



PAKISTAN ECONOMIC FORUM V

Make in Pakistan

Islamabad - December 13, 2018



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**The government needs to
promote a culture that values
wealth creation and does not
regard profit as a sin.**

Imran Khan
Prime Minister of Pakistan







SECTION 01

THE “MAKE IN PAKISTAN” THRUST

Pakistan's three acute needs, one solution:

“MAKE IN PAKISTAN”



**JOBS IN MANUFACTURING
& SERVICES**



**VALUE-ADDED EXPORTS
AND IMPORT SUBSTITUTION**



**HIGHER TAXES FROM A
BROADER BASE**

Strong domestic industry with a consumer base of 207 mn

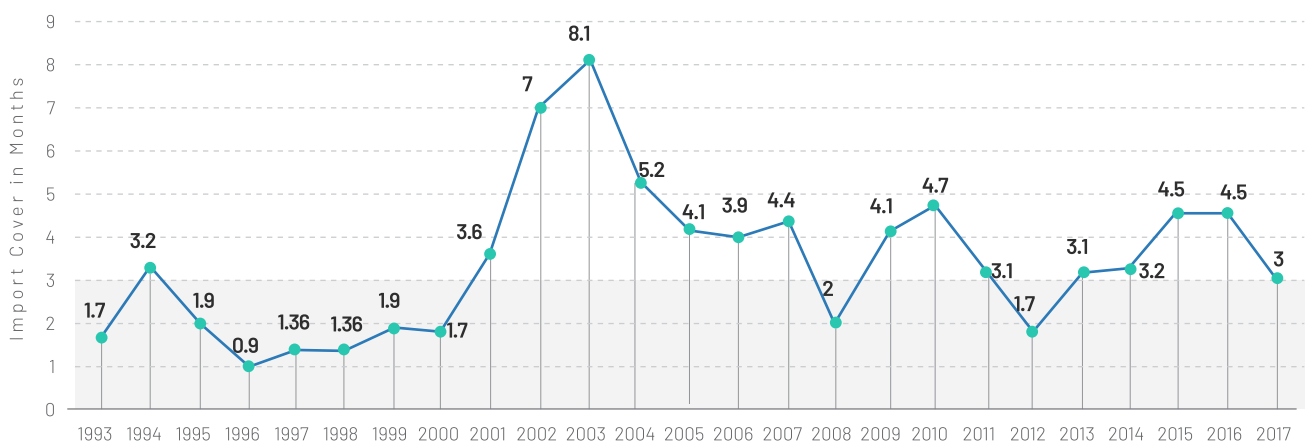
ALIGN GOVERNMENT POLICIES

- Balance "control" with "support"
- Balance the short-term revenue need with long-term benefit of robust export-oriented industry
- Address anti-business bias
- High level inter-ministerial body with private sector participation under the PM to align all policies

CONTEXT: 12

RECURRENT CYCLES OF EXTERNAL ACCOUNT CRISES

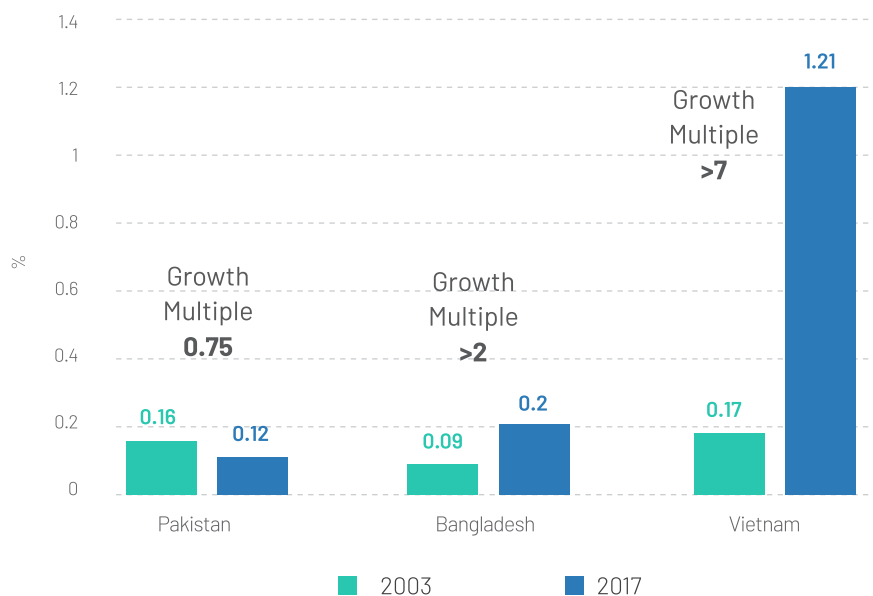
Since '88, Pakistan has been to IMF 12 times.



