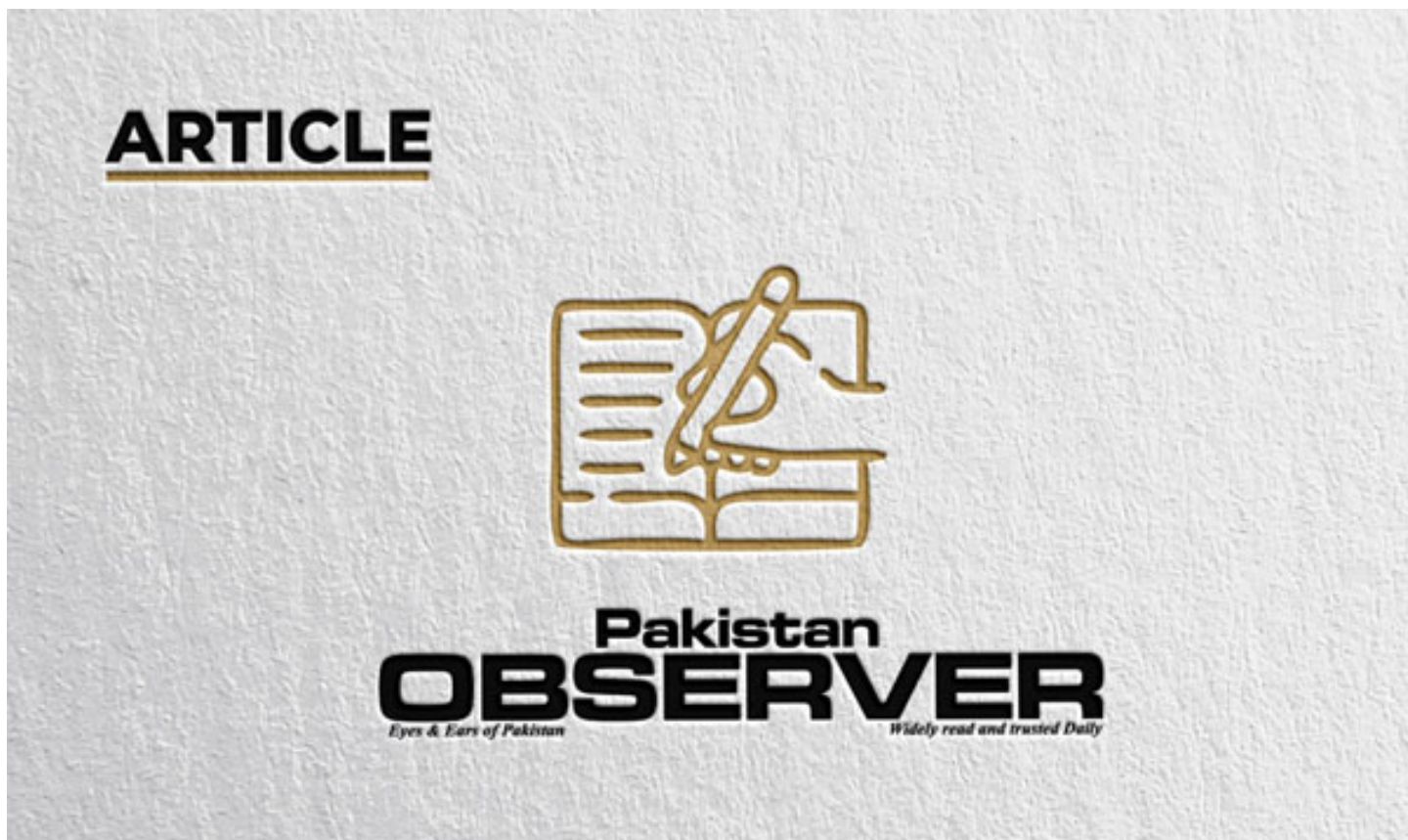


# Path to competitive trade policy | By Dr Muhammad Zeshan - Pakistan Observer

*News desk*



**(Path to competitive trade policy**

IN the interconnected global economy, nations aim to be competitive on the international stage. For Pakistan, a country with great potential, removing import tariffs and non-tariff measures can boost its industries' competitiveness. Import tariffs impose taxes on imported goods, rendering them costlier compared to domestically produced goods. Tariffs generate government revenue, yet they confer an artificial advantage to domestic industries by raising the prices of imported products. According to the Pakistan Institute of Development Economics, car prices in Pakistan exceed international market prices by approximately 50% due to import tariffs. This protective stance strives to safeguard local industries against foreign competition; however, it ultimately inhibits innovation, constrains consumer options and suppresses economic efficiency.

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Non-tariff barriers also present major obstacles for global trade and impede the seamless movement of goods and services between borders. They comprise import quotas, licensing requirements, technical standards, sanitary and phytosanitary measures, subsidies and discriminatory government

procurement policies.

Tariffs, as trade barriers, restrict the flow of goods and services across borders. By eliminating tariffs, Pakistani industries can gain access to a broader market, both domestically and internationally. This enhanced market access fosters competition and spurs innovation, as local industries are forced to adapt and improve their products and services to meet global standards.

