



Mohammad Younus Dagha Secretary Commerce, Government of Pakistan

ICMAP: Please tell us briefly about the objectives and functions of the Ministry of Commerce.

MYD: The main objective of the Ministry is to contribute to the national economy through trade liberalization and facilitation, improving export competitiveness and reducing cost of doing business. Further, Ministry of Commerce aims to achieve enhanced market access for Pakistani products in existing markets as well as new markets.

ICMAP: Pakistan is continuously facing trade deficit. How can we overcome this deficit?

MYD: Pakistan is facing trade deficit due to the fact that a major component of our imports is raw materials for our export sector, machinery for the industrial production and inelastic demand of food items like palm oil and tea. Due to the CPEC, there is huge increase in import of machinery during current year especially the power-generating machinery. It is a very healthy sign that the imports of machinery are going up as this would help Pakistan's economy. The import of machinery means that the investment in value added manufacturing sector is increasing in the country. However, Ministry of Commerce is trying to increase exports through policy interventions, trade diplomacy and trade promotion to narrow down the trade deficit.

ICMAP: What are the main reasons for our declining exports?

MYD: Pakistan's export performance has witnessed declining trends by registering a negative growth of 4.88% in the FY 2015 and 12.11% in the FY 2016. This export performance, however, cannot be taken in isolation as a number of regional as well as international factors have resulted in exports contraction. According to World Trade Organization, the world merchandise

exports declined by 14% in value terms in 2015 as the value of exports has declined.

The decline in exports is mainly owing to a set of exogenous and endogenous factors. The exogenous factors contributing to the exports decline include global economic slowdown, commodity crisis, shift in demand and changing preferences of international consumers. The endogenous factors include the supply side constraints e.g. energy shortage, infrastructure deficit, outdated production technologies, appreciated currency, taxation structure, market and product concentration. Besides, the institutional inefficiencies have been contributing towards Pakistan's low ranking in indices of Global Competitiveness, Ease of Doing Business and Governance, which have a direct bearing on exports. In addition to the above-mentioned cross-cutting issues affecting the export performance, the sector-specific constraints have contributed towards the decline in exports. For instance, the deficit in cotton production for the last two years has affected the textile sector exports.

ICMAP: What role the Ministry is playing in removing the hurdles faced by the export-oriented sector?

MYD: Ministry of Commerce always remains in coordination with the exporters and advocates export-friendly policies on their behalf with the relevant agencies. Ministry also works with the other government organisations for removal of impediments to exports and for negotiation of export-development initiatives as a policy advocate of the export-sector within the government. Ministry of Commerce has played pivotal role in the following steps for promotion of exports:-

- a) Prime Minister of Pakistan has announced export package of PKR 180 billion, which is applicable for nearly 18 months for the period from 11th January, 2017 to 30th June, 2018.



- b) In order to increase competitiveness of Pakistani goods in international market, Pakistani manufacturers-cum-exporters are allowed to import/procure their inputs without payment of duty & taxes under various schemes like Export Processing Zones, Export Oriented Units (EOU), Duty and Tax Remission for Exports, Temporary Importation and Manufacturing in bond Schemes.
- c) Through active trade diplomacy, Ministry of Commerce has been trying to secure better market access for the local businesses in international markets by concluding Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) with different countries. Bilateral free trade agreements with China, Sri Lanka, Malaysia, Iran, Mauritius and Indonesia are already in place. Government is in the process of negotiating trade agreements with Thailand and Turkey.
- d) Trade Development Authority of Pakistan (TDAP) is undertaking various export promotional activities through trade exhibitions and delegations.
- e) Under Strategic Trade Policy Framework (STPF), 2015-18 several export development incentives have been announced, which include:-
 - i) Establishment of Export Promotion Council for pharmaceuticals, cosmetics and rice.
 - ii) Support for the import of plant & machinery to strengthen supply chain and encourage value-addition.
 - iii) Support for Branding & Certification.
 - iv) Draw Back of Local Taxes and Levies at the rate of 4% on increased export of 10% over last year's exports.

ICMAP: What measures have been taken in the Budget 2017-18 for boosting exports?

MYD: New initiatives announced under budget are (1) The custom duty on raw-hides and skins, the basic raw material of leather industry, will be reduced to zero; (2) stamping foil used in producing high value added finished leather will also be exempted from customs duty; (3) in order to facilitate the export of rice, it has been decided in principle to allow warehousing of rice outside Pakistan; (4) zero rating of the five export sectors shall continue; (5) To stabilise cotton prices in the country, a

system of cotton hedge trading for the domestic cotton will be initiated; (6) the government will launch Brand Development fund for textile sector; (7) the establishment of 1,000 stitching units shall be completed in three years; (8) an online textile business/trade portal for textiles using B2B (business to business) and B2C (business to consumer) mode will be launched.

