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Irfan Iqbal Sheikh
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Chamber of Commerce &
Industry (LCCI)

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ICMA Pakistan: First of all, congratulations on being elected as President of Lahore CCI. What priority areas you would be focusing on during your tenure for improving business and investment climate in the country?

President LCCI: First of all, thank you for congratulating me on my election as President LCCI. Well, my top priority would be to work for the betterment of trade and industry in order to revive the national economic growth. The Industry in Pakistan contributes around 21% to the GDP but it is growing at only 1.4 percent. A lot of focus would be given on regional trade and exports and for this purpose, an 'Export Facilitation Centre' has been established at LCCI to guide the members about the export procedures and potential markets/products.

LCCI would continue its policy advocacy to the Government for introducing a rational system of taxes for the small businesses and traders. This would help lead to broadening the tax net and help the Government in achieving the tax collection targets. LCCI would also advocate to the Government to expedite the process of 'Ease of Doing Business' reforms through smart regulations, particularly in registering companies and paying Taxes, and online portals so that Pakistan is able to break into top 50 countries in the world in Doing Business.

ICMA Pakistan: What are your views on the current economic situation? Are the government's economic decisions in the right direction?

President LCCI: Currently, the economy of Pakistan is facing stiff challenges as the interest rates have gone up to 13.25%, Inflation is over 10% while devaluation of more than 25% has taken place in last one year and exports are stagnant. Furthermore, the businesses have to face high taxation rates.

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The Government has taken a number of steps to address these issues. LCCI recommends that business community should be taken into full confidence before implementing macro-economic, taxation and sector-specific reforms as the situation of economy directly impacts the businesses.

ICMA Pakistan: What are the main issues of manufacturing sector which are still unresolved and needs Government attention?

President LCCI: I would like to briefly pinpoint few of the major issues faced by the manufacturing business. Firstly, the businesses engaged in the manufacturing sector are not getting their refunds in a timely manner which is squeezing their working capital. This issue needs urgent attention of the Government which must put in place an efficient system of refund payments.

Secondly, the taxes on raw materials are much higher and need to be brought down to make the industry competitive. I may mention here that recently the Government imposed additional custom duty on many items which have impacted the competitiveness of our Industry. Similarly, the customs duty on intermediate products, including machinery need to be brought down to enable our Industry to do BMR and increase its competitiveness.

“There is a dire need to diversify exports in terms of markets as about 55 percent of Pakistan's exports go to only ten countries viz. USA, China, UK, Germany, France, UAE, Afghanistan, Bangladesh, Italy and Spain”

Thirdly, the electricity and gas rates for industry in Pakistan are higher as compared to other economies in the region. This adversely impacts the competitiveness of our Industry. These rates need to be rationalized. Fourthly, the sales tax rate of 17% is extremely high and needs to be brought down to a single digit. In addition, the rate of withholding tax on sales of goods is very high at 4.5% and should be reduced. Lastly, the uncertainty in Government policies including interest rate, exchange rate

and inflation are also adversely impacting the manufacturing sector. The Government should take steps to reduce the interest rate since it has made the borrowing expensive for manufacturing sector which ultimately discourages investment.

ICMA Pakistan: Our exports are not growing despite all efforts. What are main obstacles and how these could be surmounted?

President LCCI: In my opinion, there is a dire need to diversify exports in terms of markets as about 55 percent of Pakistan's exports go to only ten countries viz. USA, China, UK, Germany, France, UAE, Afghanistan, Bangladesh, Italy and Spain. Furthermore, USA has the largest share in exports (16%) followed by European Countries (11%) in total exports. There is an ample potential of increasing exports to other world markets where Pakistan is an under achiever such as South America, Africa, Central Asian Republics (CARs) and Russia where the combined share of Pakistan's exports is less than 10 per cent of its total exports. Here comes the role of the Trade Development Authority of Pakistan (TDAP) which should assist the businesses in organizing trade fairs/exhibitions in these potential markets. The assistance can be provided in the form of subsidy in stalls, freight and travelling/accommodation expenses of bringing the exhibitors to the exhibitions. This would help in increasing the share of Pakistan's export to these markets and promote market diversification.

