"FPCCI and ICMA Pakistan can work together to guide the exporters to minimize product cost and become competitive. In this context, we should first study the model of regional competitors as to what strategies they have adopted for minimization of cost and how their governments are facilitating traders and industrialists. Thereafter, we should formulate our strategy and provide policy advocacy to exporters and government"

Mian Nasser Hyatt Magoo

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

ICMA Pakistan: What are your views on the present state of the economy? Is our economy recovering from the aftershocks of the pandemic and moving forward?

NHM: The economy of Pakistan is recovering, particularly in the manufacturing and construction sector due to the relief package. According to the State Bank of Pakistan estimates, the economy will grow by 2.25 to 2.5 percent in this fiscal year. This growth is attributable to corresponding growths in various industries like Textile, Food Beverages & Tobacco, Non-Metallic Mineral Products, Automobile, Iron & Steel Products, Coke & Petroleum Products, and Fertilizer and better production of rice, maize, and sugarcane. Moreover, the growth in the construction industry also increased the domestic demand for cement and steel which will ultimately impact positively on economic growth. On the external front, there is a record inflow of workers' remittances which will improve our balance of payment. Moreover, exports are also indicating a positive growth trend and expected that it will reach US$ 25 billion.

There is a blessing of Allah on Pakistan's economy as it has not been affected by the pandemic as much as in the USA, EU, and neighboring countries. Our Government's prudent policies have minimized our human and economic losses. I expect that the economy will be on track of growth and development in the coming months.

ICMA Pakistan: Pakistan's exports during the last couple of months have seen a rising trend? Do you foresee this trend would persist or there is a need for more concerted efforts on the part of exporters?

NHM: The exports of Pakistan in the first seven months of the current fiscal years are rising and stood at US$ 14.2 billion even though there is still uncertainty in European countries and the USA due to pandemic and lockdown. The exports of our regional competitors like India and Bangladesh are still facing a negative growth rate. Diversification of products and markets is our main issue. Around 60% of our exports are based on textile and confined only to the USA, European countries, and Afghanistan.

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We have to increase the product mix and market access of African and South American markets.

For the enhancement of export, we also have to increase our export capacity and production. Being an agricultural country, we should be self-sufficient in the export of agricultural commodities; however, we are importing agricultural commodities like wheat, cotton, pulses, oilseeds, vegetables, fruit, etc. Historically, we didn't bring any agriculture revolution in Pakistan which improves our production and yield. In the industrial sector, our manufacturing activities have declined due to the high cost of doing business and unfavorable policies.

The signing of FTA and PTA has flooded the goods of other countries in Pakistan which has affected our manufacturing capacity. In the present environment, new industrialization is the need of the hour and in this context, government support is required for providing a conducive environment, infrastructure, state-of-the-art facilities, and protection to domestic industries.

ICMA Pakistan: What are the key hindrances faced by the manufacturing industry and how these are being addressed by the FPCCI?

NHM: The contribution of manufacturing is declining in the overall economy. There is no new industrialization in the recent period due to a lack of interest from the government. The manufacturing sector is facing many issues like disproportionate burden of taxes on the industry, high cost of doing business, rampant under-invoicing, misdeclaration of imports, smuggling, etc. FPCCI always tries to highlight these issues faced by trade and industry and act as a bridge between the private sector and government for resolving issues. FPCCI highlights the issues of industries regularly by meetings with concerned ministries and other Government departments.

ICMA Pakistan: What are the main obstacles that are impeding growth in trade competitiveness and ease of doing business?

NHM: Pakistan's products are uncompetitive in the international market due to the high cost of doing business in terms of high utility prices, depreciation of Pak. currency, high-interest rate, removal of subsidies, high input prices, etc. Moreover, there is weak transport and logistics infrastructure which has hindered our exports. According to Ease of Doing Business 2020, the cost of documentation for exports stood at US$118 which is high compared to neighboring India (US$ 58), Sri Lanka (US$ 58), Malaysia (US$ 35), and China (US$ 74) while the cost for border compliance is US$288 in Pakistan Compared to India (US$ 212), and China (US$ 256), etc.

The World Economic Forum report "Trade Enabling", also identified various problematic factors for exports from Pakistan like access to finance, identifying potential markets and buyers, inappropriate production technology and skill, fulfilling of technical requirement and standards abroad, difficulties in meeting quality/quantity requirements, tariff barriers, and transportation cost, etc.

ICMA Pakistan: Do you think we need to focus more on exports of value-added and high-technology products?

NHM: We should focus on the exports of value addition and high technology goods as they can give better returns compared to exports of raw material. For value addition and high-technology products, we have to improve our research and development activities and, in this context, Government should allocate funds for research and development activities.

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At present, we are facing a lack of innovation and imitation of products wherein China is an expert. China is our big trading partner but we didn't pay any attention to the transfer of Chinese technology to Pakistan. We didn't make any joint venture with China for exports to other countries.

Moreover, there is a very weak linkage between academia and industry. They are not working jointly; that's why the industrialist is unable to utilize the research of academia. We should create linkage among industry and academia so that academia could understand the requirement of industry and industry utilizes the research of Academia.

ICMA Pakistan: Textiles are the mainstay of exports. What do you suggest this sector must do to double exports in the next few years?