Pakistan, with its diverse range of industries, possesses considerable export potential. However, it currently faces challenges in accessing global markets due to high tariffs and non-tariff barriers. Eliminating these barriers would allow Pakistani industries to compete on a level playing field, making their products more attractive to international buyers. Recent data shows that Pakistan's textile industry, for instance, finds it

difficult to survive in international competitiveness witnessed by the textile exports, which reduced by 11% from July 2022 to Feb 2023. By eliminating tariffs and non-tariff measures, this decline could have been turned into growth.

While the elimination of tariffs and non-tariff measures promises substantial benefits, concerns from different segments of society must be acknowledged and addressed. These concerns primarily revolve around the potential impact on local industries, employment and government revenue. To allay such concerns, it is crucial to adopt a phased approach to tariff elimination, providing ample time for local industries to adapt and enhance their competitiveness. Additionally, supporting measures such as investment in research and development, skill development programs and infrastructural development can further enable industries to navigate the transition successfully.

Drawing lessons from India's experience, targeted support programs were implemented to help industries affected by tariff reductions. Such programs included financial assistance, technology upgradation schemes and capacity-building initiatives. By implementing similar measures, Pakistan can minimize disruptions and provide a safety net for new industries that are vulnerable during the transition. The success of any tariff elimination strategy relies heavily on effective governance and proactive policy interventions. The Pakistani government can play a crucial role by formulating comprehensive policies that facilitate the transition towards a more open and competitive economy.

Transparent regulations and a streamlined business environment will attract domestic and foreign investment, thereby bolstering industrial growth. Additionally, investing in infrastructure, including

reliable power supply and efficient logistics will enhance the competitiveness of Pakistani industries on a global scale. To maximize the benefits of tariff elimination, Pakistan should also explore regional and international collaboration. By engaging in free trade agreements with strategic partners, Pakistani industries can access larger markets and expand their export opportunities. Furthermore, collaboration can facilitate the exchange of best practices, technology transfer and knowledge-sharing, which are vital for boosting competitiveness.

While challenges and concerns exist, it is essential to recognize that the benefits of tariff elimination outweigh the short-term adjustments required. By embracing this transformative approach, Pakistani industries can harness their potential and contribute significantly to the nation's economic growth and prosperity. As we have seen in India's textile and

clothing industry, tariff elimination can lead to exponential growth in exports and job creation. Pakistan, with its robust textile sector, has the opportunity to replicate and surpass these achievements. By removing trade barriers, Pakistani textiles can reach a wider consumer base, increasing demand and propelling the industry forward. This growth will not only boost revenue and create employment opportunities but also attract investment, fueling further expansion and technological advancements.

Moreover, other sectors in Pakistan, such as agriculture, pharmaceuticals and information technology can also reap the rewards of tariff elimination. For example, Pakistan's agricultural sector, known for its high-quality produce, can expand its export reach and compete with global players. By capitalizing on the demand for organic and sustainable products, Pakistani agricultural



exports can garner a strong reputation and capture a significant market share. In the pharmaceutical industry, tariff elimination can foster innovation and research collaborations with international partners. This will lead to the development of new drugs, improved healthcare access and the establishment of Pakistan as a hub for pharmaceutical excellence. Similarly, the IT sector can benefit from tariff elimination by attracting global tech companies, promoting local startups and becoming a center for digital innovation.

However, to fully harness the potential of tariff elimination, it is crucial to address concerns related to employment and government revenue. While some industries may experience short-term disruptions, the overall benefits of increased competitiveness will lead to the creation of new jobs. As seen in India, the growth of export-oriented industries generates employment opportunities

across the value chain, from manufacturing to logistics and services. To manage this transition effectively, the Pakistani government must invest in skill development programs to equip the workforce with the necessary expertise required by modern industries. By partnering with industry stakeholders, the government can identify the skill gaps and design targeted training initiatives that align with emerging market demands.

Furthermore, concerns regarding government revenue can be mitigated through effective policy planning. While tariff elimination may result in a temporary decline in tariff revenue, the subsequent growth of industries and increased economic activity will compensate for this loss in the long run. The government can also explore alternative revenue streams, such as broadening the tax base and optimizing other sources of income, to maintain fiscal stability.

In conclusion, Pakistan stands at a critical juncture where the elimination of tariffs and non-tariff measures can propel its industries to compete successfully at the international level. By drawing inspiration from India's success story and leveraging recent data that showcases the growth of Pakistani industries, it is evident that the benefits outweigh the challenges. With a well-planned and phased approach, combined with targeted support programs, Pakistan can navigate the transition effectively while addressing concerns related to employment and government revenue. The government's role in formulating conducive policies, promoting collaboration and investing in infrastructure and human capital will be pivotal in realizing the nation's potential. As Pakistani industries flourish on the global stage, the country's economy will thrive, leading to enhanced prosperity for its citizens and a brighter future for generations

to come.

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