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The cost of exporting

BUSINESS RECORDER

Pakistan's textile exporters have once again been forced to seek relief from rising production costs and policy inconsistencies, even as the government continues to lament the country's inadequate export earnings and persistent external financing pressures. The Pakistan Textile Exporters Association's (APTMA's) demand for temporary support, alongside structural reforms in energy pricing, taxation, financing and logistics, raises an uncomfortable question. How can policymakers expect exporters to compete internationally when decisions affecting their costs and commercial commitments are so frequently taken without meaningful consultation with the very businesses expected to deliver higher exports?

The contradiction has become a familiar feature of economic management. Export growth is routinely presented as indispensable to improving the current account, reducing dependence on external borrowing, and strengthening foreign exchange reserves. Yet exporters operate in an environment where electricity and gas tariffs, tax obligations, financing arrangements and regulatory requirements can change with little regard for their commercial consequences. International buyers negotiate prices, delivery schedules and supply contracts well in advance. Pakistani manufacturers must honour those commitments while absorbing costs that can change after contracts have been signed.

The latest meeting convened by the Ministry of Commerce illustrates the scale of these difficulties. Exporters have questioned cross-subsidies embedded in industrial electricity tariffs, challenged elements of gas pricing and complained about delayed tax refunds and inconsistent implementation of concessional export financing. They have also highlighted inadequate railway freight services from Punjab's industrial centres and higher international shipping costs. Each problem affects competitiveness, but their combined impact can be particularly damaging for businesses operating on narrow margins in highly competitive international markets.

The proposed Drawback of Local Taxes and Levies support of 6-8 percent, conditional on achieving 10 percent export growth, deserves examination on its merits. Temporary assistance may be justified where extraordinary costs threaten established export relationships, but the fiscal implications, eligibility criteria and measurable benefits must be assessed transparently. More importantly, the industry itself acknowledges that temporary relief cannot compensate indefinitely for structural disadvantages.

Pakistan needs an export environment in which firms can compete through efficiency, productivity and quality without repeatedly seeking emergency government intervention.

The question of consultation is especially important. Exporters understand their cost structures, overseas customers and competitive pressures in ways that administrative departments cannot fully appreciate from within their offices. Their participation in policymaking should therefore be institutionalised, with proposed changes in taxation, energy pricing, customs procedures and regulatory compliance subjected to proper consultation and assessment before implementation. Predictable transition periods are equally necessary. Abrupt decisions can disrupt production schedules and shipment commitments, with consequences that extend well beyond the immediate financial cost.

Government departments must also be made accountable for the consequences of their own inefficiencies. Delayed tax refunds immobilise working capital that exporters need to purchase raw materials and fulfil orders. Financing schemes lose much of their usefulness when announced terms are inconsistently implemented. Logistics bottlenecks and inadequate freight connectivity add further costs. These are problems requiring coordinated administrative action, and their persistence raises serious questions about the priority actually accorded to export competitiveness.

The decision to establish subcommittees and seek recommendations within 15 days is welcome, provided it leads to concrete decisions and enforceable timelines. The exercise should produce an agreed reform programme, identify the departments responsible for implementation and establish a mechanism through which exporters can regularly report difficulties and assess progress.

Pakistan cannot strengthen its external accounts without sustained export growth. And sustained growth requires an economic policy framework that treats exporters as essential partners rather than convenient recipients of whatever costs the system chooses to impose. The government keeps asking why exports are failing to deliver more. It might begin by asking how much its own policies are costing them.

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