

EXCLUSIVE INTERVIEW



“ The National Tariff Policy 2025–30 is a promising move that could really change the way our industries operate. The policy projects export growth of 10 to 14 percent, which is ambitious but achievable if we manage to lower input costs and simplify the tariff structure as intended ”

Dr. Gohar Ejaz, HI, SI

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Commerce and Industries and
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ICMA: Dr. Gohar, you have expressed concern over Pakistan's rising trade deficit. What, in your view, are the key reasons behind this growing gap?

Dr. Gohar Ejaz: Pakistan's trade figures over the past few years highlight a persistent and widening imbalance. In FY23, imports reached around USD 52.8 billion while exports were USD 28.3 billion, creating a deficit of USD 25 billion. The following year, the deficit remained significant at USD 23 billion, and in FY25 it widened further to nearly USD 27 billion as imports rose to USD 58.7 billion against exports of USD 31.4 billion.

This trend reflects deep structural challenges. Industries continue to rely heavily on imported raw materials due to limited domestic production, which inflates the import bill and constrains competitiveness. The high cost of doing business, driven by taxation, energy tariffs, and logistical inefficiencies, further undermines industrial performance.

At the same time, productivity levels remain low and technological upgrading has been slow, limiting our ability to move into higher value-added production. Pakistan's integration into global value chains also remains limited, which restricts export diversification and opportunities for growth.

Addressing these issues requires comprehensive reforms that strengthen local production, reduce costs, enhance technological capacity, and foster deeper participation in international trade networks. Only then can the trade deficit be managed sustainably and economic growth be supported.

ICMA: With exports slowing and imports rising, what immediate policy actions can help restore balance and drive industrial growth?

Dr. Gohar Ejaz: If we want to turn the tide on our trade deficit and give our industries a real boost, Pakistan needs to embrace an export-led growth approach with clarity and purpose. We must rethink import policies to curb non-essential consumption, and at the same time, craft trade and export frameworks that genuinely support businesses rather than just adding another layer of paperwork. Simplifying regulations and cutting unnecessary compliance burdens will make it far easier for industries to thrive.

Reducing the cost of doing business is another urgent priority. This means rationalizing taxes, reforming energy tariffs, and improving logistics so that our companies can compete fairly on the global stage. Policies need to be grounded in data, using real analysis to spot growth opportunities, identify gaps, and focus on sectors with true export potential. Expanding into new and underexplored markets is crucial, and reviewing trade agreements with a practical eye can ensure they actually benefit Pakistan.

Above all, we need to listen to those on the ground. By incorporating insights from industry, we can design policies that truly foster industrial growth, attract investment, and position Pakistan as a credible player in global trade. For me, this is not just about numbers on a balance sheet — it is about creating an environment where our businesses can grow, innovate, and compete internationally.

ICMA: The new National Tariff Policy 2025–30 has drawn much attention. How do you see it shaping Pakistan's industrial competitiveness and export potential?

Dr. Gohar Ejaz: The National Tariff Policy 2025–30 is a promising move that could really change the way our industries operate. The policy projects export growth of 10 to 14 percent, which is ambitious but achievable if we manage to lower input costs and simplify the tariff

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structure as intended. Reducing average tariffs from 20.19 percent to 9.7 percent will make raw materials and capital goods more affordable, giving our manufacturers a real chance to compete in international markets.

I also see the focus on transparency as a big plus. Bringing down tariff categories from five to four makes the system far more predictable and business-friendly, which is exactly what investors and exporters need. While there might be an initial revenue loss of around Rs. 500 billion, the policy expects that increased economic activity will more than make up for it, leading to a positive revenue impact of seven to nine percent.

What excites me most is the institutional side of things. The Tariff Policy Board under the Ministry of Commerce will ensure that tariff decisions are evidence-based and regularly monitored. To me, this policy is more than just numbers; it's a clear signal that Pakistan is serious about building a competitive, transparent, and investment-friendly industrial environment that can drive exports and sustainable growth.

