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There is need for creating an even better enabling environment for the export sector and increased support for their capacity building and efficiency enhancement initiatives on a national level

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ICMA Pakistan: Pakistan's exports are stagnant at around \$24 billion whereas exports of Bangladesh have surpassed \$40 billion. Can you share the key reasons for our stagnant export growth and how TDAP is tackling this issue?

AAK: Development of exports is an integrated process involving a host of factors concerning different facets of an economy, performance of export entities, dynamics of the international market influencing global trade flows, and global economic growth scenario. Pakistan is likely to miss its export target due to structural problems like lack of diversification and innovation, high cost of doing business and business-unfriendly climate, lack of foreign direct investment in the export industry, the phenomenon of pre-mature de-industrialization, poor intellectual property protection. Resultantly, little technological progress and human resource development, Market access issues, access to cheap finance and non-development of the SME export sector amongst many others are factors to obstruct a desirable growth in exports.

The other challenges for the stagnant exports of the country include lack of export-oriented FDI, inadequate legal coverage for intellectual property rights discourage private sector to undertake costly research and development activity, presence of informal players in potential sectors, costly certification for CE markings and UL certification for engineering and electronic goods

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(especially fans) and surgical instruments are hampering quality certification efforts.

SMEs and other export-oriented units face problems regarding local availability of quality raw materials and components, low-value addition in such products as cotton yarn and cotton cloth resulted in a decline in their exports. Pakistani exporters are continuing with products that are losing value or appeal in the global market. The textile industry is heavily cotton-oriented. Globally, the demand for cotton-based textiles is losing ground. Our competitors are shifting towards specialized garments but we are lagging behind it.

The success story of the Readymade Garment sector in Bangladesh has completely changed the economic development spectrum of the country. GDP has grown at an average of 6.6% from 2013 to 2018 and trade grew by an average of 19% annually. Several factors have contributed to the remarkable growth of this sector in Bangladesh. The key factors were the quantitative restrictions or the quota regime under the Multi-Fibre Agreement (MFA). The Least Development Country status under the General System of Preferences (GSP) for zero duty market access to the markets of the developed nations also helped Bangladesh to accelerate its exports. Bangladesh reversed the nationalization process in 1981 and around 300 textile companies were returned to their owners. The National Industrial Policy of 1982 is said to be an important milestone in industrialization in Bangladesh which encouraged local and Foreign Direct Investments in the Export Processing Zones. Consistent policies for duty drawback facilities, tax holidays, cash assistance, rebate on taxes, zero tariff on machinery inputs, rebate on freight and power rate, bonded warehouse facilities, provision of import under back-to-back letters of credit, loans at concessional rate, export development fund, etc. have contributed to remarkable export growth in Bangladesh.

At the level of TDAP, we set targets in terms of activities to be undertaken by the TDAP, like arranging exporters' participation in international trade fairs, organization of

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foreign trade delegations, holding of single country exhibitions abroad to showcase Pakistan and its products, holding of mega domestic expositions, etc. We participate in over 120 international trade fairs annually. Similarly, we send and receive around 40 trade delegations annually to/ from all countries of the world based on our strategic plans. We organize single country exhibitions and roadshows in priority countries that include Sri Lanka, Chile, Thailand, Qatar, Kenya, Kazakhstan, India, and some other countries, particularly in Africa, Middle East, and Central Asia.

TDAP works in close collaboration with the Ministry of Commerce and trade bodies, including FPCCI, Regional Chambers, Trade Associations, as well as individual exporters. The objective of this collaborative effort is to produce optimum impact with the available resources through the development of synergies and avoidance of unnecessary duplication of effort.

TDAP has also been acting as a bridge in the development of linkages between international organizations, overseas chambers and trade bodies, foreign trade promotional organizations, etc. and respective counterpart institutions in

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Pakistan. Such events have contributed to the development of our institutions and exporters, in particular SMEs and enhancement of their knowledge about the dynamics of international markets and prevailing best practices in different fields.

