA) crossed $1 billion.

The expansion of the export is important part of the economic growth and development and now a day, most debated issue in the field of trade and growth. During 1950s to 1960s, the government of Pakistan focused on the import substitution policy to promote the domestic industry and maintain the balance of payment. After 1960s, government decided to move towards the export promotion policies rather than import substitution policy. Several economists pushed for the various policies such as export promotion policy, import substitution policy etc. for the betterment of economic growth and development. From last decades, Pakistan is paying attention on the export promotion policy and have implemented different schemes and programs such as export subsidies, export bonus scheme, export licenses to encourage the manufacturing industry.

4.1 Performance and Challenges of Exports

In Pakistan, exporters are facing the different issues in export competitiveness due to high cost of doing business, tax burden, low productivity, high tariffs and lack of quality and standards. These issues are the main which create burden on the exporters. The relative share of exports in Pakistan’s Gross Domestic Product is lower as compared to other partner countries, referring to the fact that GDP growth in Pakistan has been led by consumption and imports.

4.1.1 Structure of Trade (1965-2010)

Export performance is a critical tool for creating jobs, improving the balance of payments, and raising the average income and living quality of the masses. Pakistan is attempting to enhance its exports in this direction. Only five major commodities accounted for 99 percent of Pakistan's earnings in 1948-49: raw jute, raw cotton, wool, hides, and tea. Early in the export pattern, there was a shift. Pakistan's economic policies have transitioned to a more industrialised focus. Five major commodities accounted for 93 percent of export earnings in 1951-52, but by 1958-59, that figure had dropped to 75 percent.

Export bonus schemes, which were a crucial aspect of the government's high growth rate, clearly had a favourable effect in compensating for overvalued commodities, particularly manufactured goods (Zaidi (2000). The table shows that Pakistan's exports increased at a pace of 7.7% (in constant rupees) during the 1970s; nevertheless, global inflation and international commerce caused the second half of the 1970s to be relatively high. Pakistan's export growth in the 1980s Pakistan's exports barely grew at all. During the first half of the year, the average annual rate was 6.4 percent. This crop was grown in the years 1992-1993 and 1994-1995. After exports were negatively affected on average due to the application of sanctions, export growth increased at a rate of 5.4 percent each year.

Table 4.1: ***Economic growth from 1970 to 2005***

Period	Export Growth	GDP Growth
1970-1975	27.1	5.03
1976-1980	10.6	5.78
1981-1985	1.7	6.27
1986-1990	11.6	5.38
1991-1995	6.4	4.21
1996-2000	3.0	3.36
2001-2005	5.4	5.09

Source: Economic survey of Pakistan

Exports are critical for economic growth, particularly in developing countries. It is a significant source of foreign currency revenues that may be utilized to fund imports. Initially, a country's major exports are primary commodities, whereas consumer products are imported. Exports become manufactured commodities, while imports become machinery as time passes. For the period 1960-2010, Pakistan, one of Asia's developing countries, saw the similar pattern of trade. Pakistan's economy is primarily based on agriculture. Its agriculture industry is directly or indirectly responsible for its exports. Raw jute, raw cotton, raw wool, hides, and tea were Pakistan's main exports after independence (1948-1949). By 1951, basic commodities had contributed 93 percent of overall export revenues.

However, due to a shift in policies toward industrialization, the share of primary commodities in export revenues declined to 75% by the end of the 1950s (Chaudhary & Ahmed, 2004). Pakistan's key trading partners in the early years were the United Kingdom, the United States, Germany, Belgium, Italy, and Japan (Zaidi, 2005) The average growth rate of exports in the 1970s was 13.5 percent. The trade imbalance grew at a rate of 20.5 percent on average. The increase in oil costs and unfavorable weather conditions were the main causes of the trade deficit during this period. Primary goods had a 33 percent share in 1970-71, rising to 42 percent in 1979-80. In 1970-1971, manufactured commodities had a 44 percent share, but by 1979-80, it had dropped to 43 percent. Exports grew at an average of 8.5 percent each year throughout the 1980s.

Primary commodities' share of the economy fell from 44 percent in 1980-81 to 20 percent in 1989-90. In the same period, the share of manufactured items climbed from 45 percent to 59 percent. By the end of 1989, the share of consumer items in imports had dropped from 65 percent at the start of the 1980s to 60 percent. From 0.13 percent in 1980 to 0.15 percent in 1997, Pakistan's percentage of total world exports climbed modestly. From 0.25 percent in 1980 to 0.22 percent in 1997, Pakistan's share of total world imports fell. During the 1990s, yearly export growth averaged 5.6 percent, while annual import growth averaged 3.2 percent. The average increase in the trade deficit was -0.6%.

Primary commodities accounted for 19 percent of overall exports in 1990-91, but just 12 percent in 1999-2000. Similarly, the percentage of produced items climbed from 57% in 1990-91 to 73% in 1999-2000. Imports of industrial raw materials for consumer goods have increased in recent years, growing from 60% in 1990-91 to 68 percent in 1999-2000. This demonstrates that as development progresses, the share of industrial raw materials increases, accelerating the industrialization process. (Pakistan Economic Survey, 2010). Exports grew at an average of 9.9% per year in the 2000s. The average increase in the trade imbalance was roughly 60%. In 2009-

2010, exports total $15.9 billion, up from $14.7 billion the previous year, indicating an increase of 8% over the previous year.

Import growth, on the other hand, fell by 2.8 percent in 2009-2010 when compared to the previous year. The entire decrease in import bill was due to lower international pricing, squeezed domestic demand, exchange rate depreciation, and higher cotton crop productivity. As a result, the overall image of Pakistani trade reveals that the nature of trade has shifted from primary commodities to manufactured items, while most of these manufactured goods are still agricultural commodities, particularly cotton. During the 1990s and 2000s, Yousof (2009) looked at the industrial and export structure of the Pakistani economy. He looked at the changes in export structure and composition from 1990 to 2007. Since independence, the volume of trade has expanded dramatically. In 2009, Pakistan's exports and imports accounted for 12.8% and 20% of GDP, respectively (World Bank, 2009). The five-year average exports and imports in millions of US dollars at current market values are shown.

Table 4.1.1: **Average Export from 1951 to 2010**

Year	Average Export (US million)
1951-1955	418.4
1956-1960	335.1
1961-1965	435.56
1966-1970	641.42
1971-1975	838.02
1976-1980	1,532.58
1981-1985	2,686.10
1986-1990	4,175.14
1991-1995	6,969.70
1996-2000	8,400.60
2001-2005	11,240.16
2006-2010	17,891.54

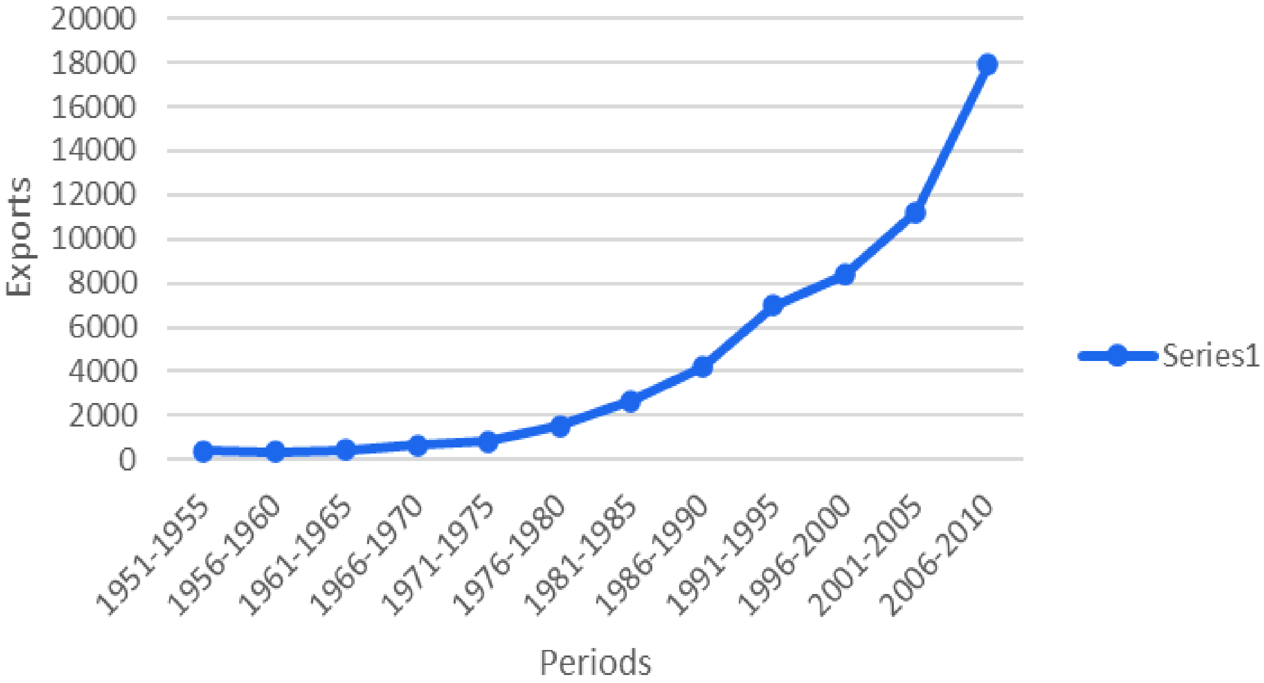

Fig: 4.1.1 **Trend in average export (US$ million)**

Exports have demonstrated a growing tendency over the period, as indicated in the table and graph above. In 1951, exports were only 418.4 million dollars, but by 2009-10, they had risen to 17,891.5 million dollars. The implementation of flexible exchange rate management, combined with the start of a trade liberalization programmed, promotion of private sector investment, development of cotton and textiles, and the adoption of direct export subsidies, led to improved export performance in the 1980s (Eken, 2001).