ICMA: You have often highlighted that Pakistan's exports lack value addition and diversification. What practical steps can help industries move up the value chain?

Dr. Gohar Ejaz: If we want our exports to truly compete on the global stage, we need a strategy that combines technology, skills, infrastructure, and smart policies. One of the first steps is supporting technology upgrading. Providing fiscal incentives, research grants, and easier access to modern machinery can help our manufacturers adopt advanced processes and produce higher-value goods. At the same time, investing in technical and vocational training is critical so that our workforce can handle sophisticated production and consistently meet international quality standards.

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High interest rates have been a persistent hurdle for Pakistan's industries, limiting their ability to invest and expand. One approach is to develop alternative financing instruments such as venture capital, private equity, and leasing options, which can reduce dependence on traditional bank loans

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Creating sector-specific industrial clusters can make a huge difference. Imagine zones where textiles, engineering, and agro-processing industries have shared infrastructure, R&D facilities, and technology transfer centers. Such clusters can foster innovation and collaboration in a way isolated firms simply cannot. Encouraging technology partnerships with foreign firms through matchmaking platforms and joint venture support can also bring in the expertise we need to accelerate industrial growth.

We should also incentivize backward integration, giving tax credits and subsidies to companies that build local supply chains for intermediate and capital goods instead of relying on imports. Trade policies need to reward value addition, so reforming tariffs, duty drawback systems, and export rebates to favor processed and finished goods can nudge industries toward higher-value production.

Equally important is helping our traditional sectors diversify. Innovation funds, design centers, and upgraded testing and certification facilities can empower textiles, leather, and other industries to develop new product lines and access premium markets. For me, this is not just about numbers or policies — it is about creating an environment where Pakistani industries can grow smarter, innovate faster, and compete globally with confidence.

ICMA: Pakistan's corporate tax burden is among the highest in the region. How is this affecting business confidence and investment decisions?

Dr. Gohar Ejaz: Pakistan's corporate tax rates are among the highest in the region, and this has serious consequences for business confidence and investment. Public companies face a 29 percent tax rate, banks are taxed at 39 percent, and the super tax adds another 10

percent on top. When you include taxes on dividends, the effective rate for many companies exceeds 50 percent. By contrast, in India, companies with turnover up to USD 45.3 million pay 25 percent, while those above that threshold face a higher rate. In Bangladesh, non-listed companies are taxed at 27.5 percent, while listed companies meeting IPO requirements pay 20 percent. Vietnam applies 15 percent for businesses with revenue under USD 120,000 and 17 percent for those earning between USD 120,000 and 2 million. China's corporate tax rate generally stands at 25 percent, with double taxation at 15 percent and foreign companies at 40 percent.

This wide gap deters foreign direct investment, as investors naturally prefer jurisdictions with lower taxes and higher returns. High corporate taxes also encourage informal business activity, pushing firms to operate underground and eroding the formal tax base. For domestic businesses, heavy taxation limits retained earnings, leaving little room for reinvestment in capacity expansion, technology upgrades, or research and development. The higher cost burden also gets reflected in product prices, reducing competitiveness in international markets.

Over time, these pressures can lead to capital flight, weaken investor sentiment, and create a perception of a hostile business environment that discourages long-term planning and entrepreneurship. Small businesses often avoid formal registration or expansion just to remain below tax thresholds. In short, while taxes are essential for public revenue, Pakistan's current corporate tax structure is not only high but also constraining growth, deterring investment, and limiting our ability to compete effectively in the region and beyond.

ICMA: You have suggested reducing the maximum tax rate to 20 percent. How could this reform boost growth, attract investment, and ensure sustainable revenue?

Dr. Gohar Ejaz: Reducing the maximum corporate tax rate to 20 percent could be a game-changer for Pakistan's economy.

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Pakistan also has an established manufacturing base, with expertise in sectors such as textiles, leather, surgical instruments, and sports goods. This provides a strong foundation on which industries can scale and diversify

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Lower rates encourage businesses to comply voluntarily and formalize their operations, which can actually increase overall revenue despite the reduction in the headline rate. A competitive tax regime would also make Pakistan far more attractive to investors, positioning us favorably against regional competitors like Bangladesh, Vietnam, and India.

