



SWABI CHAMBER OF COMMERCE AND INDUSTRY

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Subject: National Consultative Conference of All Trade Organizations on Pakistan Economy.

It is in the context of the subject National Consultative Conference of Chambers and Trade Associations on Pakistan Economy to adopt consensus in light of recommendations of trade bodies as significant stakeholders to help the Government of Pakistan, legislative bodies, Bureaucracy, and public and private sector departments to develop a charter of the economy that will give stability to the economy and might as well give it a significant boost.

The Swabi Chamber of Commerce and Industry, consistently affirms its comment for a sustainable economy, which should be based on strong pillars and provides economic empowerment to every sector element of the society.

As we are aware that in the preceding last 7-8 months Pakistan is facing its worst economic conditions. That's Economic instability damaged the national economic progress and we are at historic lows. There are some reasons behind it and short summary details are as follows;

1. Economic and Political Instability.

The political instability in Pakistan for the last eight months and the floods this year has caused a lot of economic damage to the country. In pursuance to the uncertainty in the country, not only investment has been affected, but also the dollar has skyrocketed against the value of the rupee along with the widening of the fiscal deficit.

- The local currency is currently under a lot of pressure against the dollar, one of the main reasons being the increase in the import bill, which has led to a huge increase in the demand for the dollar. On the other hand, there was a slight increase in domestic exports. The increase in the value of the dollar, where the trade and financial deficit has increased, there has also been a significant decrease in the country's foreign exchange reserves.
- The Economists consider the increase in trade deficit as a dangerous sign for the country's economy as this deficit has a negative impact on the exchange rate by widening the current account deficit. Pakistan is currently unable to get significant financial aid or credit from anywhere due to which foreign exchange reserves are rapidly depleting.
- Pakistan has to repay 30 billion dollars in foreign debt in the next few months, but as the repayment of this debt approaches, there are fears and speculations about the

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bankruptcy of Pakistan. However, the government of Pakistan rejected the risk of the country defaulting.

Recommendations:

The Recommendations are as follows;

- In this situation we need to focus on the IMF Program for prompt facilitation.
- Political stability and sustainability in trade policies for economic progress is mandatory. We are requesting through this consultative forum to all the political parties to keep Pakistan stability in top priority.
- Sustainability in trade policies can help the political parties to complete the to priority political agenda for the prosperity and stability.
- The Initiatives for long-term development projects can be helpful with the collaboration of the private sector or international trade partners. That will revive the market again.

2. Dead Wood State Owned Enterprise –SoEs.

There are 213 dead wood State Owned Enterprises –SOEs and 31 of them are in straight losses from last many years. The Expenditure costs over them are Rs. 5 trillion and the Non –Financial SOEs are 44pc of our national GDP. They are providing the job facilitations to only 0.7pc of our national working force for which we are paying 14pc of our total GDP.

Recommendations:

- It is mandatory for a nation to serve its people. But the Economies like Pakistan cannot afford this burden, for a long time. We need to think about self-sustainability to keep them functional for facilitation.
- In this regard, that's the time to pay off the maximum load and to empower them to generate their own income from their non–financial services to keep their facilitation operations functional.

3. Ineffective Foreign Policy to Development of Trade.

In accordance with the historic data charts, the best score of Pakistan in Ease of Doing Busienss is 85 in 2016-18, which currently, shows 108 out of 190. The Neighboring regional countries are performing the best like India their score is 63. We were considered amongst the fast-growing opportunity markets as per Bloomberg in 2018,

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and are highly recommended for the G8. But due to our bad performance KPIs, we are at the edge of default, now.

We need to be more focused on the trade reform policies, to promote our exports to the other nations. The Process of Ease of Doing Business is not very facilitative. We are providing the limited opportunities and taking more time to generate investment and to complete the trade transactions. That's the main reason we are behind as compare to the South Asian region.

Recommendations:

- To redesign the foreign trade policy, with a focus on trade ties development with regional and non –regional countries.
- To join the blocks of the non –regional countries with focus of trade ties development and promotion of export markets for Pakistan Origin products.
- All Foreign trade missions must be aware and fully equipped about the priority Export and Trade Facilitations in the markets of their respective countries.
- For generation of Foreign Direct Investment we need investment friendly reforms. Those FDI Projects and Trade engagements will create more jobs and revive the national market.

Pakistan retail net worth is USD 52.7 billion, due to this economic crises the reported current share is USD 37.3 billion. But from 2016 to 2019 the projected growth is USD 85 billion in which eCommerce enterprises; supper and mega mall chain stores have a significant share.

At this stage we need to be focused and review our economic growth stability and to re priorities our foreign policy with significance of bilateral trade ties with regional and non –regional countries.

4. Complex Revenue Collection and Settlement System.

The Revenue collection and settlement system of Pakistan is very complex. The revolutionary reforms are the needs of the time.

The Public sector revenue collection and settlement departments like FBR and Customs are reported inefficient in delivery of service.

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Recommendations:

- Revenue Collection and Settlement departments need reforms in their regulations and policy implementations.
- The Rapid Raids on Commercial Enterprises and Production areas are against the spirit of the business. That must need to be stopped.
- Pakistan needs a very simple taxation system, for income and sales services. Taxation is the most complex subject here, a commercial enterprise have to pay approximately 70 different types of taxes to 37 agencies that representing the Government of Pakistan.
- The Collectors of revenue needs to change their behavioral approaches. That does will improve their efficiency and capability to make liaison with taxpayers for collection.