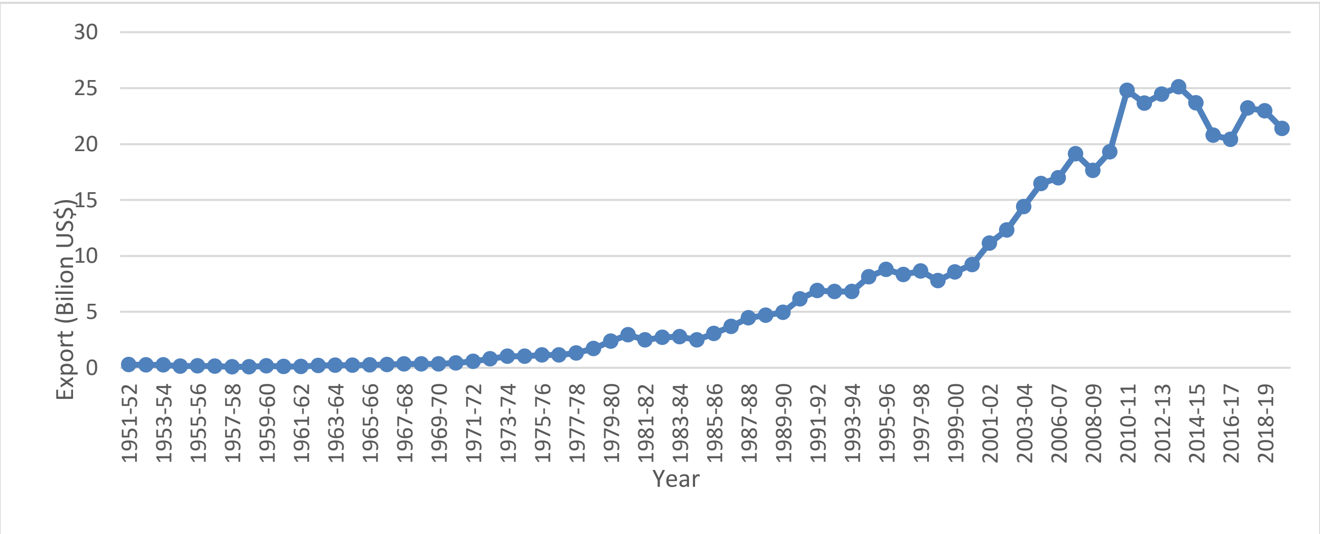

Fig: 4.1.1(a) **Historical trend of Export**

Table 4.1.1(a): Historical Trend of Export from FY1950-2020

Year	Export (Billion US$)	Year	Export (Billion US$)	Year	Export (Billion US$)	Year	Export
1950-51	0.406	**1968-69**	0.356	**1986-87**	3.688	**2004-05**	16.453
1951-52	0.279	**1969-70**	0.337	**1987-88**	4.457	**2006-07**	16.976
1952-53	0.262	**1970-71**	0.419	**1988-89**	4.693	**2007-08**	19.132
1953-54	0.254	**1971-72**	0.580	**1989-90**	4.965	**2008-09**	17.627
1954-55	0.149	**1972-73**	0.811	**1990-91**	6.167	**2009-10**	19.301
1955-56	0.160	**1973-74**	1.026	**1991-92**	6.912	**2010-11**	24.805
1956-57	0.146	**1974-75**	1.038	**1992-93**	6.819	**2011-12**	23.652
1957-58	0.091	**1975-76**	1.136	**1993-94**	6.813	**2012-13**	24.465
1958-59	0.093	**1976-77**	1.140	**1994-95**	8.141	**2013-14**	25.117
1959-60	0.160	**1977-78**	1.310	**1995-96**	8.780	**2014-15**	23.669
1960-61	0.113	**1978-79**	1.708	**1996-97**	8.343	**2015-16**	20.789
1961-62	0.114	**1979-80**	2.363	**1997-98**	8.639	**2016-17**	20.423
1962-63	0.209	**1980-81**	2.955	**1998-99**	7.798	**2017-18**	23.212
1963-64	0.225	**1981-82**	2.487	**1999-00**	8.570	**2018-19**	22.958
1964-65	0.239	**1982-83**	2.714	**2000-01**	9.225	**2019-20**	21.394
1965-66	0.252	**1983-84**	2.768	**2001-02**	11.150		
1966-67	0.272	**1984-85**	2.503	**2002-03**	12.315		
1967-68	0.345	**1985-86**	3.072	**2003-04**	14.389		

Source: Pakistan Trade Statistics

4.1.2 Exports Structure

Over time, Pakistan's export structure has shifted dramatically. Starting with raw cotton, rice, and other raw materials, semi-processed and manufactured items now account for many exports. The character of these manufactured commodities, on the other hand, has remained substantially unchanged. The average percentage share of key exportable goods in total exports is shown in the table. Cotton manufacturing has been the most exportable commodity group in the last four decades, according to statistics. However, cotton exports were low in the 1960s due to increased demand from the domestic textile industry. This was a period of rapid development, with industry booming and agriculture advancing. Since the partition of East Pakistan in 1971, the trading pattern has shifted dramatically. Raw wools, hides, and skins had all deteriorated due to increased local consumption, their importance has waned, and tea has vanished from the list of exports.

Table 4.1.2: Structure of Exports (%age share)

Years	Cotton	Rice	Leather	Sports	Other items
1960	21.5	3	4.8	0.7	66.9
1970	43	17	5.3	1.6	30.5
1980	40.68	9.56	5.18	1.56	39.2
1990	60.2	8.1	5.6	2.9	14.5
2000	57.4	7.5	5.8	2.2	23.1
2010	51.3	11.4	4.3	1.3	27.8

Source: Statistics 2010, State Bank of Pakistan

Rice exports expanded dramatically in the 1970s, accounting for roughly 17% of total exports, and the same is true for cotton manufacturing. The golden years of rapid growth in the cotton sector and downstream processing of cotton in the textile industry were the 1980s and early 1990s, which laid the groundwork for a significant increase in textile-related exports, as evidenced by a large share of cotton manufactures (60.2%) in total exports and synthetic textiles (6.6%) in total exports. Cotton production productivity grew because of the adoption of better seed, higher pesticide and fertilizer use, and the partial liberalization of the pesticide and fertilizer industries.

Table 4.1.2 (a): Classification of Exports

Years	Primary Commodities	Semi manufacturing	Manufactured Goods
1970	41	19	40
1980	28.4	18.1	53.5
1990	13.2	19.9	66.9
2000	12.6	11	76.3
2010	18	11	71

Source: Economic Survey of Pakistan 2009-10

The table shows how exports are classified economically, from primary to manufactured products. Table shows that Pakistan exports a considerable quantity of manufactured goods, however the nature of manufactured goods is a topic that has been discussed extensively in the literature. Only four industries account for more than three-quarters of manufactured exports: cotton textiles, leather products, footwear, and sporting items. The remaining one-quarter is evenly distributed throughout the other industry sectors. Cotton textiles and leather goods, two of the four primary export industries, account for over 60% of total manufactured exports.

Domestic raw materials are heavily reliant on these produced items, which are especially susceptible to weather shocks and poor harvests. The comparative advantage of the other two main industries, footwear, and athletic goods, is based solely on relative factor costs. In both industries, a major intermediate input is imported, such as rubber for footwear and wood for sporting goods. Since Pakistan's independence, the country's foreign commerce has mostly remained unchanged. Pakistan's main commercial partners in the early years were the developed countries of the West, and they are still important trading partners today. The percentage of important markets for Pakistani exports is seen in Table 4. The average percentage share of each market in each decade is used to calculate each market's contribution.

Table 4.1.2(b): Major Market of Exports (%age share)

Countries	1960s	1970s	1980s	1990s	2000s
USA	9.5	5.77	9.8	16.84	22.62
Germany	3.9	4.71	3.4	7.2	4.21
UK	13	6.67	6.07	6.98	6.12
Japan	6.2	9.2	9.8	6.12	1.07
Hong Kong	4.4	8.7	2.34	7.26	3.4
China	4.9	3.2	3.81	1.54	3.84
UAE	NA	NA	0.556	4.88	3.95
Saudi Arabia	01	4.19	5.91	3.12	2.64

Source: Handbook of Statistics, State Bank of Pakistan

4.1.3 Pakistan's Exports in 2018-19

The fundamentals of the export sector were greatly improved due to policy initiatives which were taken in the fiscal year 2018-19 to increase the export performance. To begin with, a market-based currency rate boosted export competitiveness by lowering the cost of rupee-denominated inputs such as energy, labour, overheads, and indigenous raw materials in dollar terms. Second, despite numerous rounds of policy rate increases by the State Bank of Pakistan, interest rates under export programmes, such as the Export Refinance Scheme and the Long-Term Finance Facility, were maintained at previous levels. Third, in the two supplementary budgets (in October 2018 and March 2019) and the Yearly Budget 2019-20, import tariffs on more than 2,000 raw materials used by export-oriented sectors were decreased, resulting in a Rs. 40 billion annual reliefs. Finally, the three-year extension of the Prime Minister's Export Enhancement Package was made to give export-oriented investment more predictability.

Due to the balancing impact of externalities, export growth remains sluggish despite these facilitative efforts. First, the contractionary monetary policy gradually increased the cost of capital, particularly for small and medium-sized businesses that were unable to obtain concessionary financing through export schemes. Second, as a logical corollary of weak GDP growth, the availability of exportable surplus shrank. Third, despite the Finance Act 2019-20 providing partial relief from customs charges on 1635 raw commodities, tariffs on all other imports were increased, increasing the cost of doing business for certain connected sectors. Fourth, exchange rate volatility in the first half of 2019 and the second quarter of 2020 raised exchange rate risk for exporters, because they had no idea how much rupees would be realised for a dollar when the export revenues arrived after 6 to 9 months of production.

Table 4.1.3: Cumulative Exports by Major Countries

(Million Rs.)

Countries	Jul, 2021 To Aug, 2021		Jul, 2020 To Aug, 2020	
	Value	% Share	Value	% Share
Total	742,225.95	100.00	599,254.88	100.00
1 U.S.America	164,852.99	22.21	123,987.67	20.69
2 China	65,213.44	8.79	37,619.02	6.28
3 United Kingdom	57,903.11	7.80	51,530.44	8.60
4 Germany	43,900.06	5.91	43,724.69	7.30
5 Netherlands	40,397.28	5.44	33,120.60	5.53
6 United Arab Emirates	29,629.92	3.99	24,224.47	4.04
7 Spain	29,607.73	3.99	21,173.60	3.53
8 Italy	25,694.54	3.46	18,257.02	3.05
9 Bangladesh	22,355.66	3.01	14,643.05	2.44
10 Belgium	17,901.23	2.41	16,031.72	2.68

4.1.4 Pakistan's Exports in 2019-20

Pakistan's exports suffered a major setback in FY19-20 as Covid-19 caused havoc on the world economy. Pakistan's exports, which had begun to rebound and had registered double-digit growth in February (13.2 percent month-on-month) for the first time in a long time, were unable to withstand the global economic catastrophe and local lockup, and so began to decrease in mid-March 2020. Cancelled orders, disruption in value chains, partial suspension of port facilities, and the closure of retail establishments abroad posed significant hurdles to Pakistan's exports. All of this resulted in a massive demand shock, which was accompanied by a supply disruption within the country because of the domestic lockdown.

The export goal for FY2019-20 has been established at $26.2 billion. Exports, on the other hand, fell by -6.81 percent in FY2019-20, as Pakistan's exporters struggled to meet demand in global markets and execute current orders due to Covid-19. Exports totalled US$ 21.39 billion in FY2019-20, compared to US$ 22.96 billion in FY2018-19. Export performance was satisfactory prior to COVID-19, both in terms of product diversification and destination diversification. In terms of product diversification, surgical items and medical tools grew by 8.3% from July to March FY2019-20, while the Ministry of Commerce has begun to explore new markets, particularly in Africa.

Exports reached US$ 15.6 billion in FY2019-20, up from US$ 15.1 billion the previous year, representing a 3.6 percent increase. However, because of COVID-19, exports fell 15% in March 2020 compared to February 2020, and fell much more in April 2020, to US$ 957 million, a drop of 47% compared to March 2020. Exports fell by 54.2 percent year over year in April 2020, hitting US$ 957 million, compared to US$ 2089 million the previous year. However, exports increased by 45.87 percent in May 2020 as compared to April 2020, reaching US$1396 billion. As a result, exports in FY2019-20 totalled US$ 21.39 billion, down from US$ 22.96 billion in FY2018-19, a 6.81 percent decrease. However, because to the government's efforts and progress toward a smart lockdown strategy, exports enjoyed a much needed rebound in May and June 2020. To help exporters, the Ministry of Commerce and TDAP collaborated closely with the National Command and Control Centre (NCOC) and provincial governments. Exports, which were expected to close at roughly $20 billion in FY 19-20, increased by $1.4 billion to $21.4 billion because of these efforts.

4.2 Critical Appraisal of Previous Trade Policies

Previous trade initiatives in Pakistan have failed to change the export paradigm. Due to a lack of focus and implementation of long-term structural and systemic improvements, these measures failed to alleviate supply bottlenecks. As a result, the overall policy objectives of competitiveness, diversification, product sophistication, productivity, institutional reforms, and policy environment were not met. Due to restricted execution and a lack of monitoring and evaluation mechanisms, even enterprise-level interventions in previous programmes such as duty drawback and cash transfers have not generated the anticipated effects.