FACT: TRADE DEFICIT RISING AND PAKISTAN LOSING SHARE OF WORLD EXPORTS

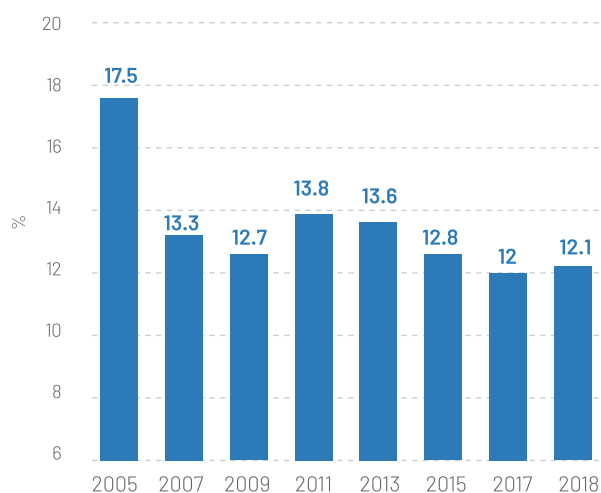
Pakistan's Share of World Exports Down, Bangladesh's More than Doubled since 2003 & Vietnam's grew 7 - fold

Pakistan's Share in World Exports

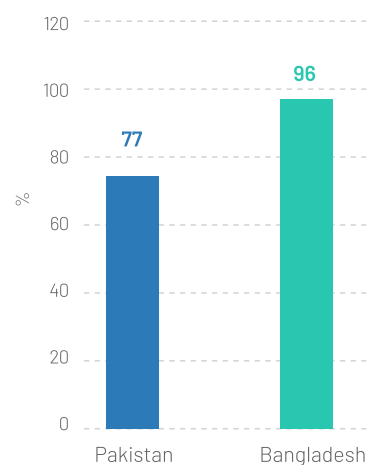


FACT: PAKISTAN IS DE-INDUSTRIALISING PREMATURELY AND MANUFACTURED GOODS ARE LOW IN EXPORTS

Manufacturing (% of GDP)



Manufactured Goods as % of Exports

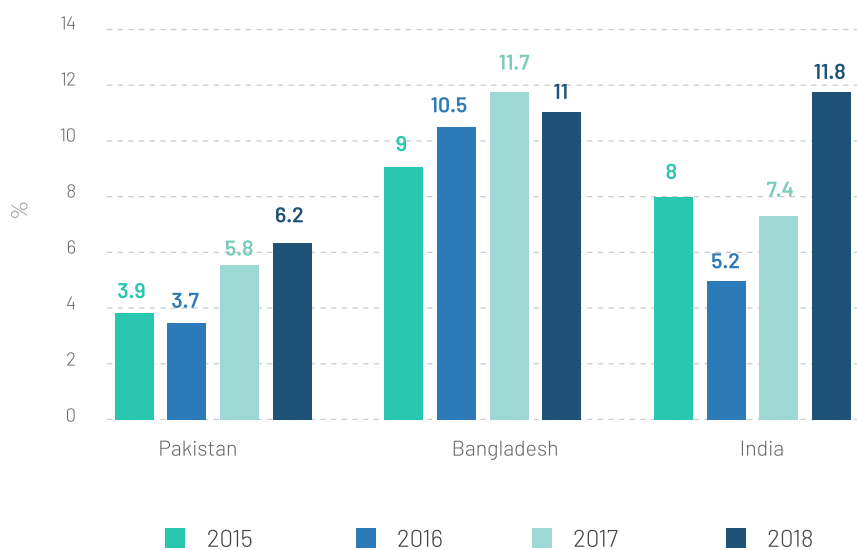


FACT: MANUFACTURING IS OVER-TAXED AND ITS GROWTH LAGS NEIGHBOURS

Disproportionate Tax on Manufacturing

Sector	% of GDP	% of Tax Burden
Manufacturing	13.5	58
Agriculture	19.5	<1
Retail & Wholesale	18.5	1
Rest	48.5	40