Besides this, TDAP has also organized a large number of seminars on women entrepreneurship development and specific fairs for the women entrepreneurs like Blue Fair in Multan, Wexnet at Lahore, and Women Fair at Peshawar, etc. In addition to these, seminars on Fisheries, WEBOC, Chillies' export potential, re-financing facility for Agro-food exports were organized in Sukkur. Additionally, product development seminars for women entrepreneurs were organized through PUMs, Netherlands (Programma Uitzending Managers (PUMs) Senior Experts - which has been advising businesses in developing countries and emerging markets for 35 years) at Lahore, Mango Show, Dates show in Khairpur, similarly Single Province Exhibitions in Swat, and apple and cherry shows in Quetta. The reason behind all these seminars and events is to educate the local entrepreneurs and exporters about the potential markets as well as product processing and market adaptation techniques. TDAP has also now activated the dormant Export Promotion Committees for various sectors and 18 meetings have been already held in different cities with a view to assessing the current status of the various industrial sectors and the measures for removing bottlenecks and enhancing their productivity as well as exports.

TDAP prepared research studies on 50 markets and 10 products for the information of stakeholders of Pakistan and made available on TDAP portal. TDAP is working with International Trade agencies like ITC and World Bank for the formulation of the export strategy of Pakistan and development of export sectors.

TDAP organized the first series of National Exporters Training Program (NETP) at FPCCI, Karachi and planned to organize the training in all cities of Pakistan as capacity-building programs to increase the strength of the exporters of Pakistan.

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For capacity building of TDAP officers, trade promotion training is arranged in Karachi as a part of the implementation of MoU between TDAP & Directorate General of National Export Development (DGNED) of Indonesia signed in January 2018. TDAP has made good progress and achieved significant results if measured from the quantum and quality of activities undertaken and export promotional support extended.

ICMA Pakistan: It is satisfying that Pakistan's trade deficit has narrowed down by 38% in July-Aug of current FY; however, this was mainly due to decreased imports, rather any rise in exports. Do you think we are going in the right direction or do we need to concentrate more on increasing our exports?

AAK: Decrease in Trade Deficit is definitely a good sign to improve the trade balance. However, an increase in exports should be the national agenda. TDAP has taken various steps to increase the exports of Pakistan. TDAP is developing National Export Strategy of Pakistan to set short term, medium-term and long-term export targets at HS 6-digit level. Keeping in view of the export plans, TDAP regularly conducts meetings with the trade associations of different product sectors for meeting challenges and issues pertaining to their export sectors. I assure them to resolve the same at the earliest. However, most of the issues are related to infrastructure, technology, shortage of skilled manpower, rebates and customs. We are also liaison with the other government departments for resolving export-related issues. We are also working with World Bank for developing an interactive web portal which may provide procedure of exports of all products/sectors with the specification of relevant department and officers as done by Kenya. It may work as a single-window for the exporters.

ICMA Pakistan: How can we improve upon the global competitiveness of Pakistani exporting firms and low value-added nature of our exports?

AAK: Ranking of Pakistan in the Global Competitiveness Index has shown a decline from 106th to 107th in 2018. In order to move towards higher value-added processes and productions,

Pakistan should focus on the development of institutions, infrastructure, macro-economic stability, resolving health issues, development of products and markets, capacity building, technology readiness, and business dynamism. Pakistan with notable problems related to violence, crime or terrorism should also be addressed properly for the improvement.

ICT adoption and innovation capability are the two areas where Pakistan lags even further behind the regional countries. India ranked 31st in terms of innovation capability, and is an outlier in the region, with the second-best country, Pakistan, following far behind at 75th.

ICMA Pakistan: What initiatives TDAP plan to take to broaden the export portfolio and explore new export destinations?

AAK: TDAP has the plan to focus China and organized China International Import Expo, Shanghai (5-10, November 2018). On the sidelines, a Trade & Investment Conference, Shanghai was held on (5th November 2018) and a delegation of 51 companies participated. Pak China Trade Forum on the sideline of Belt & Road Forum was organized during 27-28 April 2018 wherein 85 companies participated from Pakistan and 16 MOUs were signed and 350 Chinese companies attended the plenary session. TDAP participated in Li & Fung Pakistan China Suppliers Conference at Shanghai, China during 17-18 June 2019 and delegation comprising 26 companies participated from Pakistan.

In order to penetrate in the non-traditional markets, TDAP has revised its subsidy policy in Africa and increased its subsidy to 80% for exhibitors in these regions. Africa Desk has been established at TDAP HQs which has been looking after all

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activities performed in the region. TDAP concentrates on top ten African Economies to enhance trade; i.e. Nigeria, Kenya, South Africa, Morocco, Algeria, Egypt, Sudan, Kenya, Tanzania and Angola as they constitute 78% of Total African GDP, in the first phase of enhancing engagement.