ICMAP: Our exports of textiles products have not picked up as expected? Please comment.

MYD: Shrinking global demand has hurt exports of textile and leather sector the most. In recent years, market for man-made fiber products is expanding at a fast pace, but Pakistan's textile industry has not diversified its product range and remains cotton-focused. This fact can be substantiated by observing trends in the US import statistics for the last one year the import of cotton apparel has increased in 2015 by 1.8 %, compared with 10.3% increase in non-cotton apparel imports.

ICMAP: Please share the steps taken for promoting exports of SME Sector?

MYD: Under Strategic Trade Policy Framework 2015-18, Government has announced following initiatives for promoting exports of SME Sector:-

- a) Matching grant upto a maximum of Rs. 5 (five) Million for specified plant and machinery or specified items to improve product design and encourage innovation in SMEs and export sectors of leather, pharmaceutical and fisheries.
- b) Matching grant to facilitate the branding and certification for faster growth of the SME and export sector in Pakistan's economy through Intellectual Property

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Registration (including trade and service marks), Certification and Accreditation.

- c) 50% support on the cost of imported new plant and machinery and 100% mark-up support on the cost of imported new plant and machinery for Agro Processing SMEs

ICMAP: Do you think CPEC would have any negative repercussions on our export industry?

MYD: It is true that CPEC will challenge the Pakistani manufacturing sector which will have to increase its efficiency to compete with the efficient Chinese industry. However, CPEC offers many opportunities which we should be able to grab.



Firstly, the development of road, rail and port infrastructure under CPEC will reduce the infrastructure deficit hampering linkage of production base with domestic and foreign markets. The connectivity will also increase the physical access to the huge Chinese market.

Secondly, the development of energy infrastructure will relieve the persistent energy shortages which shave an estimated 2% off the GDP growth every year. The addition of nearly 10,400 MW in the energy generation capacity till 2018 under the Early Harvest Projects will improve the export sector's access to energy and is estimated to add 2-3% growth in exports.

Thirdly, partnering with China, the world's export powerhouse, offers the opportunity of integration into global value chains by piggybacking the Chinese export industry. In a natural cycle of

industrial development, the Chinese manufacturing sector due to the increasing labour costs has already been moving up the value chain by limiting itself to the high-tech manufacturing services. Pakistan can attract the medium to low-tech Chinese manufacturing industry to relocate to Pakistan. They bring with them the export market linkages and their existing integration into GVCs besides the spillover benefits of technology transfer, development of skilled workforce and snowballing of FDI from other countries.

Lastly, Pakistan can benefit from the Chinese experience of developing the SEZs as competitive export production hubs with allied infrastructure and formation of human capital.

ICMAP: TDAP has failed to play his role in boosting exports. What are your views?

MYD: In a highly competitive environment of international trade, the TDAP is challenged to adopt professionalism, specialization, agility and pro-activeness for an effective service delivery. TDAP is our main trade promotion organizations. However, they are under-resourced and are not geared to face export promotion challenges. To boost their performance, restructuring of these organizations has been announced under STPF 2015-18, which will be done in consultation with relevant stakeholders on modern lines to cater for export promotion needs.

ICMAP: How management accountants can assist in reducing cost of doing business?

MYD: Reportedly cost of doing business in Pakistan is higher than our competitors. A considerable number of exporting enterprises, rather sectors, complain against high cost of doing business in Pakistan. Though a number of such concerns are genuine, there is an equally large number of such complaints which are inaccurate perceptions and scapegoats for justifying the inefficiencies. ICMA Pakistan can help the export industry in identifying the management and cost inefficiencies through empirical evidence.

ICMAP: In what specific areas do you think ICMA Pakistan and Ministry of Commerce can work together for improving our export competitiveness?

MYD: ICMA Pakistan can assist Ministry of Commerce in conducting comparative studies of Pakistani export sectors with the major competitors and identify the policy interventions which can make Pakistani industry competitive in the global market.

The interview ended with a vote of thanks to Mr. Mohammad Younus Dagha, Secretary Commerce, Government of Pakistan who spared his valuable time and gave his candid views exclusively for this Journal - Editor