Growth of Manufacturing



FACT: FTA'S HAVE NOT HELPED THE BALANCE OF TRADE

Poorly Negotiated FTA's

Country	Year Signed	Trade Balance (in year signed)	Trade Balance (in 2017)
Sri Lanka	2005	\$94 Mn	\$268 Mn
China	2006	(\$3.2) Bn	(\$16.4) Bn
Malaysia	2008	(\$1.5) Bn	(\$1.0) Bn
Indonesia	2013	(\$1.1) Bn	(\$2.2) Bn
Mauritius	2007	\$38.7 Mn	\$2.2 Mn

Growth in Import Reliance - Mainly from China

Items	Import Value 2007 (US\$ Mn)	Import Value 2017 (US\$ Mn)	Growth Multiple	% Import from China
Footwear	34	112	3.3x	89
Pumps	47	170	3.6x	64
Glassware	13	74	5.7x	85
Tiles	50	169	3.4x	65
Blankets	17	49	2.9x	97
Fans	13	42	3.2x	87

Caution with Proposed FTAs with Turkey and Thailand

- Significant mismatch between Pakistan's export capability with those of Turkey (1:3) and Thailand (1:4)
- Pakistan already enjoys relatively low tariff access to both countries
- Both countries desire access to Pakistan's automobile, auto-parts, chemicals, plastics and rubber markets, which would undermine existing industry
- Turkey is one of the highest users of trade defenses, even against its FTA partners!

FACT: NON-CASCADING TARIFFS HURT MANUFACTURING – FOOTWEAR AN EXAMPLE

Parity duty on inputs and finished goods	Import Duty Before RD
RAW & INTERMEDATE MATERIALS	
Soles	20%
Heels	20%
Laminate Fabrics	20%
PU Chemicals	25%
Insole Board	20%
Zipper	20%
FINISHED GOODS	
Shoes	20%

FACT: TAXES ARE HIGH, FISCAL REGIME COMPLEX AND NOT SUPPORTIVE OF SCALE

Complex Tax System

	WB EDB* Paying Taxes Rank (out of 190)	Number of Taxes
Pakistan	173	47
India	121	13
Hong Kong (Best in World)	1	3

*World Bank Ease of Doing Business 2019 Ranking

High Tax Rates

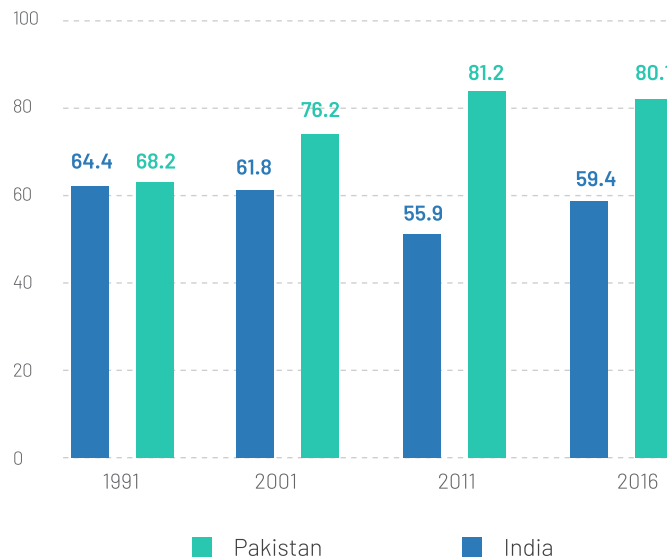
Country	Corp Tax %	VAT/GST%
Pakistan	38%*	17%
India	25%	7%
Bangladesh	15%	12%
Srilanka	25%	15%
Vietnam	22%	10%

* Includes WWF/WPFF/Super Tax

Fiscal Policy Not Supportive of Scale

- Super Tax
- Restricted group relief
- Tax on retained profits > 40%
- Minimum tax on turnover, even in initial years
- Cascading tax on inter-corporate dividends
- Corporate tax higher than tax on sole traders
- Effective Tax Rate of 55% for shareholders of holding companies

FACT:

CONSUMPTION, NOT INVESTMENT DRIVES THE ECONOMY AND FDI**Private Consumption % of GDP****FDI mostly Motivated by Consumption**

