

An Exclusive Interview with Engr. M. A. Jabbar

"The relevance of some issues during the period may have changed in terms of mode of approaches but nevertheless WTO in terms of objectives remains the same. There can be changes in the modalities of ingredients of the supporting packages but if we talk about less tariff and no tariff and we talk of NAMA and coefficient of Swiss formula, it does not make any basic difference except that today LDC and GSP are converging and are being given to the less and least stronger economy at par with; however, the political thinking and backup behind, in some reasons, like combating terrorism or drugs are the rescue gates to sustain the justifications in policy shift by EU or from elsewhere."

"US is still in active and once it is active we can see many areas to open and we will be caught with surprise as it always happen so. I remember tariff base system (TBS) was replaced with TRIMs but AIDC a substitute could survive its tenor and now we are talking of new AIDC. The taxation again for foreign investment, even in part, calls for 20% taxes but for locals more than 30% corporate tax. Isn't it a example of discrimination against the committed national treatment. The projects similarly are discriminated in terms of concessions, which shows how much we ourselves standby to help the domestic potential to move forward."

"I remember SBP asked for bigger margins for import of finished products against lower margins for import of raw materials. It was perfect in the direction of national interest but in the name of IMF and donors that no discrimination should be sustained on imports. In my personal opinion there was no discrimination, the import of raw materials at less cash margins with banks against higher cash margins on import of finished products is a national policy which is called developmental economics in the interest of exploiting domestic potential. I tried by best but when the shots come from top and not consolidated for opposition by industry, then, you may see anything to happen. So now, no cash margins for rent seeking game is again back as a policy."

"Indians are champions of liberalization but they are really on a real game of national legislation on standardization. They will allow cement from Pakistan when they have bigger ADB and less domestic manufacturing. The situation changes and our cement cannot cross the borders. When they have much appetite for higher Fe iron ore for their domestic iron manufacturing, they impose export duties and even some of the regions are barred from exporting the iron ore. Classic and great service to the nation though policy manufacturing. Where we are? we need to review and revisit".

— Engr. M. A. Jabbar



Engr. M. A. Jabbar is a renowned industrialist and a well-known figure in the business community of Pakistan. He is the former Chairman of SITE Association of Industry and former Vice President of the Federation of Pakistan Chambers of Commerce & Industry (FPCCI). Presently, he is a member, Board of Governors of Sustainable Development Policy Institute (SDPI); member Syndicate of University of Karachi and the Honorary Consul of Ukraine at Karachi. He has remained Chairmen of the WTO and R&D Affairs Committees of FPCCI. Mr. Jabbar, who is also Chief Executive of M/s. Qaim Automotive Manufacturing (Pvt) Ltd., holds a bachelor's degree in 'Engineering' with post-graduate specialization in 'power systems' from the former Soviet Union. He has more than 30 years experience in the engineering industry and has been associated with the trade and industry for a long time. He has represented the private sector at various national and international fora. He is also life member of FPCCI and SAARC Chamber of Commerce & Industry.

What has been done so far to create mass awareness on WTO and what are future plans in this regard?

Before, I comment on this question I would like to recall the observations made in this regard by Mr. Razzak Dawood, former Minister for Commerce and Industry who observed that "In Pakistan, the business community knows very little about the WTO and its impact on the country's economy. Moreover the government functionaries also need understanding of the issues for creating room in the policy matters to recommend adjustments in the business governance laws. Thus, they can inform the business community to face the challenges of WTO and prepare them to bid for sharing the promises of opportunities created by emerging trends in world business". As I see it, the observations made by Mr. Razzak Dawood are still there to be considered and handled with regard to creating awareness among all stakeholders to face the WTO regime. Primarily it is the responsibility of the government to create awareness among all stakeholders by informing them, educating them and advising them on how to face the impact of WTO regime on country economy. The productive utility of the responsibility is through public private partnership in which Government is spending resources on the advice of private sector seated on the driving seat of the engine of economic growth. Unfortunately this has not been done in just and proper manner. The WTO awareness programme got a kick start with a monetary grant from the British government who later decided to discontinue it following the military takeover in October 1999. However in response to FPCCI's request, the British government restored the grant with the objective of providing understanding of the complexities of WTO agreements and the knowledge required for asking the government to prepare business governance laws in conformity with international trading laws outsourced by the WTO agreements. The first seminar with regard to WTO was held in the last quarter of 1999 when some specific options were identified for consideration of the government of Pakistan and the Central Board of Revenue. Very recently on the instructions of the Commerce Minister a mass awareness campaign has been launched to educate all stake holders, including manufacturers and exporters about the rules of the multilateral trade regime. The government also intends to hold talk shows and discussions, seminars and workshops to educate the people about the WTO agreements. It may be mentioned here that the WTO agreements mostly deal with agriculture, health regulations for farm products, textiles and clothing, product standards, investment measures, anti-dumping measures, safeguards, customs evaluation methods, pre-shipment inspection, import licensing, subsidies and countervailing measures, movement on natural persons, air transport, financial services, shipping and the tele-communications etc including but not limited to.