NHM: Textile industry is the backbone of our economy; contributing 8 percent in GDP and 60 percent in exports. Unfortunately, this industry faces strict competition with India, China, Bangladesh, Vietnam, and Cambodia, due to huge assistance from their government on input cost in terms of subsidy on utility prices, labor cost, high export rebate, etc. At present, the textile's export of Bangladesh has reached US$ 38.8 billion, Vietnam US$ 37.8 billion, and India US$ 37.11 billion. China is the leading country in textile export. The reason behind an increase in textile export of Bangladesh, Vietnam, and Cambodia is Chinese investment in their countries in the textile sector due to the low cost of doing business and favorable policies of their government. The export of Pakistan's textile is stagnant for many years - in between US$ 12 to US$ 13 billion. For the enhancement of exports, our government should provide incentives to the textile industry and encourage the other countries to invest in value-added textile. Moreover, Pakistan also needs additional market access in Asia, the USA, Africa, etc. At present, Pakistan faces unfavorable tariffs in textile exports in the international market, which restricts market access. Pakistan faces zero duties only in the EU and compares unfavorably with Bangladesh and Cambodia in all other markets. Bangladesh and Cambodia enjoy duty-free access with the EU, Canada, Japan, Australia, and even China (0.9 percent tariff for Bangladesh). Vietnam and India enjoy duty-free free access in the ASEAN market. New investment in value addition of the textile sector and additional market access in other regions can help Pakistan in enhancing textile exports.

ICMA Pakistan: What structural reforms are required to boost exports and penetrate new export markets?

NHM: For the enhancement of exports, there is a dire need for new investment for innovation, diversification of products, and market access of non-traditional markets. We have to decrease our reliance on textile and increase exports of other goods like pharmaceutical, leather, chemicals, plastic, machinery, electronic and electrical goods, etc. We should encourage domestic and foreign investors to invest in these sectors. Moreover, assurance of quality and compliances of standards of products is also required for exports. As our surgical instruments and some other goods are being exported through Germany and Dubai. We have to take measures for direct shipment of Pakistani products. Marketing of Pakistani products in international markets is also required and, in this context, we should give a special task to our commercial officers posted in foreign countries for enhancing exports and FDI in Pakistan.

ICMA Pakistan: What is your viewpoint on having a 'National Charter of Economy' for sustained economic growth and prosperity?

NHM: The present economic outlook of Pakistan has a lot of challenges including sustainable development, geostrategic situation, foreign relations, fiscal and trade imbalances, lack of industrialization, and weak socio-economic indicators which are affecting our economic outlook.

> The export of Pakistan's textile is stagnant for many years - in between US$ 12 to US$ 13 billion. For the enhancement of exports, our government should provide incentives to the textile industry and encourage the other countries to invest in value-added textile

All the sick industrial units should be revived by technological advancement and providing incentives. The SME sector also needs incentives and linkages with vendor industries on buyback arrangements

Historically, the growth rate of Pakistan was higher than the growth rate of China and India and our per capita income was higher than these countries. Unfortunately, Pakistan has lost the track of faster growth and now we are facing challenges of survival in the global economy particularly in terms of declining economic growth, declining per capita income, rising unemployment, low investment, and resource mobilization, twin deficit, etc.

The revival of Pakistan's economy needs fundamental reforms to restructure the economy and strengthen domestic industry which will possible with at least 7 to 8 percent of economic growth and rapid industrialization which will promote employment, value-added exports, and import substitution. We need to focus on investment from the private sector, FDI in export-oriented sectors, and investment from expatriates of Pakistan. All the sick industrial units should be revived by technological advancement and providing incentives. The SME sector also needs incentives and linkages with vendor industries on buyback arrangements.

ICMA and FPCCI should facilitate the industrialists and businessmen on cost reduction techniques and improving their competitiveness

The cost of doing business should be reduced so that potential investors could invest. Our Government should formulate a fair and equitable taxation system so that everybody could participate in the documentation and discourage corruption.

On the external front, we need to focus on value addition, exploration of the non-traditional market, product diversification and competitiveness, etc. for enhancement of exports. Worker's remittance is a major source for foreign exchange earnings. We should facilitate the overseas Pakistanis to send remittances through formal channel.

FPCCI, being an apex body of trade and industry has a great role in the socio-economic development of the country. Being the bridge between the private sector and government, FPCCI should be taken on board in policy formulation such as fiscal policy, annual budget, planning and development, and safeguard the commercial interest of the country internationally.

ICMA Pakistan: How ICMAP and FPCCI can work together to guide the exporters to minimize product cost and become competitive?

NHM: FPCCI and ICMA Pakistan can work together to guide the exporters to minimize product cost and become competitive. In this context, we should first study the model of regional competitors as to what strategies they have adopted for minimization of cost and how their governments are facilitating traders and industrialists. Thereafter, we should formulate our strategy and provide policy advocacy to exporters and the government.

ICMA Pakistan: ICMA Pakistan would be willing to provide training to the industry on Cost Reduction Techniques. How FPCCI can facilitate arranging such training programs for its member bodies across the country?

NHM: ICMA and FPCCI should facilitate the industrialists and businessmen on cost reduction techniques and improving their competitiveness. More than 10,000 traders and industrialists are directly and indirectly members of FPCCI and we are facilitating them through our member Trade Bodies for enhancement of their production and exports. FPCCI has under its umbrella, 215 Trade Bodies including 57 Chambers of Commerce and Industry, 18 Women's Chambers of Commerce & Industry, 10 Chambers of Small Traders, 4 Joint Chambers of Commerce & Industry, 126 all Pakistan Associations, representing Industry, Trade, and Service sectors. We can arrange training programs and workshops for these members at FPCCI Head Office Karachi and at all its Regional and Capital Offices.

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