The MOC had been preparing Annual Trade Policies (ATPs) until 2008. To widen the scope of the policy, establish policy continuity and predictability, the ATPs were replaced with a holistic three-year policy framework — Strategic Trade Policy Framework. The first STPF ran from 2009 to 2012, the second from 2012 to 2015, and the third from 2015 to 2018. Despite policy initiatives and the inclusion of important export development accelerators, the prior policies' aims were not met due to the following challenges:

- To successfully implement trade policy, there is a lack of cohesion and ineffective cooperation within the government. The implementation of the key enablers is delegated to several ministries and provinces.
- There is no adequate monitoring and evaluation system in place. The success of initiatives could not be guaranteed because policies were not reviewed on a regular basis.
- One of the main reasons for Pakistan's exports' persistent decrease and stagnation throughout prior trade policies was an unsustainable exchange rate.
- Pakistan's exports were also rendered non-competitive due to high tariffs on main and intermediate commodities.
- Another factor of slow export growth over the years has been the problem of fragmented industry across all exporting sectors of the country, particularly textile, because it scarcely supported export of value-added items, product innovation, standardisation, and true economies of scale.
- Inadequate funding dispersal frequently resulted in policy ideas being implemented in part or not at all. For example, just PKR 1 billion was released during the STPF 2015-18 policy term, despite a budget commitment of PKR 20 billion.
- The industry's policy advocacy is still primarily focused on gaining protection rather than boosting competitiveness and efficiencies.

- The country's exports were heavily reliant on textiles and clothes, as opposed to automobile, office equipment and communications, chemicals, and other industrial goods. The country's exports were dominated by primary and intermediate goods, rather than value-added final goods.
- There was a gap between global manufacturing and value networks and policy. Previous policies lacked a comprehensive strategy for connecting Pakistan's exports to regional and global production and value chains, as well as developing value chains in lead items, and thus failed to stimulate technical progress.
- The gap between export growth objectives and investment strategy, which resulted in a lack of investment in export-oriented manufacturing, is one of the key causes of Pakistan's recent export stagnation and decline. In prior trade policies, the policy instruments remained the same. However, in many broad policy areas, no concrete interventions were recommended, and responsible ministries/agencies were not tasked with implementing trade policy.

4.3 Pakistan’s Export Profile (Goods)

Pakistan's exports increased by 28 percent to USD 6.99 billion in Q1 (July-September) FY'22 compared to the same period in FY'21. The expansion coincides with a recovery in the world and regional economies, as countries gradually emerge from the Covid-19-induced lockdown. Second, in comparison to other nations in the region, Pakistan's Covid-19 issue has remained relatively under control, allowing for the early restoration of economic activity in the country.

Table 4.3: Exports Sectors (Trade values in USD Million)

SECTORS	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 v/s Q4 FY'21		
	July-Sep FY'22	July-Sep FY'21	% Change	July-Sep FY'22	April-June FY'21	% Change
Total	6,997	5,472	28%	6,997	6,618	6%
TEXTILE GROUP	4,421	3,470	27%	4,421	4,049	9%
FOOD GROUP	1,020	807	26%	1,020	1,063	-4%
OTHER MANUFACTURES GROUP	945	782	21%	945	896	5%
ALL OTHER ITEMS	552	367	51%	552	543	2%
PETROLEUM GROUP & COAL	58	46	26%	58	66	-12%

4.4 Sector-Wise Exports Performance

All the commodities in the group are trending downward. Due to the contraction in demand during the Covid-19 pandemic crisis, raw cotton, cotton yarn, and cotton cloth have shown a considerable fall of 16.6%, 12.5 percent, and 12.9 percent in value terms during FY2019-20 as compared to FY2018-19. Knitwear, bed wear, towels, and readymade clothes exports also fell this fiscal year, with negative growth of -3.6 percent, -4.9 percent, -9.5 percent, and -3.8 percent, respectively, compared to the previous fiscal year.

Food group (USD 1.02 billion), other manufactures group (USD 945 million), and petroleum and coal group (USD 58 million) all had strong quarters, earning export revenue of USD 4.4 billion, 27 percent increase over the same period last fiscal year. Knitwear (USD 1.18 billion), Readymade garments (USD 861 million), Bed wear (USD 803 million), Rice (USD 423 million), Cotton yarn (USD 289 million), Chemical and Pharma products (USD 362 million), Towels (USD 241 million), Made-up articles (USD 197 million), and Other textile material were the main commodities exported by Pakistan during July-September FY'22 (USD 185 million).

Table 4.4: Top export commodities showing increasing (trade value in USD Million)

SUB-SECTORS	JULY-SEPT FY'22	JULY-SEPT FY'21	% Change
KNITWEAR	1,145	861	33%
READYMADE GARMENTS	861	701	23%
BED WEAR	803	651	23%
COTTON CLOTH	557	457	22%
RICE	423	360	18%
COTTON YARN	289	170	69%
RICE(Other than Basmati)	270	239	13%
TOWELS	241	205	18%
ALL OTHERS FOOD ITEMS	221	128	73%
OTHER CHEMICALS	202	104	94%
MADEUP ARTICLES(EXCL.TOWELS BEDWEAR.)	197	173	14%
OTHER TEXTILE MATERIALS	185	142	30%
BASMATI RICE	153	121	27%

Rather than relying on the traditional five export-oriented sectors of textiles, leather, sports goods, surgical goods, and carpets, Pakistan is increasingly concentrating on diversifying markets and products. To enhance exports, the Textile sector will generate USD 4 billion in foreign exchange earnings in the first quarter of this fiscal year, while non-traditional sectors such as engineering, information technology, and other sectors will be targeted to diversify export-oriented sectors.

Table 4.4.1: Top export commodities showing decreasing (trade value in USD Million)

SUB-SECTORS	JULY-SEPT FY'22	JULY-SEP FY'21	% Change
SURGICAL GOODS & MEDICAL INSTRUMENTS	98.15	104.51	-6%
FISH & FISH PREPARATIONS	56.96	78.42	-27%
CEMENT	55.20	72.30	-24%
CUTLERY	27.86	28.05	-1%
TENTS,CANVAS & TARPULIN	21.18	28.18	-25%
GUAR AND GUAR PRODUCTS	8.11	8.31	-2%
OTHER ELECTRICAL MACHINERY	6.93	9.97	-30%
PETROLEUM PRODUCTS(EXCL TOP NAPHTA)	6.05	8.09	-25%
ELECTRIC FANS	5.69	7.37	-23%

4.5 Sector-Wise Exports Analyses

4.5.1 Textile group

Pakistan's textile industry has a huge economic influence, accounting for 63 percent of the country's exports. It is regarded as one of Pakistan's most important trade industries. It is a major contributor to the country's exports, which totalled USD 4.4 billion in the first quarter of FY'22. Knitwear, readymade garments, textiles, weaved apparel, twisting, and processing are the key exports of the sectors. Despite the global economic slowdown and weakening consumer demand, the textile sector's exports performed admirably in the first quarter of FY'22. During the reporting period, all subgroups of Textile and Clothing showed growth, except for Tent and Canvas.

During the first quarter of FY22, export figures showed an increase in the amount of major goods. Knitwear (1%), Readymade clothes (19%), Bed wear (23%), Cotton yarn (14%), and Towels all saw an increase in quantity (13 percent). When comparing Q1 (July-September) FY'22 to Q4 (April-June) FY'21, the Textile sector's exports increased by 9%. Cotton Yarn (-2%) and Towel (-2%), on the other hand, showed negative growth (-1.6 percent). The simplification of textile tariff lines is one of the causes behind the increase in textile exports. The goals of tariff line rationalisation for textile inputs and intermediate goods are to eliminate tariff anomalies in the textile value chain, gradually remove excessive protection to remove anti-export bias, and promote consumer welfare.

During FY'22, the government of Pakistan aided the engineering and manufacturing sectors through various programmes. The Export Facilitation Scheme 2021 will take effect on August 14, 2021, and it will lower the cost of doing business and tax compliance, improve ease of doing business, reduce exporters' liquidity problems by eliminating Sales Tax refunds and Duty Drawback for Scheme users, and ultimately promote exports by attracting more users. Surgical, fans, auto, light engineering, footwear, plastics, and gloves are among the SMEs that make up Pakistan's manufacturing sector. The State Bank of Pakistan, in collaboration with the Government of Pakistan, has launched an innovative initiative to improve access to finance for Small and Medium Enterprises (SMEs), with the express goal of allowing businesses that cannot offer security or collateral to access bank finance. 'SME Asaan' is the name given to this effort. Finance' or SAAF to emphasize the SME facilitation feature of this scheme to provide clean lending i.e., lending without collateral to SMEs.

Table 4.5.1: Textile Group Exports

SECTORS	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 v/s Q4 FY'21		
	Jul-Sep FY'22	July-Sep FY'21	% Change	Jul-Sep FY'22	April-June FY'21	% Change
TEXTILE GROUP	4,421	3,469	27%	4,421	4,049.0	9%
RAW COTTON	-	271	-100%	-	0.2	-1
COTTON YARN	289	171	69%	289	295.8	-2%
COTTON CLOTH	557	457	22%	557	501.8	11%
COTTON CARDED OR COMBED	1,473	-	100%	1,473	-	-
YARN OTHER THAN COTTON YARN	12.4	5.6	123%	12.4	9.8	27%
KNITWEAR	1,145	861	33%	1,145	1,040.0	10%
BED WEAR	803	651	23%	803	719.5	12%
TOWELS	241	205	18%	241	245.4	-1.67%
TENTS,CANVAS & TARPULIN	21.2	28.2	-25%	21.2	21.2	0%
READYMADE GARMENTS	861	701.4	23%	861	764.4	13%
ART,SILK & SYNTHETIC TEXTILE	108	75.6	43%	108	101.2	7%
MADEUP ARTICLES(EXCL.TOWELS & BEDWEAR.)	197	173	14%	197	190.4	4%
OTHER TEXTILE MATERIALS	184.5	141.7	30%	184.5	159.3	16%