The United Nations Conference on Trade and Development (UNCTAD) and the International Trade Centre (ITC) are reported to have extended assistance to Pakistan to meet WTO requirements. How does FPCCI view this offer?

The UNCTAD and the ITC have joined hands to provide technical assistance to the developing countries including Pakistan to enable them comply with the WTO's trade related requirements. The UNCTAD-ITC are reported to have drawn up

training programme with the objective to create awareness with regard to WTO's requirements on Intellectual Property Rights and Industrial Standards. These two organisations would be inter-acting mostly with the Export Promotion Bureau, but as the Trade Related Intellectual Property Rights (TRIPS) is a matter of serious concern to FPCCI, it is ready to extend all assistance to the implementation of their training programme.

How is Pakistan positioned to face WTO's impact on the country's textile sector?

No doubt the most glaring strength of Pakistan is its textile industry. Being 46 per cent of the total manufacturing sector, having 38 per cent share in the manufacturing's employment generation and 67 per cent share of the total exports, the textile industry stands strong and has the potential to survive and grow in the free trade area. In recent years there has been increased investment in terms of balancing, modernisation, capacity enhancement and quality up-gradation in this sector enabling it to compete under free market conditions, provided there is a level playing field. The overall export analysis shows that the export earnings of Pakistan depend on cross border movement of textile and clothing. The major exports in quota countries include European Union and the USA. Now Pakistan has to face competition in price and quality for keeping its share of textile clothing to quota countries which have lifted the restrictions of quota from January 2005.

In this context the World Bank has reported that Pakistan has some internal weaknesses and that Pakistan may not be able to compete in quota free regime unless necessary steps are taken towards increasing productivity of textile and clothing sector alongwith reducing cost of production and rationalization of tariff. The same report also places Pakistan at 63 per cent below production level against China in areas of textile and clothing manufacturing. The report also pointed out that the raise in production level in close proximity of China can add one billion US dollars earnings in exports. According to the World Bank's report Pakistan may face timely setbacks in exports of clothing but will retain its share in textiles. However the changes indicated by the World Bank can be possible only after creating appropriate atmosphere which could be achieved by making immediate moves to increase the productivity of the textile and clothing sector and by reducing the cost of infrastructure including the cost of production and proper adjustment of tariff regulations. Moreover the government needs to introduce a policy and regulatory framework for strengthening the private sector's capacity to deal with rapid changes and growing competition for capturing the trade opportunities that are being created through improved market access.

What is the state of Pakistan's readiness and preparedness to face the advent of WTO regime?

Our readiness to face the WTO regime can be measured in terms of our compliance of TRIPS and TRIMS in which field we are still non-committal and look forward to a policy of seeking extensions and evasions.

Here it may be pointed out that implementation of Trade Related Intellectual Property Right (TRIPS) are important for and in developed countries. Implementation of Trade Related Intellectual Property Rights (TRIPS) in developing countries is also very important for having congenial and mutually

acceptable trade relations with the developed countries. However in Pakistan the TRIPS laws are split amongst different ministries such as the Ministry of Commerce, Ministry of Industries, Ministry of Education and the Ministry of Science and Technology. In 2001 a single umbrella for handling TRIPS was announced in the Trade Policy. It was known as the Pakistan Intellectual Property Rights Organization (PIPRO). It was again announced in the subsequent trade policies including of 2003-04. The private sector still has not seen the draft legislation of the PIPRO. It is time that one umbrella is created by pooling officers from all the concerned ministries, with academia, researchers and businessmen who, together can promote trade and business interests, while protecting consumers and complying with international obligations.