“The role of Commercial Sections of Pakistan Embassies is also important as they need to work more efficiently; prepare fresh market research reports in their concerned country and send those reports to all the Chambers of Commerce in Pakistan”

Similarly, Pakistan's exports are highly concentrated in few items like cotton & cotton manufactures, leather, rice which account for about 70% of our total Exports. To capture a large share in the world trade, Pakistan has to make a strategic shift in the composition of its exports which requires promoting exports of medium/high technology products. There should be a special focus on development of export-clusters for technology intensive products (Engineering, Surgical, Sports Goods, Value Added textile, Halal Food, Marbles and Pharmaceuticals etc). This would increase value addition and help us to fetch greater export revenues.

The role of Commercial Sections of Pakistan Embassies is also important as they need to work more efficiently; prepare fresh market research reports in their concerned country and send those reports to all the Chambers of Commerce in Pakistan. They should also play a pivotal role in developing liaison between Pakistani manufacturers and importer of that country. In the case of any conflict, the commercial section needs to become a bridge between the two parties in order to resolve the conflict swiftly.

“The exporters are still facing issues in getting their refunds from the Government in a timely manner. We hope that in the current scenario when the zero rating has been abolished and exporters are facing liquidity issues, the Government would enact an efficient and automatic system of Refund payment for the exporters”

ICMA Pakistan: What efforts need to be taken by the Government to improve the cost of doing business?

President LCCI: I think that the Government should focus on the priority concerns of the trade and industry which include timely payment of refunds; reduction in duties on raw materials; reduction in duties on intermediate products and machinery to enable to industry to do BMR; rationalizing the tariff of electricity and gas; and providing land on lease to businesses in the Industrial Zones at competitive rates.

ICMA Pakistan: What kind of reforms are needed in taxation system in the country that could boost tax revenues?

President LCCI: All the incomes must be treated and taxed equally. Measures should be taken to make sure that tax Collection from all sectors is commensurate to their contribution in the GDP. The users of commercial electricity meters should be registered by FBR for broadening of tax base. To enhance the tax base, a rational Fixed Tax/Turnover based system should be introduced for small traders and businesses. Furthermore, to encourage more people to come into the tax net, the Government should consider to exempt the new entrants from audit for 3 to 4 years and atleast 20% exemption to those taxpayers who deposit 20% more tax from the last year. To let the businesses, work freely and contribute in tax revenues, questions should not be asked about the source of income. A one-page return form be also introduced to facilitate the taxpayers.

ICMA Pakistan: The domestic trading community is opposing FBR move to document the economy. What is the viewpoint of LCCI?

President LCCI: LCCI fully supports the Government's effort of documenting the national economy. Documentation of

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national economy is very essential for increasing the tax net. However, we are of the view that it should be done in a gradual and step-wise manner so that the business gets used to the changes. This will also help the Government to achieve its objectives.

ICMA Pakistan: Are the exporters still facing liquidity problem due to delay in refunds from the FBR?

President LCCI: The exporters are still facing issues in getting their refunds from the Government in a timely manner. We hope that in the current scenario when the zero rating has been abolished and exporters are facing liquidity issues, the Government would enact an efficient and automatic system of Refund payment for the exporters.

ICMA Pakistan: Lahore Chamber has recently launched an Employment portal in collaboration with Rozee.pk. How qualified professionals of ICMA Pakistan can utilize the LCCI portal to offer their services to the member companies of LCCI?

President LCCI: The ICMA professionals can upload their profiles on the LCCI Employment Exchange Portal <http://lcci.rozee.pk/>. These profiles can then be viewed by the member companies of LCCI.

“The Lahore Chamber of Commerce and Industry (LCCI) would look forward to a long-lasting partnership with ICMA Pakistan for the betterment of Trade, Industry and our economy”

ICMA Pakistan: ICMA Pakistan and Lahore CCI can work together in facilitating the business and industry in improving cost efficiency and remaining cost competitive in international export markets? What do you say on this proposal?

President LCCI: This proposal is very good. LCCI would look forward to a long-lasting partnership with ICMA Pakistan for the betterment of Trade, Industry and our economy.

ICMA Pakistan: Can you suggest few areas where our two organizations can conduct joint research studies and industry surveys?

President LCCI: I think there are four areas where ICMA Pakistan and Lahore Chamber of Commerce and Industry can jointly undertake research which are (1) Enhancing the Export Competitiveness of Pakistani Industry (2) Promoting Regional Trade (3) Increasing Access to Finance for SMEs in Pakistan and (4) Broadening the Tax Base of our country. We can initiate dialogue soon to chalk out the action plan to undertake these research studies.

The Editorial Board thanks Mr. Irfan Iqbal Sheikh, President The Lahore Chamber of Commerce & Industry (LCCI) for giving his exclusive interview for Management Accountant Journal.