Nestlé \$ 450 Mn
investment in milk chain



Coca Cola \$ 380 Mn
expansion



2013: Unilever (GB) parent
bought out minority
(c.24%) for US \$ 530 Mn



2016: Friesland Campina
(NL) acquired 51% of
Engro Foods for approx.
US \$ 442 Mn



2016: Lotte (S Korea)
buying substantial share
in Pepsi Lahore bottler



2016: Arcelik of Turkey
acquired Dawlance
Appliances for \$250 Mn

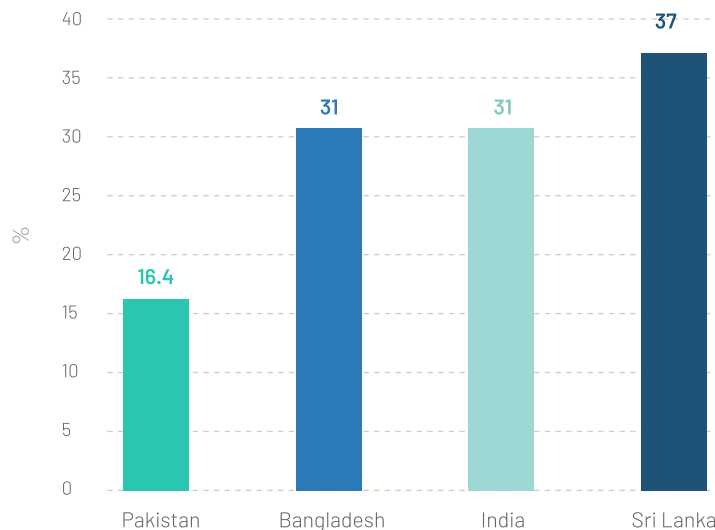
FDI POLICY SHOULD PROMOTE EXPORTS AND TECHNOLOGY

- Target FDI in essential sectors: Agri, Exports, infrastructure, technology
- Market-seeking FMCG FDI is short payback
- Tailor concessions to promote JVs and listing

FACT:

INVESTMENT IN CAPITAL FORMATION IS HALF THAT OF OUR ASIAN PEERS

Investment to GDP Ratio



UNDER-INVOICING OF IMPORTS IS RAMPANT AND SIGNIFICANT

Under-invoicing is differential between Pakistan's reported imports vs the exporting country's reported exports to Pakistan.

Import Source	Extent of Under-Invoicing* US\$ Mn	Under-Invoicing as % of Pakistan's Reported Imports
China	3,552	26
EU	1,006	21
UAE (non-oil trade)	324	35
UK	220	35
USA	100	5
Thailand	88.4	10
Turkey	86.8	33

INPUT COSTS ARE UNCOMPETITIVE

Escalation in Pakistan's Input Costs since 2010

	Change '17 over '10	Inflation pa
Labour	X 2.5 times	14% pa
Electricity	X 2.3 times	13% pa
Gas	X 2.5 times	14% pa