The Trade Related Investment Measures (TRIMS) affect the automobile industry already protected by tariffs and nontariff barriers by restricting the import of second hand automobiles. It is time to liberalise the import of raw materials at the lowest rate of duty, against higher slabs for import of finished goods. Steel, plastic paper and chemicals are raw materials which need to be imported at the minimum possible tariffs without any discrimination between category of importers.

Pakistan's import oriented industries fear the WTO most. WTO envisages that the deletion programmes for automobiles, electronics, electrical products and engineering items will be phased out within five years from the date of the enforcement of the agreement, with the provision that transition could be extended in case of difficulties in eliminating Trade Related Investment Measures. The TRIMS when fully enforced would impact on deletion policy and local content requirements in automobile industry. Mention may be made here of some concerns. The vendor industry urges for supportive government policy for automobile industry, as it has generated tremendous supporting vendors who are generating million of jobs to the local population. Whatever is being produced by this industry is for automobiles. Our industry is not of the standard of even developing countries like India. The government must therefore continue the supportive policy for auto industry to help it in becoming an engineering base for diversification.

In areas of compliance on technical regulations, sanitary measures, non-tariff measures, and matters related to environment and social compliance we are still short of constitutional inputs as to what are the requirements in importing countries for welcoming sale of merchandise. These agreements may not be mandatory provisions of WTO but all the member countries are allowed to treat national standards for sale of imported merchandise. In these areas the loud voice is now for correcting the situation. It should be noted here that while new forms of barriers like the anti-dumping duties, countervailing, social, labour and security issues will play an important role by the beginning of 2005, the developed countries would be lobbying for support of their interests in the WTO.

What is Pakistan's state of readiness to face the WTO regime in other sectors such as agriculture and industries such as leather, carpet and other goods?

The Agriculture of Pakistan has been having pendulum swing from import and export of the same commodities such as

sugar and wheat. The potential in agriculture continues to exist as the agriculture produce is not fully routed to agro based industries which have to be given incentives so that Pakistan can take the share during the period when the developed countries start dismantling subsidies on agriculture which they are now promising. On the products other than textile and clothing, the continuity and progress of export figures will depend on meeting the requirements under N.T.B.s as allowed by the WTO to be applied by individual member countries.

As regards other items, exceptions apart, all our traditional export products leather, sports goods, surgical instruments, fish, fruits, vegetables etc. fetch low prices abroad. What is needed is the up-gradation in the existing industrial base and a shift in the future investment pattern with or without the involvement of government to produce diversified range of sophisticated products of international standards. In the services sector Pakistan has to consider proper policy to balance the interests of local and foreigners encouraging both to invest resources for capital development and employment generation.

What about the role of National Tariff Commission?

The National Tariff Commission requires complete restructuring so that it becomes capable of taking measures for the imposition of Anti-Dumping, Countervailing and Safeguard measures to protect the domestic industry.

The National Tariff Commission should be made an autonomous body headed by a chairman from the judiciary and should have private sector professionals conversant with cost structure of produced goods, particularly in view of the need to evaluate industry performance as well as the need for legal and other services accompanying anti-dumping procedures. The FPCCI has also suggested to create a buffer body to carry out research and development and advise the small industries on how to file applications for anti dumping measures on imported goods against which their survival becomes questionable. The Cost and Management Accountants with their professional knowledge and experience can be of great help in setting up such advisory bodies which can take care of national interest which if harmed would add to unemployment. Unfortunately the idea has been accepted but not yet implemented.

Overall, what is FPCCI's role in facilitating Pakistan's successful handling of WTO's advent and further preparations for tackling emerging markets in the new world trade order?

FPCCI has been actively participating in trade policy proposals by sending recommendations and also pressing for the implementation of trade policy measures to add to the state of readiness and preparedness to face the effects of globalization of trade. FPCCI have been constantly making positive suggestions and ideas in this regard, These include:

- The government of Pakistan and parliamentarians must link with the WTO Mission in Geneva for consultations to reply in the affirmative or negative on the issues in which consensus is to be given as it would effect the trade and industry of the country.