4.6 Pakistan's exports 2020 by country

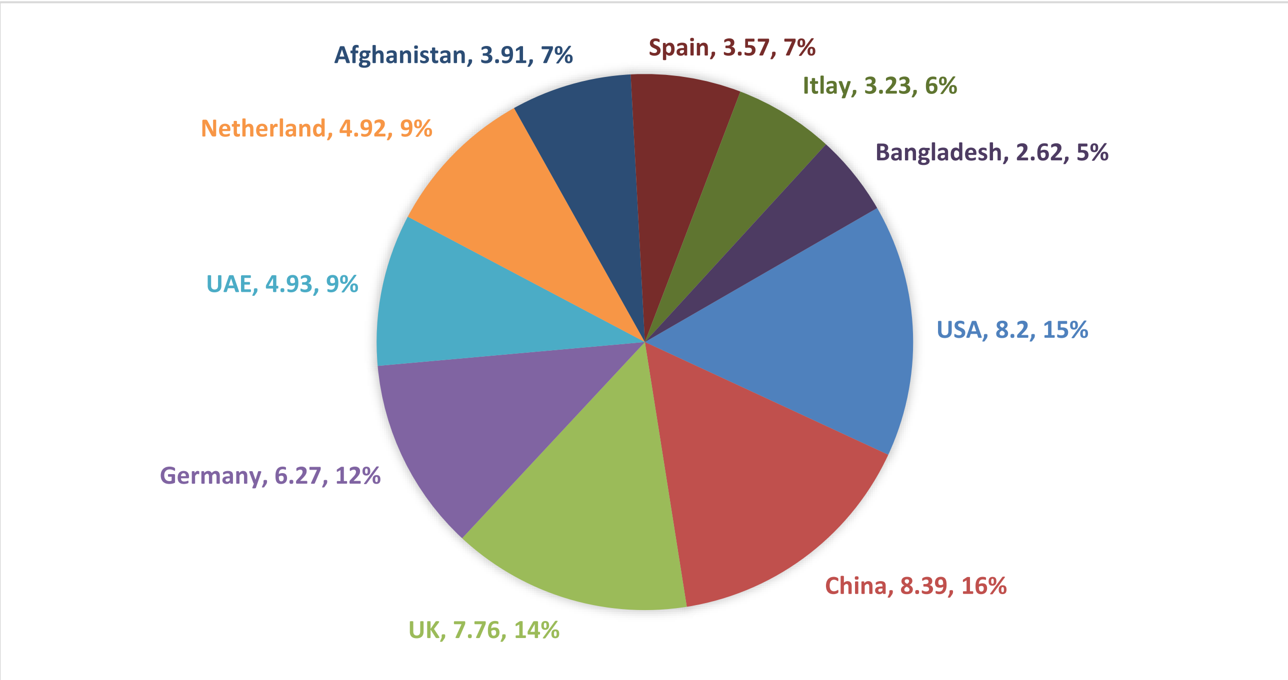

Figure 4.6: **Pakistan Exports**

4.7. Trends in Exports

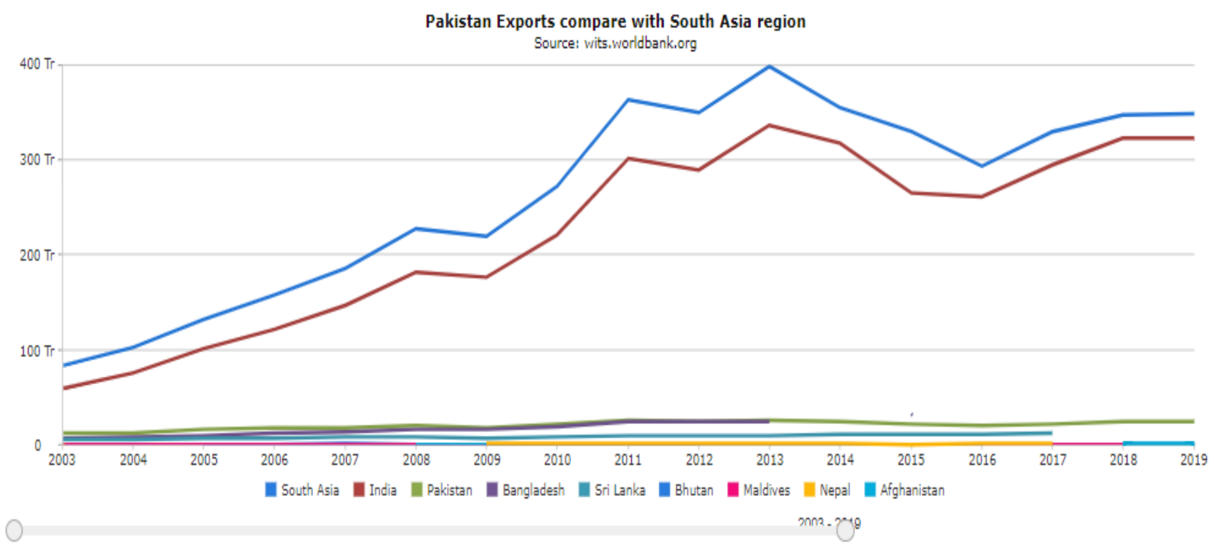

Figure 4.7: **Pakistan Exports**

Source: (WITS, 2021).

According to PBS, exports climbed by 26.9% to $ 12.4 billion in FY 2022, up from $9.7 billion the previous year. In November 2021, exports increased by 33.7 percent to $ 2.9 billion, up from $ 2.1 billion the previous year. Readymade garments (23.4 percent in value & 23.6 percent in quantity), Bed wear (23.6 percent in value & 23.9 percent in quantity), Cotton Yarn (65.5 percent in value & 13.0 percent in quantity), Cotton Cloth (22.3 percent in value & 16.2 percent in quantity), Knitwear (36.6 percent in value despite a 14.0 percent decrease in quantity), Chemical & pharma products (23.1 % in value despite a 14.0 percent decrease in quantity), Chemical & pharma products quantity). The increase in overall exports is contributed by the growth in exports of value-added goods with almost 40 percent share in total exports. There are around 194 partners that are involved in exporting whereas, the number of products that are involved are 2824. The Pakistani exports as compared to South Asian region determines that the export trading as compared to South Asia is very low that has an adverse impact on the economic condition of Pakistan.

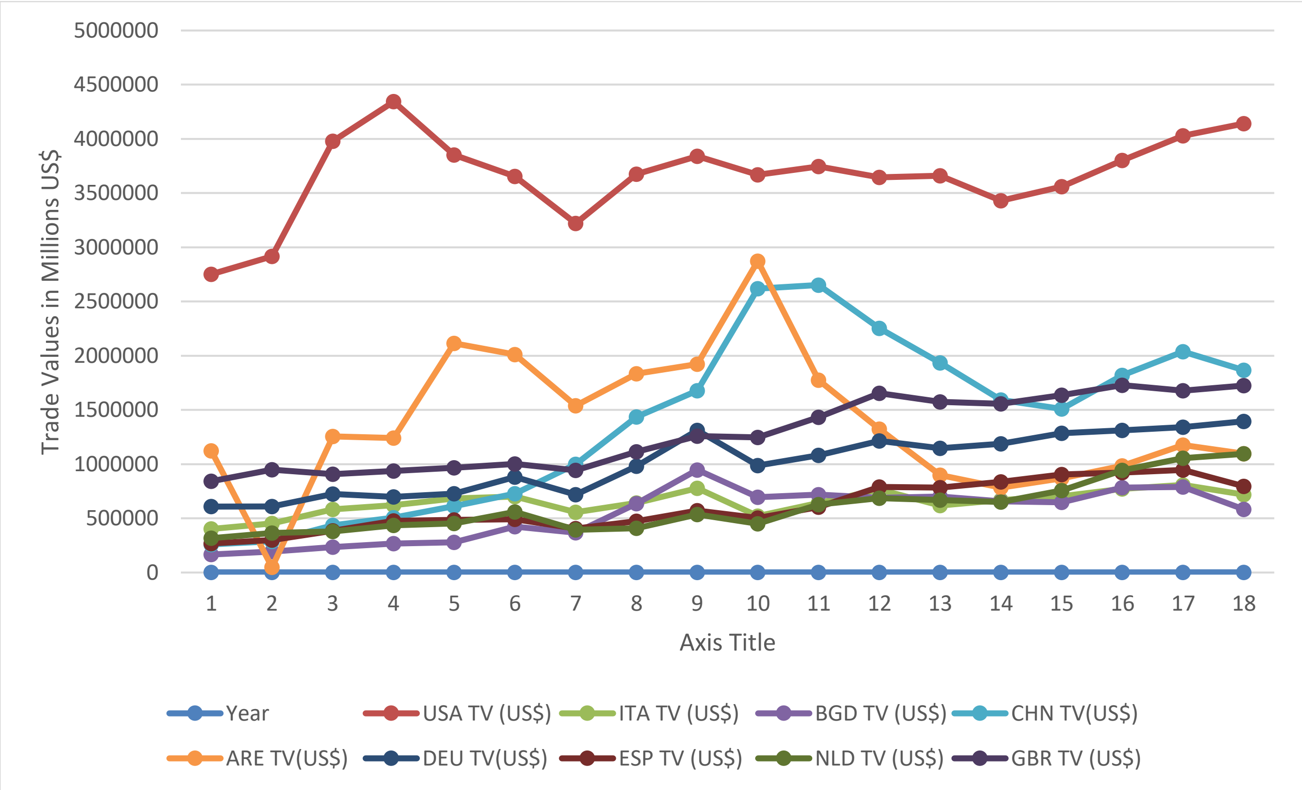

Figure 4.7.1: **Export HS Value**

Figure 4.7.1 shows that the fluctuations in the trading value show the exports from Pakistan. United State of America is import huge products from Pakistan.

4.8 Value Addition of Pakistan Export’s

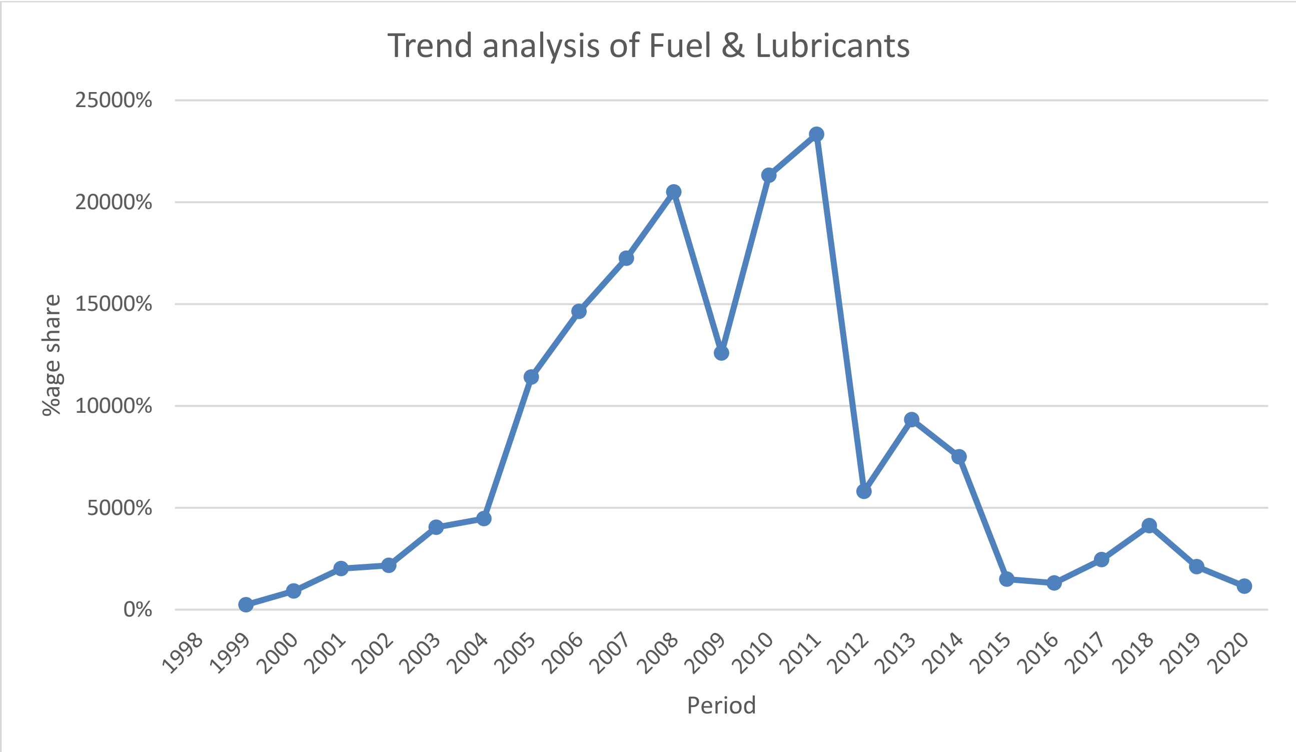

Fig: 4.8 **Trend Analysis**

Table: 4.8 Pakistan Export of fuel and lubricants to the World

Classification	Period	Trade Value (US$)	Trend analysis
BE	1998	55,88,947	
BE	1999	1,89,26,049	239%
BE	2000	5,68,21,870	917%
BE	2001	11,81,10,542	2013%
BE	2002	12,68,23,959	2169%
BE	2003	23,12,53,282	4038%
BE	2004	25,53,48,828	4469%
BE	2005	64,31,05,282	11407%
BE	2006	82,36,87,696	14638%
BE	2007	96,93,43,045	17244%
BE	2008	1,15,15,77,508	20505%
BE	2009	70,97,51,430	12599%
BE	2010	1,19,68,14,525	21314%
BE	2011	1,30,94,03,859	23328%
BE	2012	32,96,43,529	5798%
BE	2013	52,62,54,051	9316%
BE	2014	42,45,47,803	7496%
BE	2015	8,88,32,773	1489%
BE	2016	7,82,35,589	1300%
BE	2017	14,29,07,936	2457%
BE	2018	23,61,39,002	4125%
BE	2019	12,32,87,069	2106%
BE	2020	6,99,23,913	1151%

This tables data is taken for the period of 1998-2011 from the UNCOMTRADE website and data shows the product of processed fuel and lubricants. In this graph, the trend an analysis of fuel and Lubricant's shows that the export value. Graph shows the increasing and decreasing trend from 2004 to 2012.