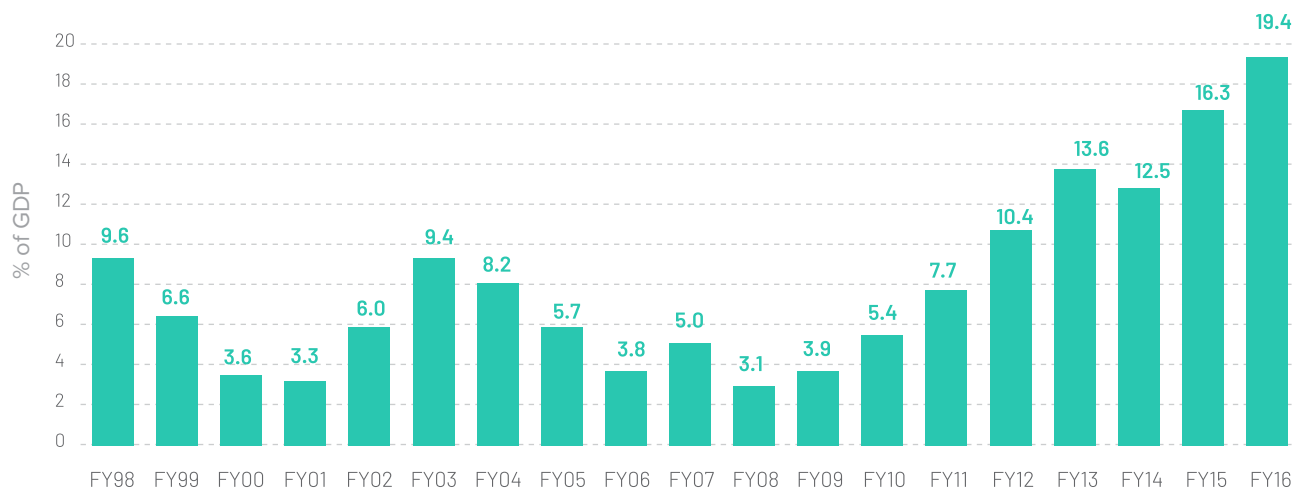
Labour Cost / Month

	US\$/month	Pakistan Multiple
Pakistan	110	
Bangladesh	65	X 2.2 times
India	81	X 1.8 times

Gas Cost / MMBTU

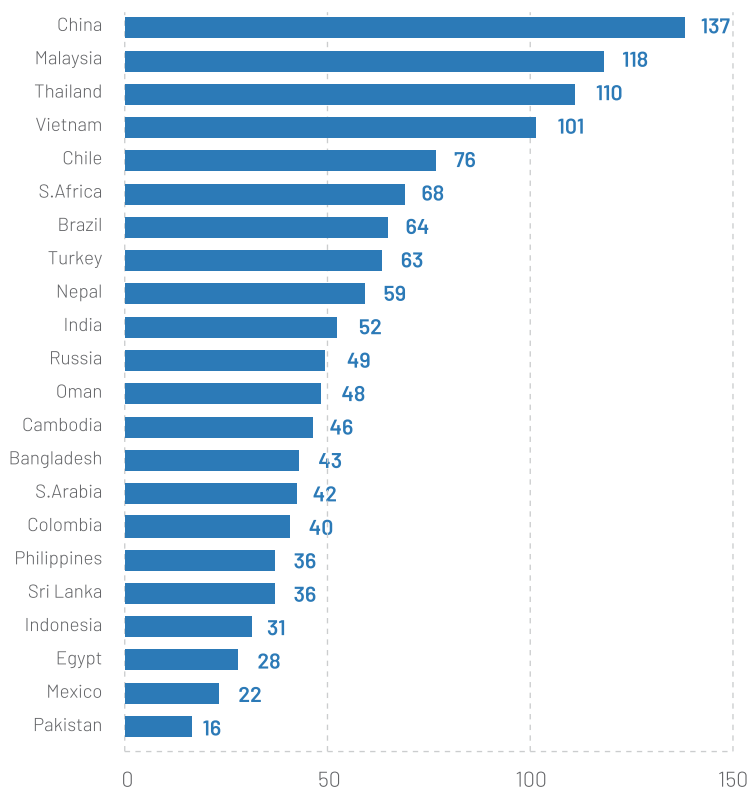
	US\$/ MMBTU	Pakistan Multiple
Pakistan	6.6	
Bangladesh	2.52	X 2.6 times
India	2.80	X 2.4 times

GOVERNMENT CROWDING OUT THE PRIVATE SECTOR FROM BORROWING



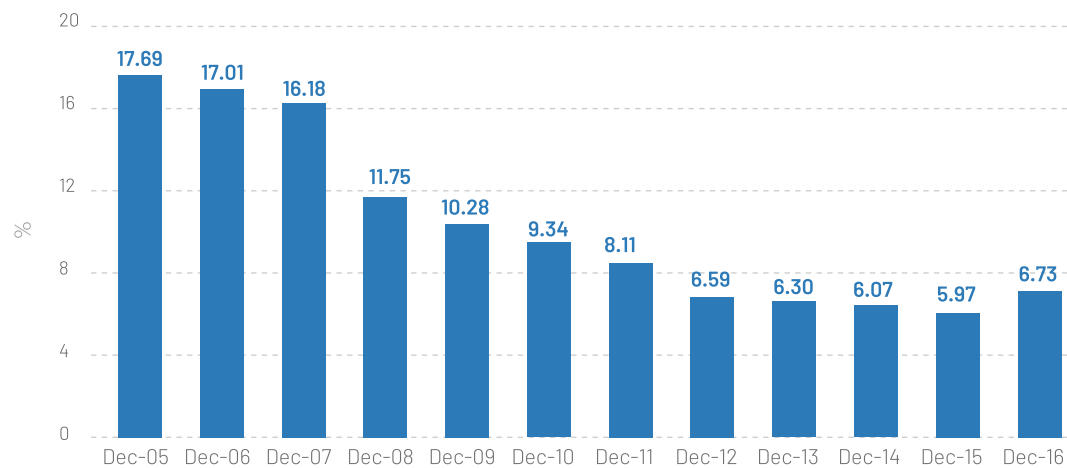
Source: State bank of Pakistan and Pakistan Bureau of Statistics