Higher post-tax profits give companies the ability to reinvest in capacity expansion, technology upgrades, and workforce development, creating a virtuous cycle of growth. At the same time, lower rates reduce the incentive for aggressive tax planning and avoidance, improving collection efficiency and helping to strengthen the formal tax base.

Such a reform would also encourage entrepreneurship by improving the risk-reward ratio for starting and scaling businesses within the formal sector. As investment and economic activity expand, the tax base would grow organically, ensuring more sustainable revenue streams over time. Competitive taxation is also a critical factor in ease of doing business rankings, which directly affects international investment decisions and the overall business environment.

Finally, a phased implementation could offset any initial revenue impact while simultaneously broadening the tax net. In essence, lowering the maximum tax rate is not just about reducing rates—it is about creating the conditions for investment, innovation, and long-term, sustainable growth.

ICMA: High interest rates remain a major challenge for industries. What measures could make financing more affordable and support business expansion?

Dr. Gohar Ejaz: High interest rates have been a persistent hurdle for Pakistan's industries, limiting their ability to invest and expand. One approach is to develop alternative financing instruments such as venture capital, private equity, and leasing options, which can reduce dependence on traditional bank loans. For export-oriented industries, creating export credit guarantee schemes backed by the government can lower perceived risk and, in turn, reduce borrowing costs.

Temporary interest rate subsidies for loans used to purchase modern machinery or adopt digital systems can encourage technology upgrades and improve productivity. Establishing a robust credit rating infrastructure for SMEs is also crucial, enabling smaller businesses to build a track record and access financing at more favorable rates.

Linking interest rates to performance metrics can provide additional incentives. Businesses that meet export targets, create employment, or adopt new technologies could qualify for preferential rates,

rewarding both growth and innovation. At the same time, it is important to address industry-specific financial concerns through structured consultation mechanisms that regularly capture feedback from stakeholders. By combining these measures, we can make financing more affordable, stimulate investment, and support sustainable industrial expansion.

ICMA: Despite these challenges, what gives you confidence in Pakistan's industrial future and its ability to recover and grow?

Dr. Gohar Ejaz: What keeps me optimistic about Pakistan's industrial future is the enormous potential our country possesses. We have a large and young population of over 240 million, offering both a substantial consumer base and a workforce that can drive growth. Our strategic location, bridging South Asia, Central Asia, and the Middle East, gives us access to major trade routes and regional markets, which is a clear advantage for industrial expansion.

Pakistan also has an established manufacturing base, with expertise in sectors such as textiles, leather, surgical instruments, and sports goods. This provides a strong foundation on which industries can scale and diversify. I am also encouraged by the growing awareness among policymakers, the business community, and development partners about the reforms needed to unlock this potential.

Our agricultural resources are world-class, offering untapped opportunities for agro-processing and value-added industries. At the same time, improving digital infrastructure, including expanding internet penetration and mobile connectivity, is creating avenues for e-commerce and a digital economy. The Pakistani diaspora also plays a critical role, providing capital inflows, market access, and potential investment partnerships.

Regional connectivity initiatives, such as CPEC, are building infrastructure that can facilitate trade and industrial development. Beyond these structural advantages, Pakistanis have a resilient entrepreneurial spirit. Despite numerous challenges, businesses continue to innovate and adapt, demonstrating remarkable perseverance. Finally, our untapped natural resources, including minerals and renewable energy, can provide critical support for industrial growth. Together, these factors give me confidence that Pakistan not only can recover but also has the capacity to achieve sustained industrial growth.

The Editorial Board thanks Dr. Gohar Ejaz, HI, SI, Former Federal Minister for Commerce and Industries and Chairman, Economic Policy & Business Development Think Tank for sparing his precious time to give an exclusive interview for Chartered Management Accountant Journal.