Table: 4.8.1 Pakistan Export data of Food and Beverages

Classification	Period	Trade Value (US$)	Trend Analysis
BE	1998	1,12,99,87,794	
BE	1999	1,07,96,94,783	-4%
BE	2000	95,67,23,535	-15%
BE	2001	99,26,42,359	-12%
BE	2002	1,05,54,60,228	-7%
BE	2003	1,26,99,02,881	12%
BE	2004	1,24,91,70,745	11%
BE	2005	1,91,54,94,430	70%
BE	2006	1,98,97,26,902	76%
BE	2007	2,09,14,07,322	85%
BE	2008	3,57,99,17,042	217%
BE	2009	2,80,34,20,583	148%
BE	2010	3,46,21,10,634	206%
BE	2011	4,73,92,44,685	319%
BE	2012	3,99,54,22,507	254%
BE	2013	4,84,02,62,939	328%
BE	2014	4,52,94,27,049	301%
BE	2015	4,25,55,53,531	277%
BE	2016	3,69,31,16,597	227%
BE	2017	3,90,22,25,919	245%
BE	2018	4,73,90,68,995	319%
BE	2019	4,66,97,83,886	313%
BE	2020	4,05,23,10,291	259%

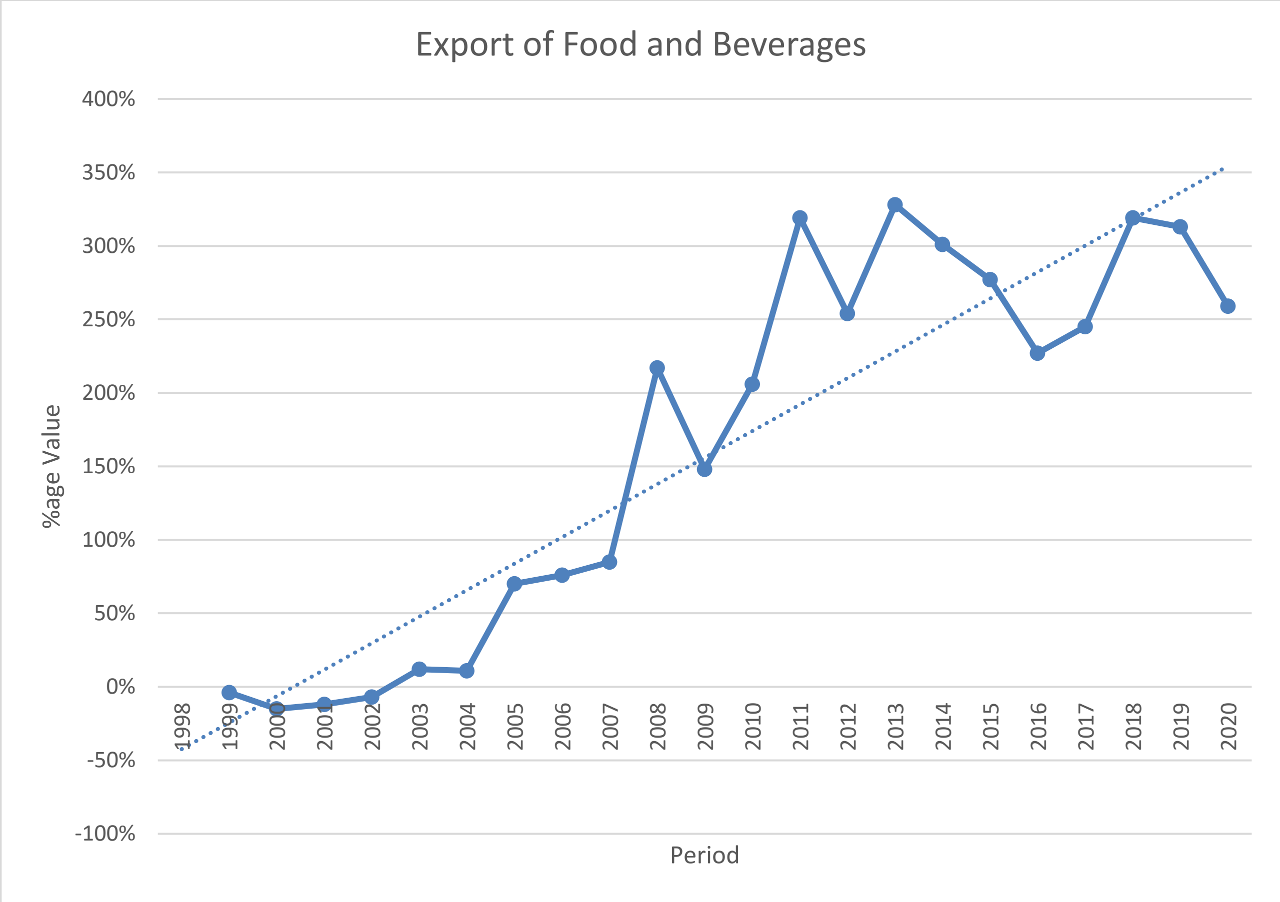

Fig: 4.8.1 Trend Analysis of Food & Beverages

In Pakistan's beverage industry, Pepsi, Coca-Cola, Gourmet Cola, and a slew of other local brands compete. Pepsi and Coca-Cola control most of the market, accounting for more than 90% of the total local market in Pakistan. In this graph, the data shows that the food and beverages trend is going towards increasing and decreasing because we have only specific products in beverages which we make with rest of the world. Most of the year, the trend line is below the linear line which shows decreasing trend.

Table: 4.8.2 Pakistan Export of Capital Goods

Classification	Period	Trade Value (US$)	Trend analysis
BE	1998	20,27,13,281	
BE	1999	20,80,00,862	3%
BE	2000	20,88,31,364	3%
BE	2001	22,80,31,316	12%
BE	2002	23,74,86,592	17%
BE	2003	26,35,17,903	30%
BE	2004	53,09,22,834	162%
BE	2005	42,35,21,494	109%
BE	2006	42,18,73,302	108%
BE	2007	89,33,57,551	341%
BE	2008	68,39,56,710	237%
BE	2009	54,59,35,781	169%
BE	2010	66,90,75,792	230%
BE	2011	57,72,48,338	185%
BE	2012	56,85,67,367	180%
BE	2013	59,31,85,835	193%
BE	2014	60,77,94,968	200%
BE	2015	59,87,82,759	195%
BE	2016	58,42,94,643	188%
BE	2017	67,70,60,746	234%
BE	2018	67,27,51,146	232%
BE	2019	72,33,21,953	257%
BE	2020	67,84,97,061	235%

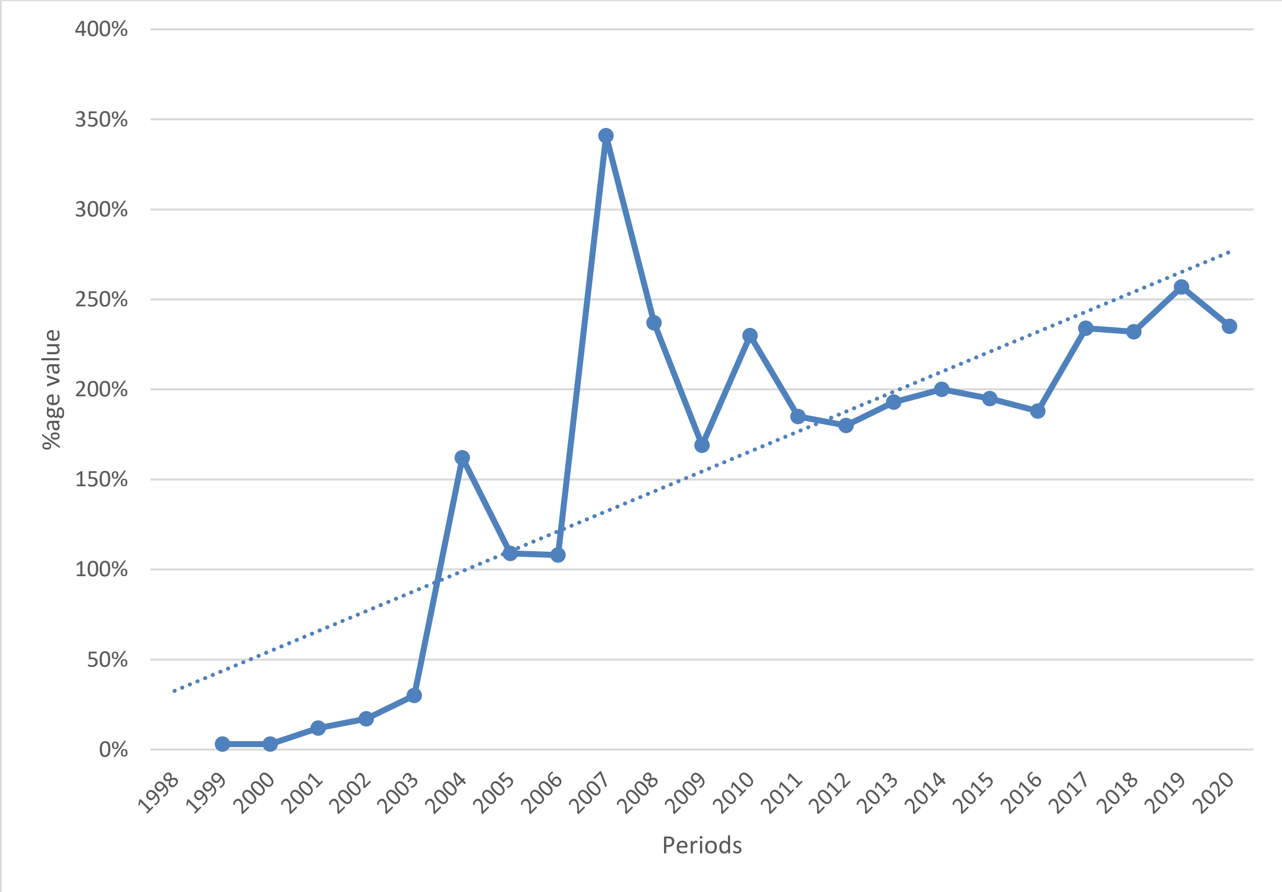

Fig: 4.8.2 **Export of Capital Goods**

In this figure, the trend period is from 1998 to 2020 and it shows that the increasing and decreasing trend of the capital goods but in most of the years, the trend seen below the linear line is in negative side and reduce the negative gap in different periods. The most positive trend is from the period of 2006 to 2010 in Pakistan where the export of capital goods increased.

