

Empowering SMEs for Global Success

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Pakistan holds vast potential for its small and medium-sized enterprises (SMEs) to flourish in the global market. To tap into this potential and drive economic growth, it is crucial to concentrate on broadening export prospects for these SMEs. Taking cues from the achievements of neighbouring Bangladesh, Pakistan can embrace effective strategies to diminish import tariffs and non-tariff barriers, simultaneously addressing the concerns of its nascent industries. By adopting these measures, Pakistan can unlock fresh avenues for its export-oriented sectors, establishing itself as a leading player in regional and global trade.

Pakistan faces a trade deficit, importing a larger quantity of goods and services compared to its exports. This deficit has been growing in recent years, reaching an astounding \$48.355 billion during FY2021-22. Various factors contribute to this circumstance, including rising import expenses, particularly for oil and gas, as well as a slowdown in export expansion. Exports witnessed a modest increase of 25.5% in the fiscal year while imports surged by 42.1%. This discrepancy can be attributed to multiple factors, such as escalating commodity prices and the depreciation of the Pakistani rupee.

Pakistan's SMEs play a vital role in the economy, making notable contributions to employment, innovation, and economic progress. Nonetheless, these businesses encounter multiple obstacles in expanding their presence in global markets. To enhance SME growth and promote exports, Pakistan should concentrate on the following aspects.

It must invest in modernizing its transportation, logistics, and energy infrastructure to facilitate seamless trade. This will not only reduce costs for SMEs but also enable them to deliver goods more efficiently, enhancing their competitiveness in global markets.

Digitalization and technology-driven solutions empower SMEs, streamlining processes, improving productivity, and enhancing product and service quality. E-commerce platforms and online marketplaces offer SMEs expanded customer reach and enhanced visibility.

Pakistan must address the concerns of its infant industries through targeted incentives, strategic trade policies, and public-private partnerships.

Tailoring skill development programs to SMEs' needs will boost their capacity to meet global quality standards and address market demands. By equipping SMEs with essential skills, Pakistan can nurture an environment that promotes entrepreneurship and innovation.

With limited reliance on specific export markets, diversification into untapped regions aids in reducing dependence on a single area and enhances resilience. Through the implementation of

market research and identification of emerging economies, SMEs can access unexplored markets, thereby uncovering fresh avenues for expansion.

The levy of customs duty on imports serves as a taxation mechanism. Bangladesh has demonstrated remarkable progress in enhancing export opportunities for its SMEs. By addressing import tariffs and non-tariff barriers, Bangladesh has successfully boosted its export sector. Pakistan can learn from these best practices and adapt them to its own context.

The country has implemented a gradual reduction in import tariffs, allowing its SMEs to import raw materials and machinery at more affordable prices. This strategy has encouraged the growth of domestic industries and improved their competitiveness in the global market. Pakistan can explore similar tariff reduction measures to facilitate SMEs' access to essential inputs.

Bangladesh has implemented reforms to simplify customs procedures and reduce bureaucratic hurdles. By embracing technology and adopting risk management systems, customs clearance has become more efficient, reducing delays and costs for businesses. Pakistan can replicate these reforms to expedite export processes and enhance trade facilitation.

It has focused on aligning its standards and certifications with international norms, enabling its SMEs to meet global requirements. By establishing robust quality assurance mechanisms, Pakistan can enhance the export potential of its SMEs and build trust among international buyers.

The country has encouraged the formation of export consortia, where SMEs collaborate to pool resources, share market intelligence, and collectively negotiate contracts. This approach strengthens SMEs' bargaining power and enables them to access larger export orders. Pakistan can establish similar platforms to foster collaboration among SMEs and amplify their export capabilities.

The specific rate of customs duty in Pakistan fluctuates depending on the nature of the imported intermediate goods, increasing the cost of production of SMEs. On average, the customs duty rate stands at 12% whereas the non-tariff barriers have been estimated to reduce trade flows by up to 20%.

While reducing import tariffs and non-tariff barriers can provide a boost to Pakistan's exporting industries, it is crucial to address the concerns of infant industries. These nascent sectors require support and protection to ensure their growth and competitiveness. Pakistan can learn from

Instead of abrupt tariff cuts, Pakistan can adopt a phased approach to gradually reduce import tariffs. This strategy allows infant industries to adjust and become more competitive over time, ensuring a smoother transition. It is important to strike a balance between supporting domestic industries and promoting international trade.

It should develop comprehensive trade policies that align with the objectives of nurturing infant industries. These policies can focus on identifying key sectors with export potential, providing tailored support measures, and encouraging research and development. By aligning trade policies with industrial development strategies, it can create a conducive environment for the growth of infant industries.

Collaborations between the government and private sector are essential for nurturing infant industries. Pakistan can establish platforms for dialogue and cooperation, where industry stakeholders can contribute to policy formulation and implementation. This partnership approach ensures that the concerns and challenges faced by infant industries are adequately addressed.

Investing in the capacity building of infant industries is crucial for their long-term sustainability. Pakistan can establish training programs, technical assistance, and mentorship initiatives to equip these industries with the necessary skills and knowledge. By nurturing a skilled workforce and fostering innovation, infant industries can enhance their competitiveness and contribute to economic growth.

We stand at a crucial juncture, where it has the opportunity to unlock the export potential of its SMEs while addressing the concerns of its infant industries. Drawing inspiration from Bangladesh's best practices, it can reduce import tariffs and non-tariff barriers, creating a favourable environment for its exporting industries. By adopting gradual tariff reduction, streamlining customs procedures, harmonizing standards, and supporting export consortia, it can enhance the competitiveness of its SMEs in the global market.

Simultaneously, Pakistan must address the concerns of its infant industries through targeted incentives, strategic trade policies, and public-private partnerships. By nurturing these industries, investing in capacity building, and fostering innovation, it can lay a strong foundation for sustainable economic growth.

As Pakistan embraces these measures, it can position itself as a regional leader in international trade, harnessing the potential of its SMEs and propelling the growth of its exporting industries. With a concerted effort to learn from the successes of Bangladesh and tailor the strategies to its own context, it can unlock new opportunities and forge a path towards economic prosperity. The time is ripe for us to seize the moment and embark on a journey of export-led growth, empowering its SMEs and creating a resilient and vibrant economy for the future.

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