5. Infective Trade Regulatory Reforms.

In the past four year 2018 -2022 the National Assembly of Pakistan adopted 173 bills. That's are the part of our national legislative supreme council progress and they are at their 5th year now. The Foreign Investment (Promotion and Protection) Bill, 2022 is recently passed.

We know as under developed country our economic system has many weaknesses. Pakistan needs Foreign Direct Investment, and for this we need trade regulatory reforms at a very significant level.

Recommendations.

- The Regulatory Reforms for significant FDI and promotion of trade is very necessary.
- We need to take onboard all the state level stakeholders in this regard to promote the trade and investment.
- This Promotional approach will open Pakistan Economy as emerging market and improve the score in the global list of Ease of Doing Business.

6. Unendurable Policies for Investment and Trade.

According to the shared KPI regarding Pakistan's balance of trade in FY2022. The Exports are USD 32.467 billion and Imports are USD 72.043 billion. The National trade deficit USD 30 billion and current account circular debt is USD 17 .318 billion. Pakistan External debt is FY2022 was 130.192 billion. We deflated at technical grounds.

We need supportive policies for investment and trade.

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Recommendations.

- Pakistan needs to be focus at IMF package, with regional countries support programs.
- It must be come with notable national reforms in policies.
- We need investment friendly policies to generate more wealth form the available economic potential.
- Pakistan is as a national is the 5th largest populated country approximately 230 ~ 240 million people. It can use its Human Development Index –HDI as tool to strengthen the national economy.
- The better KPIs score at HDI will give us better results in short run. The total labor force is 71.76 million in which 67.25 million are employed and we need to think about the employment opportunities for 04.51 million people.
- We can achieve it through the investment in human development reforms policies, to create more opportunities with economically empowering the people of Pakistan.

7. Ineffective Role of Trade Organizations in Economic Growth and Development.

In Pakistan, the Trade Organizations' role is considered ineffective in Economic Growth and Development. We need to re-access their economic potential, with an understanding of the dynamics in Pakistan.

- We know the Public –Private Dialogue –PPD is important for an emerging and progressing society. In Pakistan Economy, this role considers part of registered trade organizations with their limited resources.
- Public–Private Dialogue –PPD is important for economic growth and development, whereas the role of Trade Organizations –TOs is important given their collective representations of the private sector. In addition to evidence–based policy advocacy, an essential element of the business reform initiatives, TOs also provide market-complementing services to their members, the revenues from which help TOs to become financially sustainable.
- The TOs in Pakistan have been established for the aforementioned reasons, and are accordingly engaged by the public sector. After shedding light on the international best practices óf TOs, this special section takes a look at the state of TOs in Pakistan, from the perspective of PPD and the services they offer to their members.

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- Based in part on a survey by State Bank of Pakistan -SBP as part of their special section regarding the assessment of role of Trade Organization's (*Chamber of Commerce and Industry and Trade Associations at National level*), the key finding is that although TOs are engaged in PPD through limited arrangements, their contributions vis-à-vis evidence-based advocacy is limited and their range of services for members is not comprehensive.

The role of TOs in the dynamic business environment is very critical and needs to be understood. In this regard, recommendations can help us to understand their dynamic role.

Recommendations:

- TOs can be defined as non-profit and democratically guided organizations formed and financed by entrepreneurs and companies to promote and support business interests of its members. They are playing a critical role in economic growth and development of both developing and advanced economies. They do so by taking a host of measures that can be grouped in two broad sets of activities. That's market supporting, and market complementing services.
- The Examples of market supporting and market complementing services by TOs are as follows;
 - a) *Effective Business Relations.*
 - b) *Implementing Industrial Policies.*
 - c) *Providing Intellectual Property Rights –IPRs.*
 - d) *Promoting Evidence –Based Policy Making.*
 - e) *Supporting R&D and innovation.*
 - f) *Standardization and codes of practice.*
 - g) *Labour training and up skilling of workers.*
- Though the joint advisory forum the presence of Public and Private sector can be more useful, and that will help the public sector to generate more trade and investment opportunities and to attract the FDI and promote the national origin exports. In this context the textile value chain of Pakistan is the prime example. The Private Sector has all 19 TOs as departments for representation. They are sharing their inputs regarding textile materials for manufacturers and for exports. At the other side the Public sector

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stockholding 07 different departments are there. But there we are facing the absence of a joint advisory forum to improve the efficiency.

- This shows the role of Trade Organizations in Economic Growth and Development is very critical and for the sustainable policy development, it is mandatory for the Government of Pakistan to take initiative to complete the absent factors as early as possible.
- The State Bank of Pakistan already issued these recommendations to understand the Trade Organizations in Economic growth and development; with understanding the dynamics of Pakistan.

The Swabi Chamber of Commerce and Industry, taking it as a prospect and thanks to the entire stakeholders from the Public and Private sectors for this presentation opportunity.

We are hopeful, for the good days to see Pakistan as a prosperous nation.
Thanking You.

Muhammad Salman Khan.

Secretary –General

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