Table: 4.8.3 Pakistan Export of Transport Equipment

Classification	Period	Trade Value (US$)	Trend Analysis
BE	1998	1,72,00,113	
BE	1999	3,17,59,465	85%
BE	2000	2,05,06,643	19%
BE	2001	1,68,40,975	-2%
BE	2002	2,40,85,809	40%
BE	2003	3,73,89,830	117%
BE	2004	10,39,61,680	504%
BE	2005	6,70,51,003	290%
BE	2006	10,12,79,207	489%
BE	2007	13,16,25,760	665%
BE	2008	15,12,07,545	779%
BE	2009	10,86,05,621	531%
BE	2010	14,35,64,944	735%
BE	2011	15,34,74,100	792%
BE	2012	11,15,93,440	549%
BE	2013	8,36,13,413	386%
BE	2014	13,94,71,804	711%
BE	2015	9,68,78,041	463%
BE	2016	9,46,55,495	450%
BE	2017	14,11,69,981	721%
BE	2018	15,33,34,434	791%
BE	2019	30,67,85,641	1684%
BE	2020	13,38,89,219	678%

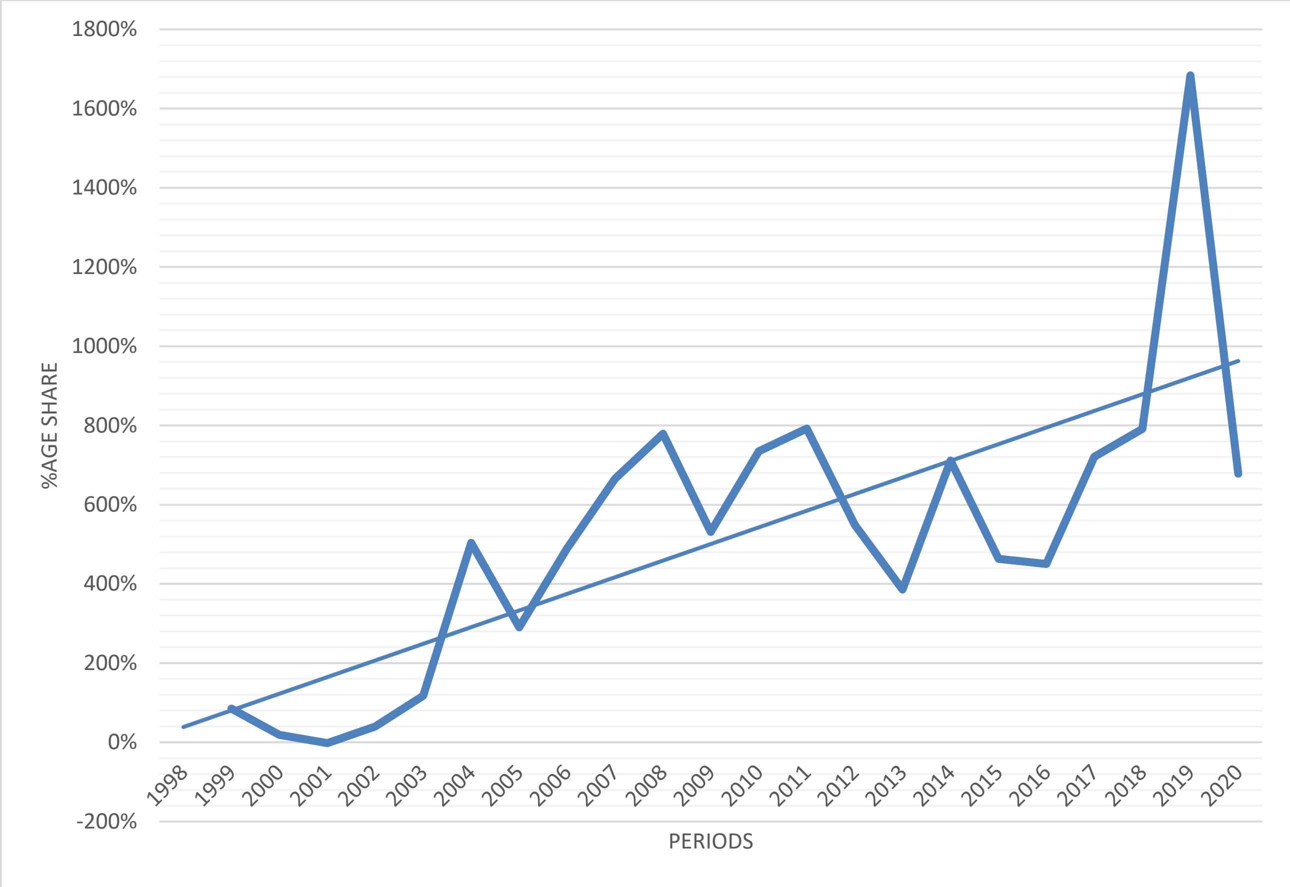

Fig: 4.8.3 **Trend of Transport and Equipment Commodities Exports**

In this table, the data was taken for the period of 1998-2020 from the UNCOMTRADE. The data shows the exports of Pakistan in twenty-two years with the rest of the world. This data is represented the Transport & equipment's. When we done trend analysis of the transport commodities and show the line of export, the data shows the increasing and decreasing trend from 1998 to 2018. But if we see that the exports were increased in 2018 and peak at the mid of the 2019. During the COVID-19, the graph of transport commodity showing decline trend because the equipment's and transport commodities were banned between the countries.

4.9 Government Initiatives for Export Facilitation

1. The Ministry of Commerce (MOC) released a total of Rs. 6 billion via DLTL programmes in August 2021. The textiles sector would receive Rs. 5.6 billion, while the non-textile sector will receive Rs. 400 million.
2. The Drug Regulatory Authority of Pakistan (DRAP) has issued new recommendations in accordance with international standards to assist manufacturers of non-sterile Personal Protective Equipment (PPEs) for medical usage. Manufacturers will be able to meet local demand as well as accept export orders for PPEs thanks to the coordinated efforts of BOI and DRAP in developing the guidelines.
3. Changes to the Foreign Exchange Manual for local and foreign enterprises operating in Pakistan were announced by State Bank Pakistan in August 2021. This would encourage foreign direct investment (FDI) and the export of digital services, as well as contribute to Ease of Doing Business.
4. MOC released fresh refunds totalling Rs. 6,000 million under the DLTL programmes for the month of September 2021. The cabinet approved the plan for contract manufacturing in the pharmaceutical industry, which comprised Rs. 5,400 million for the textile sector and Rs. 600 million for non-textile industries. It provided our pharmaceutical business with additional export and joint venture prospects. SME's can start selling their products thanks to contract manufacturing, which eliminates the need for a substantial sum of money to develop and maintain a facility. This will result in the creation of new work opportunities.
5. The Export Facilitation Scheme 2021 was to take effect on 14 August 2021 and will lower the cost of doing business and tax compliance, improve ease of doing business, reduce exporters' liquidity problems by eliminating Sales Tax refunds and Duty Drawback for Scheme users, and ultimately promote exports by attracting more users.

CHAPTER 5
POLITICAL ECONOMY OF INTERVENTIONS

5.1. Conceptualizing SROs

SRO is known as the Statutory Regulatory Orders which are the means through which the delegated legislation utilises these orders among 1893 and 1974 in UK. Statutory rules and orders begin with the Rules Publication Act 1893, for which there is no continuous way of publishing orders, regulations or other delegated legislation made by the government. Import Policy Orders and Export Policy Orders modified timely via SROs in Pakistan (PIDE, 2021b). SRO has deliberated powers on Ministers to bring forward the sections of an Act within the force to vary consequences for the felony or to provide details for the broad provisions of an Act. These SROs lies under the Act that can be evidenced with various attachments including applications, transfer, sale, and cancellation of the licenses.

5.1.1. The status of the SROs introduced

It has been observed that the philosophy of Statutory Regulatory Orders (SROs) has widely been entrenched in trading sector of Pakistan sue to the legislative powers delegated by the Cabinet through laws. Preferably, the SROs are limited by the government by framing rules and procedures for the implementation of the law (Wisnom, 2019). SROs are generally introduced when there is a need of completing the processes where the administrative body prepares them to ensure the law and regulations is applied upon each party fairly. Currently, by the Ministry of Commerce, SROs are majorly regulated in the imports and exports of goods in Pakistan.

5.1.2. Process of introducing and implementing SROs

Statuary Regulatory Order (SRO) is a process which follows a general pattern in most countries, and it is also called regulatory law, and administrative law (Mooney, 2019). These regulatory orders introduced and implemented by the authoritative leader to make a policies and decisions making that effect on every aspect of our lives. There are huge data and research available on the process of introducing and implementing SROs. According to Dostál et al. (2021) in external sector these powers are owned by federal parliament, and these authoritative body introduced and implement SROs according to provincials and state level. These authorities have delegated their powers on various decision makers such as staff, ministers, Royal

Commissions, municipalities, licensing agencies, and regulatory authority and boards. On the other hand, Rubin (2018) stated that all decisions and polices are not made by the elected bodies.

According to Wiener, (2017) SROs are implemented by an authoritative entity, and it has been delegated by numerous functions including administrative functions, in which they imply rules and regulation, licensing, and issuance of certificate. Investigative functions, in which authoritative person inspect the environmental changes and implies SROs. Ministerial functions which include the appointment or regulations of individuals to coveted public offices. According to Buzbee (2018) there are a variety of form for the implementation and introduction of SROs, it mostly implements by authoritative person in a written form such as in letter or press release with the presiding regulatory body. Sometimes communication method is also used for the suggestions from the parties to bring an appropriate policy. The Administrative Procedure Act of 1946 also stated that SROs can be implement in the form of formal and informal way.

Formal implementation of SROs is generally used for the regulation of industries, and manufacturing sector (Müller, Ibsen and Schulten, 2018). The author further stated that process of Formal SROs includes presentation and hearing of formal documentation by a regulatory commission. In contrast, Informal implementation of rulemaking in SROs, includes comments and communication. According to Ncube (2019) the constitution or authoritative grants the power to the legislative branch to implement the SROs and policies 10 related to the SROs. Then judicial and executive branch are tasked with adjudication and administration, respectively. However, over the past few years' implementation and introduction of these SROs has blurred in some sectors, and now executive branch and agencies are frequently granted for the implementation and administration for enforcing regulations.

The story of the Statuary Regulatory Orders (SROs) has become well established in Pakistan's trade sector because of the legislative powers delegated by Cabinet through laws. The government use the SROs for implementing the law. In Pakistan, administrative body prepare the SROs to ensure the fair regulations in the economy. The Ministry of Commerce regulates the export and import of goods under the section 3 of Act 1950. In this act the government can restrict, prohibit the import, and export policy orders by amendment and pass out the SROs from time to time.

5.1.3 Imposing or lifting ban on imports or exports

SROs are applicable after issuance of policy orders to bring change in the current decision. Currently, an amendment was made in Export Oriented Units and SME rules dated 18th June 2021. In this SROs, the Tax remission scheme was introduced for the domestic exporters. Exporters can easily purchase the input goods from the international market at very low rate. Most of the time the tax exemptions give to the exporters in the form of SROs which is designed and promoted for the specific industry or product. In different active SROs, the exemption was given to the exporters on the input products which imports from the international market. Sometimes SROs culture is harmful for the domestic economy and creates distortion when two tariffs' rates apply on same imported products. Since July 2006, because of some SROs, tariffs on several products were outstretched above the normal Regulatory Duty. Such situations may bring in invoicing issues.