PRIVATE SECTOR LENDING AS % OF GDP LOWEST



**Pakistan's Relative Standing in
Credit - to - GDP Ratio
(2010 - 17 Average)**

LOW SHARE OF SME FINANCING IN TOTAL FINANCING



SCOPE TO TRANSFORM AGRICULTURE FROM LOW PRODUCTIVITY

Crop	Pakistan Tons/hectare	Best in world Tons/hectare	Pakistan as % of best
Wheat	3.1	8.1(France)	38%
Cotton	2.5	4.8 (China)	52%
Sugar Cane	63.4	125.1(Egypt)	51%
Maize	4.6	11.1(France)	41%
Rice	2.7	9.2 (USA)	29%

SCOPE TO TRANSFORM AGRICULTURE FROM LOW PRODUCTIVITY



WATER COURSE MANAGEMENT

Improving water availability and efficient water usage



LAND LEVELLING

Mechanical processes will enhance crop yields



SEEDS

Delivery of high quality seeds to increase production under same acreage



PESTICIDES AND FERTILIZERS

Proper use of fertilisers and pesticides important to secure crop growth



IRRIGATION

Precision and automation to preserve land and avoid water wastage



HARVESTING

Improving monitoring and management using updated technology in harvesting



STORAGE AND TRANSPORTATION

Avoiding monetary and physical loss on crops



GLOBAL PROMOTION OF PRODUCE

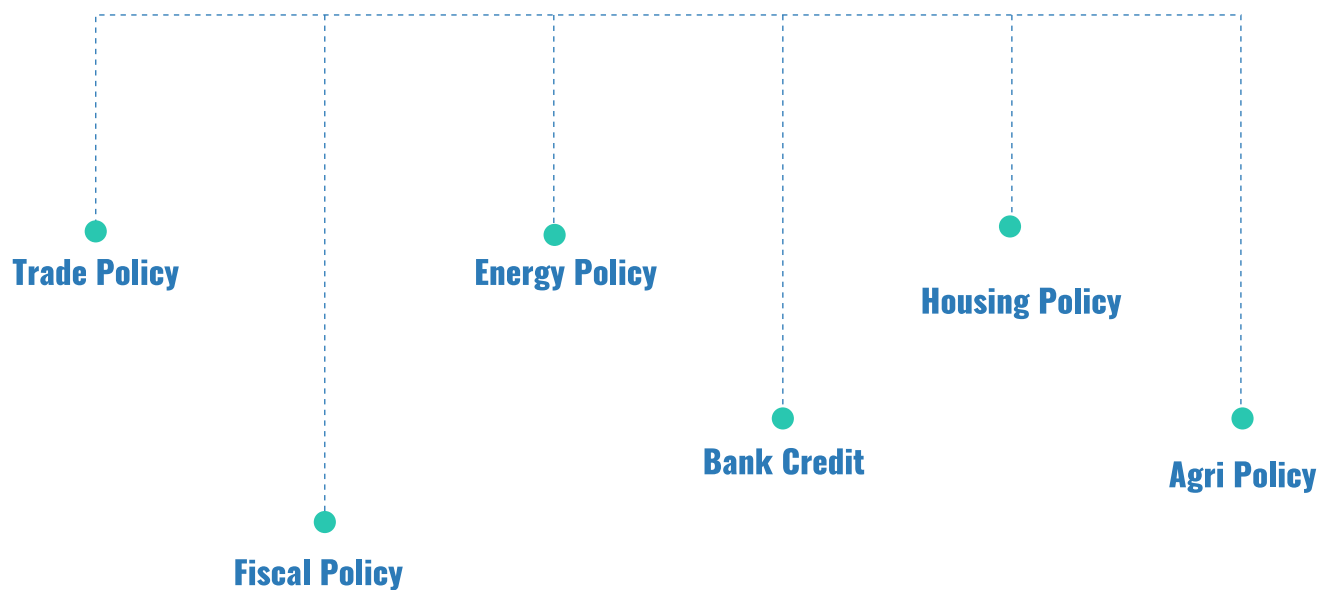
Fruits and vegetables reaching global markets