ICMA Pakistan: There is good scope for exports of services, especially IT exports. Does TDAP has prioritized this sector in trade policy?

AAK: TDAP has established a full-fledged Division for the export of the Services Sector. TDAP in collaboration with the

Pakistan Software Houses Association for IT and ITES (PASHA) will conduct research studies and data collection of the exporters of IT sector. We are preparing export development plan of the Services Sector to boost the industry.

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ICMA Pakistan: FBR has recently placed a new refund payment system known as FASTER? What is TDAP's viewpoint on the success of this system in resolving the liquidity issue of the export industry?

AAK: I appreciated the efforts of FBR to run the automatic release of genuine refunds. The stuck-up refunds had become a major headache for exporters in the past as the FBR used to withhold refunds amounts to inflate its revenue collection figure but it resulted in escalating the cost of doing business in Pakistan. The exporters became uncompetitive because of stuck up refunds. With massive devaluation and other measures, the exports could be given boost in months and years ahead if the refunds mechanism runs in smooth manner.

ICMA Pakistan: The Industry has concerns about the high cost of doing business in Pakistan. How TDAP is facilitating and helping the industry in taking up this issue with the concerned government departments and regulators for resolution?

AAK: In order to improve competitiveness of Pakistani products in the overseas market, there is need to further reduce the cost of doing business in Pakistan. Accordingly, there is need for creating an even better enabling environment for the export sector and increased support for their capacity building and efficiency enhancement initiatives on a national level. One of the main pillars of TDAP's export strategy has been the product and market development. TDAP facilitates and helps exporters in international exhibitions by providing 40% subsidy to core products, 50% subsidy to other core and 60% subsidy to the developmental products.

TDAP provides B2B connectivity, exploratory options, and trade delegations to traditional, non-traditional markets, technical assistance and financial subsidy to delegates, subsidize US\$ 100 per day and 50% of the airfare to the delegates to explore new markets for Pakistani Products.

ICMA Pakistan: The setting up of a joint forum of experts can be considered by our two organizations for guiding the industry, especially SMEs, in reducing the cost of production and improving cost competitiveness. What is your comment on this proposal?

AAK: Product costing and manufacturing/ processing cost optimization is among the weak areas for our SMEs. In order to

be competitive in international markets and achieve meaningful value chain progression our exporters need to improve in this area and exercise much greater control on various aspects of direct and indirect costs. Furthermore, there is also a need for studying the cost structures and dynamics of our competitors to learn lessons and improve our cost structures. Accordingly, projects related to market research, value addition, and cost optimization can be taken up in association with the ICMA Pakistan where TDAP acting as a bridge can cultivate useful linkages between trade/ industry and the ICMA for the benefit of all.

TDAP may invite ICMA Pakistan team in the National Exporters Training Program (which is specially designed for SMEs and new exporters) as an expert to guide the industry in reducing cost and improving cost competitiveness.

ICMA Pakistan: TDAP and ICMA Pakistan can jointly organize 'Industry-Specific Roundtables' to highlight production and export-related issues of industries. Can you suggest a mechanism to take this idea forward for implementation?

AAK: Yes, if properly managed, such an intervention could be beneficial for the trade and industry. However, this has to be a sustained activity with proper follow-up and continued

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support to the sectors and SMEs involved. Accordingly, this would require a longer-term and serious commitment from both ICMA and TDAP.

ICMA Pakistan: TDAP can organize Seminars and training programs in collaboration with ICMA Pakistan on capacity building in trade and industry, in addition to conducting joint research and exporters surveys. Please share your views on these proposals.

AAK: I appreciate the idea of collaboration of TDAP with ICMA on capacity building in trade and industry and also advise to keep pursuing the initiatives of joint research and exporters surveys. TDAP is already assigned a team for the survey of major exporting units of Pakistan to find export-related issues and information regarding vendors of the exporting units. We may organize meetings of TDAP officers and ICMA team to conclude outcomes of these surveys.

The Editorial Board thanks Mr. Arif Ahmed Khan, Chief Executive, Trade Development Authority of Pakistan (TDAP) for giving his exclusive interview for Management Accountant Journal.