- Since the multilateral agreements mandated by the Doha Development Agenda are progressing at not very high pace, it gives Pakistan time to accelerate signing re-regional trade agreements and to activate regional cooperation agreements including BLTAs & FTAs.
- The Ministry of Commerce must research on how to shift exports to other destinations by considering the new configuration of EU.
- Our missions in foreign countries must be activated to anticipate antidumping measures on the import of Pakistani goods so that the time gap before the imposition of Antidumping duties could be utilized to seek deferment and lobby for its anti measures.
- In order to face the challenges of TBTs and NTB's the government of Pakistan should secure information on the standards that are demanded by importing countries in existing and in likely to be come emerging markets.
- The government of Pakistan be urged to amend policies for the manufacturing of engineering goods to offset the effects of a termination of the TRIMS grace period.
- The ministry of Commerce should take stance, in multilateral negotiations through developing consensus with similar economies on rules seeking concessions of grace period on the basis of the actual level of progress. The rules must be based not on the claim of being a developing country when it is the least developed country in actual statistics of the economy.
- Legal defence before a dispute settlement body is an area of vital concern. We should therefore have a body of professionals who can defend cases of antidumping for the country in a dispute settlement body.
- The country has internal weaknesses such as the high cost of doing business, lack of strong infrastructure, high energy charges, inadequacy of water supply for industrial areas and multiple laws for the same purpose such as the labour levy related laws which add to the cost of doing business, adversely affecting competitiveness. These matters have to be rectified.
- The local industry has long demanded that import of machinery and capital goods be zero based at the time of import so that the cost of the project and servicing of the mark ups are manageable, for better feasibility of the project, as a sustainable and profitable project. The issue needs to be addressed.
- Prepare a list of vulnerable items where application of Trade Remedy laws may be expected, based on natural production cycles of key industries in Pakistan.
- Form, at the level of Export Promotion Bureau and Federation of Pakistan Chambers of Commerce & Industry, a Trade Remedies Action Committee, addressing issues of a practical nature - e.g. list of lawyers by areas of specialization, legislation and practices of Pakistan's key trading partners and other imports sources being complaint of dumping by domestic industry (e.g. domestic Anti-Dumping legislation and practices of the EU, Japan, USA, 10 major trading partners and China and others).
- A facilitation Centre be established in FPCCI or EPB employing professionals to advise SMEs manufacturing sector to establish their case seeking Anti-Dumping duty imposition through NTC. The facilitation center is proposed to be funded from EDF or EMDF or from other funds under arrangement by the Ministry of Commerce so that practical steps can be taken to help SME sector. Alternatively an advisory Body needs to be established in order to help identify industrial sectors and determine when to invoke and apply relevant laws relating to Safeguards and Anti-Dumping and Countervailing actions.
- Consolidate information, raise awareness and provide professional advice of a practical nature to all stakeholders (private sector, government and civil society) addressing key issues relating to Pakistan's obligations under GATT/WTO legal provisions. This should focus on strategic questions such as cross retaliation that could target Pakistan's textile sector, e.g. owing to violation of disciplines in different for altogether.
- Explore a more active stance for Pakistan as a plaintiff rather than respondent in the application of Anti-Dumping Duties.
- Broaden participation in formulation and implementation of WTO initiatives protected by Trade Policy, beginning with wider stakeholder representation within Pakistan's delegations to the WTO's Conferences, ministerial, mini and of other levels in Geneva and elsewhere for interaction of private sector with counterparts for better gathering of the informations. This will help in taking positions on the basis of like economies and on the basis of similar pattern and level of development.
- Rationalize the use of Trade Remedies, bearing in mind that Safeguards and Countervailing Duties may be the instruments of choice for influencing issues relating to national interest, while Anti-Dumping Duties may be more appropriate for targeted action within given industries.
- Prepare Pakistan's negotiation positions well in advance of the WTO's Ministerial and other level Conferences through an immediate and wide consultation process.
- Define Pakistan's position through the commissioning of timely studies focused on export performance and evaluation of economic and employment related impacts in trade and industrial sectors, particularly as regards opportunities and risks from:
 - (a) China's accession to the WTO
 - (b) Enlargement of the EU
 - (c) Increasing cooperation within NAFTA
 - (d) Proliferation of Regional Trade Agreements
 - (e) FTAs, PTAs, BLTAs and other economic cooperation agreements

The interview ended with a vote of thanks to **Engr. M. A. Jabbar**, Former Vice President, Federation of Pakistan Chambers of Commerce and Industry (FPCCI), who spared his valuable time and gave his candid views exclusively for this journal. — Editor