5.2. Operative Notifications/ SROs Export

Table 5.2 Operative SRO's Export

Sr.#	SRO#	Title	Issue Date
1)	**988(I)/2021**	Amendment in SRO 212(I)/2009 dated 5th March, 2019	Jul 30 2021
2)	**784(I)/2021**	Draft of certain amendments in the Export Oriented Units and Small and Medium Enterprises Rules, 2008	Jun 18 2021
3)	**1301(I)/2020**	Khalachi Customs Station declared for Rebatable Exports	Dec 02 2020
4)	**194(I)/2019**	Draft Amendment in S.R.O 327(I)/2008 dated 29-03-2008. EOU Rules, 2008	Feb 11 2019
5)	**979(I)/2015**	Revised / Enhanced Duty Draw Back rates.	Oct 06 2015
6)	**755(I)/2014**	Federal Board of Revenue is pleased to authorized repayment of customs-duties.............	Aug 21 2014
7)	**323 (I)/2010**	Levy of regulatory duty at the rate of fifteen percent ad valorem on export of all types of yarn	May 13 2010
8)	**----(I)/2010**	Imposing of regulatory duty at the rate of twenty-five per cent (25%) ad valorem on export of waste and scrap	Mar 13 2010
9)	**888(I)/2009**	Amendment in the Export Oriented Units and Small & Medium Enterprises Rules, 2008 by FBR	Oct 15 2009
10)	**209(I)/2009** **212(I)/2009**	Duty drawback rates on export of textile and allied products Duty drawback rates on export of miscellaneous products	Mar 05 2009
11)	**210(I)/2009** **211(I)/2009**	Duty drawback rates on export of leather and allied products and sports goods Duty drawback rates on export of metal & allied products	Mar 05 2009
12)	**326(I)/2008**	Exemption from the whole of customs duties, sales tax, and federal excise duty leviable on all the goods imported into and exported from an Export Oriented Unit	Mar 29 2008
13)	**327(I)/2008**	The Federal Board of Revenue is pleased to make the rules.	Mar 29 2008
14)	**482(I)/2007**	Regulatory duty on waste and scrap.	Jun 09 2007

5.2.1 Impact of Statutory Regulatory Order

Table 5.2.1 Economic Impact of SRO's

SRO#	Conditions	Economic Impact
988(I)/2021	• Application for repayment of custom duties can be presented within seven months • Exporters filed the declaration form under section 131.	Investment increase Exporter Promotions
784(I)/2021	• Applicable on the export-oriented units which are registered as manufacturing cum exporters	Boost the SMEs industry
1301(I)/2020	• Rebates to the textile industry except cement industry	
755(I)/2014	• Imported raw material will be made on the specific formula furnished by the FBR • Proper maintenance of records according to FBR formula given • Application for repayment of custom duties can be presented within seven months	Check and Balance through FBR
323 (I)/2010	• Exporters also registered as manufacturers • For re exportation of goods the producer shares the evidence to the collector • Importer shall submit a bank guarantee along with post-dated cheque	Secure trading system in the economy
----(I)/2010	• Rate of twenty-five per cent (25%) ad valorem shall be levied on export of waste and scrap	Environment efficiency increased
888(I)/2009	• 50% of its production as an engineering unit to other countries for the first three years	Production of engineering products high
209(I)/2009 **210(I)/2009**	• Application for repayment of custom duties can be presented within seven months	Flow of trade enhance, and producer import the raw material with good investment
211(I)/2009 **212(I)/2009**	• Application for repayment of custom duties can be presented within seven months	
327(I)/2008	• Applicable on the export-oriented units which are registered as manufacturing cum exporters	Promote small exporters
482(I)/2007	• rate of twenty-five per cent (25%) ad valorem shall be levied on export of waste and scrap	Reduce the environmental issues

5.2.2 Duty drawback rates on export of miscellaneous products

S.R.0.988(1)/2021. The following draft was issued in under Notification No. S.R.0 212(1)/2009 dated the 05th of March 2009 and amendment was made on 30th July 2021. This SRO is especially made for the Misc. product such like packing products and plastic material. Under these notifications the exporters can presented the application for repayment of custom duty within seven months. Secondly, the exporters can file the declaration form on the imported raw materials under the section 131 of the custom duty.

Under the agreement with IMF, the Government of Pakistan started the phase out concession given to 157 industries which were imported the raw materials from different countries through SRO 565(I)2006. The government started first phase in 2014 and 98 industries were withdrawn. In 2015, 24 industries and in 2016, remaining 25 industries were withdrawn from this SRO. In the past, the government allowed to industries to import the raw material at normal concessionary rate of duty to avoid the anomalies in the statutory rate of duty of input and output of various industries. But sometimes, these concessionary rates misused or abused by the unauthorized to the use of imported raw material at concessionary rate. This act will not affect the competitiveness of the industries but ultimately reduced the revenue of the government.

Under the analyses of SRO 565(I)2006, shows that the government allowed most of industries to import the raw material at low concessionary rate of duty are also the import substitution industries. Bruton (1998) showed in his research that when government intervene in the market, they protect the local producers by giving tax exemptions in the form of SROs. To protect the domestic producers, the import substitution concept is used in the developing countries because government allows the domestic producers to import the raw material from the international market and produce the product at local level.

5.2.3 Amendments in the Export Oriented Units and SMEs Rules, 2008

S.R.0.70(1)/2021. The following draft was issued under Notification No. S.R.0 327(1)/2008 dated the 29th of March 2008 and amendment was made on 18 June 2021 and the major focus was on the small and medium enterprises units. This notification is only applicable on the export-oriented units which are registered as manufacturing cum exporters under sales act 1990.In this notification the focus was on the Duty & Tax Remission scheme for Exporters. A manufacture cum exporters can take the license and analysis certificate from the Regulatory authority to operate the small and medium enterprises units in the economy. Under this scheme, every exporting sectors can avail this scheme and take part a role in the export boost. This scheme allows to the exporters to sell 20% of their annual production in the local market on the payment of duties.

After few years, this scheme was started for engineering sector and this sector can sold the 50% of their annual production in the local market for the three years. The exporters can import July 2007. Under the analysis of Statutory Regulatory Order (S.R.0.70(1)/2021), my analysis shows that the government gives concession to most of the manufacturing industries in the form of duty remission scheme and this scheme indicated the import substitution.

5.2.4 Khalachi Customs Station declared for Rebate Exports

S.R.0.1301(I)/2020. The following draft was issued in under Notification No. S.R.O 102(I)/83 dated the 12th of February 1983 and amendment was made on 2nd December 2020. This S.R.O is focused on the rebates scheme for the exporters. The purpose is to repay the customs duty on the imported inputs to the manufacturing of exports. Export tax rebate is the important trade policy to reduce the burden of taxes on the exporters and promoting exports in the economy. This scheme entails the refund of value added tax on the production of exported goods. Under the analyses of S.R.0., my analyses shows that the tax rebate scheme is fruitful for the industry specifically for the major exporting products because they increase the output level of the economy. Liu et al (1998) analyzed the effect of export tax rebates in his study. He supported the above argument that this scheme expands the domestic output, promote export.

5.2.5 Draft Amendment in S.R.O 327(I)/2008, EOU Rules, 2008

S.R.0.1301(I)/2020. The following draft was issued in under Notification No. S.R.O 102(I)/83 dated the 12th of February 1983 and amendment was made on 2 December 2020. This S.R.O is focused on the rebates scheme for the exporters except the cement industry. The purpose is to repay the customs duty on the imported inputs to the manufacturing of exports.

5.2.6 Revised / Enhanced Duty Draw Back rates

S.R.0.979(I)/2015. The following draft was issued in under Notification No. S.R.0 209(1)/2009 dated the 05th of March 2009 and amendment was made on 11th February 2019. The focus was on the duty exemption scheme to exports. Duty exemption scheme enable duty free import of inputs requires for export production. This scheme was provided to the exporter based on export performance or based on previous contract orders. indirect exporters, commercial exporters can avail this scheme and next year, the permit of the exporters will be renewed based on previous year export performance. This scheme in the S.R.0.979(I)/2015 allows to procure zero percent local manufactured inputs to use in the production of finalized goods. For the sake of exports, this scheme allows duty free taxes on the imported goods.

5.2.7 FBR authorized to repayment of customs-duties

S.R.0.775(I)/2014. The following draft was issued under Notification No. S.R.0.775(I)/2014 dated the $21^{st\ of}$ August 2014. In this notification the main purpose is to give duty exemption to the exporters and exporters will make a manufacture goods with specified formula given by the FBR. The raw manufacture products would be made on the specific formula which provided by the Federal Board of Revenue and proper record will be maintained. They can also present the declaration form to the custom duty within two hundred ten days only and claim will be on the face value of shipping bill.

5.2.8 Levy of regulatory duty on export of all types of yarn

S.R.0.323(I)/2010. The following draft was issued under Notification No. S.R.0 492(1)/2009 dated the $13^{th\ of}$ June 2009 and amendment was made on 13^{th} May 2010. This notification was issued for Yarn production industry and no regulatory duty will be levied on the export of yarn industry. In this notification, the exporters will be registered as the manufacturing in the industry. If the exporters import the imported raw material for the export purpose, then they will provide the evidence to collector and they will give the security bond as evidence in the bank. Physical inspection is necessary for the exemptions. The exporters will export the imported goods from the market after due processing within the 18 months of import. The exporters can take the extension from the regulatory authority for the six months on the surcharge of 1%.

5.2.9 Imposing of regulatory duty on export of waste and scrap of copper

S.R.0. (I)/2010. The following draft was issued in under Notification No. S.R.0. S.R.0. (I)/2010 dated 13^{th} March 2010. The federal government applied a duty of 25% ad valorem on the export of waste scrap, copper, and aluminium products under the classified HS Codes.

5.2.10 Duty drawback rates on export of textile and leather products

S.R.0.209(I)/2009. The following draft was issued in under Notification No. S.R.0.955(I)/2007 dated the 17th of September 2007 and amendment was made on March 15, 2009. The manufactured goods exported from outside the Pakistan and an application for custom duties is presented to the collector officer within seven months of such exportation.

5.2.11 The Export Oriented Units (EOU) and SME Rules, 2008

S.R.O. 327(I)/2008. This notification was issued on dated 29th March 2008. This rule was made for the small and medium enterprises units. Small and medium enterprises mean a manufacturer having a facility in house located in Pakistan tariff area. Custom Regulatory Authority will issue the license to the exporters for the import of inputs goods. s. The amounts of customs duty, sales tax, federal excise duty and income tax involved on clearance of imported input goods will be secured by the regulatory authority.

The main objectives of EOU Scheme are summarized under:

- To promote the exports in the country
- Enhance foreign exchange earnings
- Attract foreign investment for export production
- Generation of employment
- Attracting latest technology into the country
- Upgrading the skill and creating source of skilled manpower

CHAPTER 6
POLICY FRAMEWORK

6.1 Introduction

There are various policies intervention has been taken for the promotion of export and they have been discussed by different researchers and scholars (Saga et al., 2020). Sullivan and Hausman, (2017) in his study identify the role of state, its polices and action has a significant impact on the implementation of SROs. On the other hand, Radaelli (2020) stated that better regulation agenda is vital for the implantation and introduction of SROs. The author further stated the emergence of reforms in the public service, and the publication 9 document policies by government will led to success of implementation of SROs. According to Komen et al. (2020) economic context and drivers of Better Regulation also has a significant influence on the implementation of SROs. Moreover, it has been adopted by many authoritative bodies for the stability and implantations of SROs. On the other hand, law simplification and accessibility has also significant influence on the implementation of SROs.

