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Abdul Khaliq Chairman, National Tariff Commission (NTC)



ICMA Pakistan: Please tell us briefly about the core functions and regulatory role of NTC?

AK: The National Tariff Commission (NTC) is a body corporate established under the National Tariff Commission Act, 1990. The functions entrusted to the NTC under the said Act were to advise the Federal Government in matters of providing assistance to the indigenous industry in the Tariff matters, Anti-Dumping and other unfair trade practices. Besides this the NTC is to advise the Government to improve competitiveness of the domestic industry and promoting exports from Pakistan.

This is clear from the above that the focal point for NTC is the domestic industry. The objective to achieve is to improve competitiveness of the domestic industry. The tool to be used is the tariff (border taxes). The tool used from its establishment from 1990 to 2000 was primarily the tariffs, to be more particular 'customs duties'.

Point to be noted is that the world agenda is to bring transparency and consistency in tariffs and the liberalization of trade. To this extent the WTO consistent Trade Remedy laws were promulgated in the form of the Anti-Dumping Duties Ordinance, 2000, Subsidies and Countervailing Duties Ordinance 2001 and Safeguard Measures Ordinance 2002. The role of Investigation Authority

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with regard to Trade Remedy laws was entrusted to NTC in addition to tariff matters. Therefore, removal of unfair trade practices i.e. dumping and subsidy that causes injury to domestic industry have been added in the functions of NTC. Immediate resolution of the problems of domestic industry arising from sudden surge in imports is also included in the functions of NTC.

The NTC has an advisory role in the case of Tariff Matters and Safeguard Measures (surge in imports) while in case of unfair trade practices adopted by the Foreign Exporters and Governments, the NTC is an investigating authority and can take the measures at its own.

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ICMA Pakistan: How NTC involves the stakeholders while making policies and setting price structures?

AK: At the outset, it is stated that NTC does not have a direct bearing on the pricing of a product or services. The role of NTC is to improve the competitiveness of the domestic industry or to provide level playing field for the domestic industry. Indirectly the actions taken by the NTC may affect the prices. However, in terms of section 12 (i) (ii) of the NTC Act, NTC would have to ensure that additional cost to consumer is not excessive.

The process adopted by NTC is quite transparent. The stakeholders at all levels are taken in confidence. In almost all matters the known stakeholders are informed through individual letters and advertisement/ publication in the press about inquiries and investigations. All the reports are placed on the website. Public hearings are called where all stakeholders are given full opportunity to defend their interests and express their opinions on the proposals/investigations.

ICMA Pakistan: How is NTC contributing to improving the competitiveness of the domestic industry?

AK: The NTC has four instruments to address the issue of improving the competitiveness of the industry.

- i. The issues of tariff Anomalies, infant industries, excessive cost of the production of the domestic industry are addressed under the National Tariff Commission Act, 2015. The measures are a reduction in Customs Duty on imports of raw materials or increase in duty of outputs which improve the competitiveness of domestic industry.
- ii. The issues of dumping by foreign producers and exporters are addressed under the Anti-Dumping Duties Act, 2015 and the measures are anti-dumping duties or price undertakings.
- iii. The issues of subsidies by foreign Governments and cheap imports as a result thereof and material injury caused

thereby are addressed under Countervailing Duties Act, 2015. The measures are Countervailing Duties or Price undertakings.

- iv. The issues emerging from the sudden surge in imports are addressed under Safeguard Measures Ordinance 2002 and the measures safeguard duty or import quota.

ICMA Pakistan: What is the future strategy of NTC to bring reforms for simplifying and rationalizing the tariff structure?

AK: The National Tariff Commission was established in 1990. The tariffs at that time were very high and the cases of tariff protection were not dealt with in a transparent manner. Subsequently, the tariffs were made simple and significantly lowered. The NTC has been advocating the cascading principle to encourage value addition, transparency, and predictability in tariffs. The problems of unfair trade practices and sudden surge in imports are dealt with in accordance with WTO consistent laws in a transparent manner.

ICMA Pakistan: Does any special tariff structure being planned by NTC for the growth of SMEs in the country?

