

Exclusive

## Interview



“ I suggest collaboration based on industry-academia linkage between the FPCCI and ICMA Pakistan. Such a collaboration would give impetus to our International trade ”

### Engr. Daroo Khan Achakzai

President, The Federation of Pakistan Chambers of Commerce and Industry (FPCCI)



**ICMA Pakistan:** What is FPCCI's viewpoint on the current state of economic affairs?

**EDKA:** Pakistan is undoubtedly passing through hard times in economic terms. The macro-economic indicators are mostly showing an unsatisfactory trend. Reserves are very low that is putting pressure on our current account. The gap between imports and exports has widened; inflation is showing a rising trend; FDI is not increasing and SBP is following a tight monetary policy that is also curtailing the opportunities for industrial expansion. However, the government is struggling and moving in a positive direction to re-track the economy. Financial support from friendly countries; currency swap and defer payment in crude oil import would definitely improve our foreign exchange reserves.

**ICMA Pakistan:** What is the role and contribution of FPCCI in economic policy-making?

**EDKA:** The FPCCI, since its inception, has remained the part of the policy-making process in Pakistan. The FPCCI prepares recommendations through the consultative process and seeks feedback from its affiliated Trade Bodies. On the other side, FPCCI Standing Committees which are formed on every important sector

“ A few years back, FPCCI suggested amnesty scheme to convert the unrecorded economy to documented economy; however, the mechanism and measures we suggested were not adopted so the scheme was not successful ”

“ We are losing our own domestic markets because cheap products from FTA countries are being flooded into our markets ”



give their inputs. When the Government prepares the Federal budget; trade policy; industrial policy and investment policy and also initiates important steps to enhance the socio-economic prosperity, the FPCCI always gives its feedback, recommendations and policy proposals and remains the part of these policies formulations.

**ICMA Pakistan:** Our exports are not picking up despite various incentives by the Government. What are the main reasons?

**EDKA:** Analytical examination shows that there are two aspects of Pakistan's exports; first is the production of the exportable surplus and the second is the marketing of export items. The industry is facing various problems to produce exportable goods, for example, the environment is not much business friendly and the cost of doing business is high. Comparatively, our industry is less incentivized against our competitors. The textile sector which shares 55% export baskets, suffers from 11% taxes and duties on import of raw material, etc and on the other hand, we are unable to get benefits from our favorable markets. We have Free Trade Agreements (FTA) with China and Sri Lanka and Preferential Trade Agreements (PTA) with Iran, Indonesia, Mauritius and Malaysia but unfortunately, the balance of trade with these countries is not in our favor. We are losing our own domestic markets because cheap products from FTA countries are being flooded into our markets. The Government announced various incentives in the Strategic Trade Policy Framework (STPF) and

export packages; but they are not implemented in true spirit. It is expected that zero-rated regime for the export-orientated industry will be phased out that will also have an impact on our exports.

**ICMA Pakistan:** There is a large informal sector which is unregulated? Do you think it needs to be documented?

**EDKA:** The undocumented economy or informal sector is detrimental to the economic growth of any country. It also reflects the failure of Government policies as the actual statistical size of the economy may not be calculated to formulate policies. I have heard that the size of the undocumented economy is nearly equal to the documented economy. A few years back, FPCCI suggested amnesty scheme to convert the unrecorded economy to documented economy; however, the mechanism and measures we suggested were not adopted so the scheme was not successful.

**ICMA Pakistan:** What new measures have been suggested in FPCCI's pre-budget proposals to enhance tax revenues?

**EDKA:** Keeping its past practice, the FPCCI this year also submitted its proposals to the Government and suggested that the FBR should find new avenues of tax collections for broadening of the tax base. Reduction in taxes; simplification in the return filing and attitude of the FBR can attract new taxpayers. We have also suggested that the sectors where reasonable income is generated should participate in tax.



“ We always advocate discouraging non-filers. We have also suggested the Government to introduce such policies that increase tax filing ”



“One of the important factors is that our exports are being produced without having the knowledge of cost benefit analysis. The whole process could be supported if management accountants help the National Tariff Commission, business and Industry and of course the concerned ministries to levy duties and taxes”



**ICMA Pakistan:** What is FPCCI's standpoint on taxing Filers and Non-Filers? Do you agree with stringent policy against non-filers??

**EDKA:** Actually, FPCCI is a body where all members are taxpayers/tax filers. We always advocate discouraging non-filers. We have also suggested the Government to introduce such policies that increase tax filing. With nearly 1.9 million taxpayers we don't show responsible and mature nation.

**ICMA Pakistan:** How do you foresee the economic growth in Pakistan in the next two years, in light of World Bank's forecast?

**EDKA:** Economic growth is very important for Pakistan while unfortunately, we have moved on a lower sidetrack again. GDP growth this year has declined to 3.3 percent. The environment and economic condition of Pakistan are showing that the GDP growth shall remain below 5 percent in the next few years unless some extraordinary measures are taken or support from certain sectors is received.

**ICMA Pakistan:** What are the key factors that increase cost of doing business in Pakistan? How FPCCI is tackling it?

**EDKA:** Pakistan is not performing well in various global indexes like the ease of doing business and trade index, competitiveness etc. The main reasons of the high cost of doing business in Pakistan are expensive utility; import of raw material; law and order situation in some areas; weak investment inflow for up gradation of plant and machinery; low labor productivity and unfavorable business environment.

**ICMA Pakistan:** Management Accountants, having expertise in cost control techniques, can be best advisors to business and industry to guide them on reducing cost of doing business. What are your views?

**EDKA:** Cost of doing business is an important factor that determines the competitiveness of the product without calculating cost at every stage of value addition which is

essentially required to determine the market price. It is a very complex calculation that may not be found out unless one has a complete background and knowledge of cost-benefit analysis. One of the important factors is that our exports are being produced without having the knowledge of cost benefit analysis. The whole process could be supported if management accountants help the National Tariff Commission, business and Industry and of course the concerned ministries to levy duties and taxes.

**ICMA Pakistan:** In what areas FPCCI and ICMA Pakistan can collaborate to help government in the economic policy making??

**EDKA:** The FPCCI is an apex body whose responsibility is to promote Pakistan's trade; facilitate the business and Industry whereas ICMA Pakistan's role is very critical in the promotion of business. The members of FPCCI i.e. Trade and Industry, need the information on the cost of exports in a particular market while FPCCI engages in exploring new potential markets. Both national organisations are very critical for enhancing Pakistan's foreign trade. Therefore, I suggest collaboration based on industry-academia linkage between the FPCCI and ICMA Pakistan. Such a collaboration would give impetus to our International trade.

*The Editorial Board thanks Engr. Daroo Khan Achakzai, President, the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) for giving his exclusive interview for Management Accountant Journal.*