6.2. Interventions for Export Promotion

The government intervene in the trade sector of economy by giving them different reliefs and rebates in the import and export sector. Export interventions are export quotas, export subsidies and tax etc. Export quotas are the quotas imposed on the products which imported from the international countries. Government imposed quotas on specific products to enhance the domestic exports in international market. Producers can import the products with specific amount. The government of importing countries to protect their producers from unfair competition by imposing a tariff against the exporters. Government should use subsidy to support the firms until domestic firms stabilized.

6.3. Export facilitation schemes

Federal Board of Revenue (FBR) is the institution which enhance the potential of the tax system to gather due taxes through application of recent techniques, providing taxpayer assistance and by creating a motivated, satisfied, dedicated and professional workforce. The role of FBR in the trade sector is very important because the trade between different countries done through Statutory Regulatory Orders (SROs) which imposed and issuance by the FBR. SROs are the orders which passed by the ministry of finance to exempt or concession in the federal and provisional tax code. Every country has its own SROs to protect the domestic producer. Now in Pakistan, FBR issued different schemes by using the Statutory Regulatory Orders to protect the Pakistani domestic producer. They have introduced different export schemes and names are following:

1. Manufacturing Bond Rules - SRO 450(I)/2001
2. Duty and Tax Remission for Exports (DTRE) Scheme
3. Export Processing Zone (EPZ) Rules
4. Export Facilitation Scheme 2021 - SRO 957(I)/2021

6.3.1. Manufacturing Bond Rules - SRO 450(I)/2001

Under the SRO 450(I)/2001, issued on dated 18th June 2001. Manufacturing Bond Scheme provides warehousing facility without payment of import duty, sales tax, FED, WHT on import of raw materials required for the manufacture of export goods. A manufacturer-cum-exporter having in-house production facility is required to seek license for operation of manufacturing bond for importation of raw materials required for the manufacture of finished goods meant for exports. The scheme facilitates a manufacturer-cum-exporter who has a license to operate a “manufacturing bond” (warehousing) for importation of duty/taxes free input goods used in the manufacturing of finished goods for subsequent exports. The input goods imported under this scheme are not limited to a certain sector, rather all exporting sectors can vail the facility. The scheme further facilitates exporters by allowing sells up to 40% of their annual production of finished goods in the local market after payment of duty and taxes. The Central Board of Revenue (CBR) has allowed export of goods manufactured under the 'Manufacturing Bond Scheme' to any country through land route. The rules have specified that input goods for production of finished goods consistent with the specification approved within the Analysis Certificate shall be procured by the licensee of a producing bond. The input goods could also be imported by the licensee without payment of custom duty, central excise duty and nuisance tax after declaring on the bill of entry that input goods are being imported under manufacturing bond for manufacture of export goods.

6.3.2 Duty and Tax Remission for Exports (DTRE) Scheme

Under the SRO 450(I)/2001, issued on dated 18th June, DTRE Scheme provides suspension of import duty, sales tax, FED, WHT on acquisition through import and local purchase of input goods required for the manufacture of output goods meant for exports. An exporter is required to seek prior permission from concerned Customs Collect orate before importation of required input goods on submission of financial security, which is released on submission of proof of export. Commercial exporters are also eligible to avail this facility for same-state export of locally purchased input goods on submission of bank guarantee. DTRE scheme entails non-payment of duties/taxes at import stage on input goods, therefore, no duty drawbacks are claimed on subsequent exports. The scheme is provided either based on export performance or based on past or existing contract orders. Therefore, it can be avail by manufacturers, indirect exporters, commercial exporters, contracted vendors of foreign manufacturers or foreign buyers. Under performance based DTRE, the approval in the base year is granted on the anticipated value of exports as mentioned by the exporter in the application. While in the second year the permit is granted subject to increase in exports as compared to the first year. It also allows to procure zero rated locally manufactured input goods from a registered supplier to use in the production of goods for exports. further, it covers supplies made by an indirect exporter to a direct exporter, supplies made against international tenders and supplies to projects or sectors, and export processing zones, entitled to import or purchase such imported input goods free of duties and taxes.

6.3.3 Export Processing Zone (EPZ) Rules

An export processing zone is one of trade policy instrument which is used to promote the nontraditional exports. Export processing zone do not play outsized role in the exports of the economy. Export processing zone was the popular instrument in 1950s and under the OECD the 500 processing zones were in 73 countries.

The first goals of an export processing zone are:

1) To provide exchange earnings by promoting non-traditional exports.
2) To provide jobs to alleviate unemployment or under-employment problems within the country and assist in income creation.
3) To draw in foreign direct investment (FDI) and engender technological transfer, knowledge spill-over and demonstration effects that might act as catalysts for domestic entrepreneurs to interact in production of non-traditional products.

6.3.4 Export Facilitation Scheme 2021 - SRO 957(I)/2021

Under the Statutory Regulatory Order 957(I)202, issued on dated 09th July 2021 and this scheme was issued for the facilitation of exporters in the economy. Before this scheme, different schemes were running under the SROs like Manufacturing bond, DTRE, Export oriented schemes. After issuance of this schemes the remaining schemes will be continuing for the two years. Manufacture exporters, Commercial exporters were facilitated from this scheme and authorization of inputs will be done by the Collector of Customs and Director General Input Output Organization. Under this scheme, every domestic producer can import the raw material from the imported countries and no duty and tax will be levied on them. The tax-free raw material includes spare parts, equipment, and machinery.

6.3.5 The Export Oriented Units (EOU) and Small and Medium Enterprises Rules, 2008

S.R.O. 327(I)/2008. This notification was issued on dated 29th March 2008. This rule was made for the small and medium enterprises units. Small and medium enterprises mean a manufacturer having a facility in house located in Pakistan tariff area. Custom Regulatory Authority will issue the license to the exporters for the import of inputs goods. The amounts of customs duty, sales tax, federal excise duty and income tax involved on clearance of imported input goods will be secured by the regulatory authority.

6.3.6 Temporary Importation Scheme - SRO 492(I)/2009

S.R.O 492(I)2009. This rule was implemented in 2009 and the major purpose is to exempt the manufacturer cum exporters from the custom duty and sale tax in textile sector, surgical instruments, stationery items and manufacturing products. This rule is very easy and simple.

6.4. Policy Recommendations

Trading of Pakistan with the world has played a central role in its development since the founding of the state. The importance of world trade has been said to be because every agricultural country need capital and processed intermediate products and must engage in foreign trade to import these products (Sága et al., 2020). However, the commercial sector that is not well-known has been unusually involved in Pakistan's financial development, to a large extent, given the demonstrable circumstances at the time of the country's foundation and the actual, initial, and long-term global financial situation.

There have been many discussions about how COVID-19 could slow down the interaction of globalization. However, the truth is that the return of supply chains to their home countries is detrimental to their financial well-being (Komen, et al., 2020). The modern technology recently declared 'Make in Pakistan' depends mainly on Pakistani manufacturers being able to procure inferior materials and transition services at world market prices. From the perspective of potential N95 protective cover manufacturers in Pakistan, for example, this would mean an end to tariffs, administrative fees, and additional traditional duties on dissolvable blown fibers, which currently remain at 12% (Radaelli, 2020).

Furthermore, if make in Pakistan is to be effectively complemented by the promotion of the Offer to the World, import duties on some products will have to be progressively reduced. As an illustration, given that the guaranteed rate on food products is 261%, it is unlikely that Pakistani manufacturers will get a support in the world market soon (Buzbee, 2018). The reason is that they seek the convenience of a strongly guaranteed domestic market. Thus, there are import duties only to be found on exports in a state of disguise. Knowledge of the sunset clause and the duty guarantee is important to eliminate the opposite orientation of exports.

There are different recommendations which are giving based on literature and research. The following recommendations are:

- Improving Pakistan's export competitiveness in the global market is critical for the country's export growth.
- Export Subsidies with a Performance Link and a Time Limit

6.4.1 Develop Duty Drawback System

The duty drawback programme is one of the classic strategies that has proven to be beneficial in the past, according to studies of entrepreneurs' perceptions. Standard duty drawback schemes can be improved by:

- Extending them to indirect exporters and extending them to imported inputs used in the manufacturing of exported final products.
- Removing duty prepayment for exporting enterprises to minimise credit requirements.

6.4.2 Increasing Credit Availability

Exporters rely on the availability of short and (particularly) long-term loans. This is critical for small and medium-sized businesses (SMEs), who face more stringent financing limits than major corporations. Because SMEs account for most businesses in developing nations, changes in this area are required to encourage export growth.

6.4.3 Smooth, Smart and Transparent Regulations

The government must streamline export regulations, lengthy bureaucratic procedures harm new exporters. At the same time, governments should strengthen the gathering and sharing of information about overseas markets and export regulation.

6.4.4 Export Manufacturing Network of SMEs

Measures to incorporate export-oriented Small and Medium Enterprises (SMEs) into a well-organized export manufacturing network. SMEs in Pakistan play an important part in export production, however they do it in a haphazard manner, resulting in issues such as perceived quality, delivery delays, reliability, and deviations from specifications. Their technological foundation is also inadequate, and they lack specific technical, administrative, and financial knowledge. The formal sector can attract SMEs into the production network through strategic alliances, subcontracting, and outsourcing, resulting in overall productivity benefits.

CHAPTER 7
CONCLUSION

Policy Interventions with political economic trade have strong impact on the country's economic growth. However, there are various policies and rules and regulations that has been adopted by Pakistan. Therefore, it can be concluded that Pakistan can improve its trade by giving and providing input goods and raw material at zero tariffs, giving a reasonable exemption from duties and taxes rebates to the exporters and provide a better market access through different ways like FTAs (Free Trade Agreements), GSP (Generalized System of Preferences), PTAs (Preferential Trade Agreements) and providing long term trade policy (GOP, 2015). The current government is focusing on making the exports a driver of sustainable economic growth. The main target of the government is to improve the efficiency and competitiveness of the industry in the export-oriented sector and import substitution production. The structural change in the industry is important because when government focus on structural anomalies then it creates market efficiency and reduce the cost of production.

The role of FBR in the trade sector is very important because the trade between different countries done through Statutory Regulatory Orders (SROs) which imposed and issuance by the FBR. SROs are the orders which passed by the ministry of finance to exempt or concession in the federal and provisional tax code. Every country has its own SROs to protect the domestic producer. Now in Pakistan, FBR issued different schemes by using the Statutory Regulatory Orders to protect the Pakistani domestic producer. Recently, government issued a scheme for the domestic producer for the different industries and sectors. Unjustifiable discrimination in trade related issues:

Abolition of SRO are often sometimes costly and should create unjustifiable discrimination in trade related issues. Domestic industry may get affected too which was responsible to provide inputs to exporting units. Uncertainty in issuance of SROs by M/o Commerce: Sometimes the products are on the way and an SRO is issued for them to satisfy specific conditions. just in case any goods grind to a halt at the port for a few times (several months) it's going to cause huge losses. Specifically designed to profit trade sectors or for trade of specific products: Exemptions are mostly given within the sort of SROs which are specifically designed to profit trade sectors or for trade of specific products. These SROs permit modifications in tax rates at the time that it is important. In a nutshell, the concessions through

SROs mainly specialise in import substitution and promote local manufacturing protection in several sectors. Imports of inputs are often done on concessionary rates and are beneficial for the country. Sometimes SROs are complicated to implement also because they need a bent to urge victimized. it's recommended that SROs got to be used with care at management's responsibility and will target advantage of economy as an entire.

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