AK: The tariff on imports and exports is levied keeping in view the nature of product and not the size of an enterprise. However, generally the products manufactured by SMEs are consumer products that attract higher rate of duty. In this way the SMEs are protected automatically. In case of trade remedy actions, SMEs may face difficulty in collection of data and its proper presentation before NTC. The NTC may work out plans with regional chambers for improving the understanding of laws. NTC has already pursued outreach programs for improving the understanding of Trade Remedy laws.

ICMA Pakistan: How do you foresee the role of Management Accountants in policymaking, especially price setting, and monitoring?

AK: It is clear that the focus of the training of the Management Accountants to optimize the cost of production and reduction

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in cost in order to make the enterprise cost-competitive. If this objective is seen in a broader context at a macro level, it increases consumer welfare which is the objective of any political and democratic government. Accordingly, the Management Accountants should have very important role in the policymaking in the Government policies for increasing the competitiveness, reduction of costs and increasing general welfare.

ICMA Pakistan: The cost of production is a major consideration in determining the normal value of an investigative product by NTC? Do you think there is a greater role for cost and management accountants in this process?

AK: It is not only normal value but trade remedy laws as a whole require extensive knowledge of accountancy and especially management accounting. In the trade remedy laws dumping/subsidy and injury are important parameters. The whole structure of trade remedy laws depends on the determinations of these parameters. This requires extensive knowledge of accounting. Sensitivities to accounting and costing methodology are essential for justice to all stakeholders. The tariff matters under NTC Act require a comparison of cost of indigenous production and the landed cost of imported products. These tools are to be used carefully and keeping in view the reasons and basis for cost changes. For these very reasons the Cost and Management Accountants were essential ingredients (part) of original NTC (Team). Presently, I feel that the strength of Cost and Management Accountants need to be increased. This is my feeling not because I myself is a Cost and Management Accountant but because I seriously feel that the knowledge of accounting, especially Cost and Management Accounting is very important to NTC work. Even today the structure (membership) also includes qualification of Cost and Management Accountants for the Commission member. The role of Cost and Management Accountants as consultants is also crucial and important. In view of this the Cost and Management Accountants have very important role in the working of NTC.

ICMA Pakistan: Do you agree that cost and management accountants be taken on board as a member of Anti-Dumping Tribunal?

AK: Accountancy is an important field in the qualifications for membership of both the National Tariff Commission and Anti-Dumping Appellate Tribunal. The members of ICMA Pakistan should compete for membership of both Institutions whenever a vacancy arises. The members of ICMA Pakistan would have an edge on other members by virtue of their qualifications, training, and aptitude.

ICMA Pakistan: It is expected that China-Pakistan FTA can lead to an upsurge in cheaper imports into Pakistan. How NTC is envisioning its regulatory role in effectively protecting the local industry in the future scenario?

AK: The basic purpose of FTA is both the creation of trade and the diversion of trade between the trading partners. China has the advantage of bigger manufacturing base and economies of scale. This may pose a challenge to our domestic industry. But it would provide an opportunity for our export-oriented industries. The tools are available to address the challenges. However, it is necessary that domestic industry is vigilant an approaches right forum, which is NTC, at right time. It is also important that the domestic industries must be conscious of increases in cost of production and remain competitive in international market which is key to success.

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ICMA Pakistan: In what areas ICMA Pakistan and NTC can join hands for mutual benefit?

AK: ICMA Pakistan is a professional accounting body that imparts extensive training to its students before becoming Cost and Management Accountants. The objectives of Cost and Management Accountants is to increase general welfare. The members of ICMA Pakistan are capable to lead the domestic industry and in this way to help the NTC, in achieving its objectives and assisting the domestic industry.

For creating a better understanding of the trade remedy laws among the members of ICMA Pakistan and the domestic industry, the ICMA Pakistan and NTC can work together. The details can be worked out jointly by two institutions.

The Editorial Board thanks Mr. Abdul khaliq, Chairman, National tariff commission (NTC) for giving his exclusive interview for Management Accountant Journal.