AND IT IS NOT EASY TO MANUFACTURE/DO BUSINESS

	Getting Electricity Days	Getting Electricity Days	Taxes Number	Taxes Days Taken	Time to Export Days	Time to Import Days
Karachi	261	185	47	293	365	120
South Asia Avg	165	97	28	274	347	95
OECD High income	153	77	11	159	1309	8

SOLUTION: ALIGNED POLICIES TO PROMOTE DOMESTIC INDUSTRY

DOMESTIC INDUSTRY



01

SALIENT ACTIONS TO PROMOTE DOMESTIC INDUSTRY

Thrusts	Action Points	Timeline
Stop undermining domestic industry	<ul style="list-style-type: none"> • Renegotiate the Pak China FTA. • All operating a taxable activity must file returns. • Cascading tariffs on raw materials, intermediates and finished goods with special provisions for manufacturers who use high tariff inputs. • Remove RD on raw materials and intermediates not available/made locally. • Impose quantitative duties to check under-valuation. • National Tariff Commission to be continuously functioning. 	<ul style="list-style-type: none"> • Ongoing • Immediate • Immediate • Immediate • Immediate • Immediate

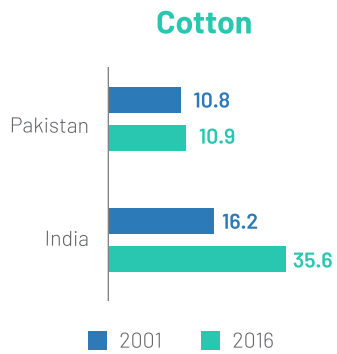
02

Thrusts	Action Points	Timeline
Provide reliable energy at competitive cost. Replace short term export packages with a LT policy	<ul style="list-style-type: none"> • Prioritize job-creating industry over domestic use in setting tariffs. Stem T&D losses. Indigenize fuel. • Replace the 12-18 month export package with a long-term, broad-based export policy to promote investment in capacity and capability building. • Encourage value-addition and export destination diversification through more graduated rebates. 	<ul style="list-style-type: none"> • Immediate • MT

03

Thrusts	Action Points	Timeline
Fiscal policy should encourage corporatization, capital formation, accumulation, consolidation and investment	<ul style="list-style-type: none"> • Separate policy making and audit from the administration. • Reduce corp tax to 25% and withdraw Super Tax. • Abolish tax and threshold on profit distribution. • Remove cascading tax on inter-company dividends. • Restore the group taxation regime enacted in the Finance Act 2007 to promote holding companies and wider shareholder participation. • Promote corporatization through parity taxation of company profits with individuals and AOPs. • Remove anomalies in the Companies Act 2017. 	<ul style="list-style-type: none"> • Partly in FA2018 • Partly in FA2018 • Immediate • Immediate • Immediate • Immediate • Immediate

04

Thrusts	Action Points	Timeline									
Promote Agriculture, Dairy and Livestock to provide competitive inputs for industry and exports	<ul style="list-style-type: none"> • Remove incentives that result in surpluses in Wheat and Sugar at the expense of Cotton and other crops. • Transform dairy and livestock from subsistence to professional basis. • Promote oilseeds esp. cotton and soyabeans. 	 <p>Cotton</p> <table border="1"> <thead> <tr> <th>Country</th> <th>2001</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Pakistan</td> <td>10.8</td> <td>10.9</td> </tr> <tr> <td>India</td> <td>16.2</td> <td>35.6</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • MT 	Country	2001	2016	Pakistan	10.8	10.9	India	16.2	35.6
Country	2001	2016									
Pakistan	10.8	10.9									
India	16.2	35.6									

Thrusts	Action Points	Timeline
Develop policies and zones for the promotion of specific industries	<ul style="list-style-type: none"> • Housing • Value-added/technical apparel/textiles, including man-made fibers • Engineering, including services • Bodies/ components for domestic appliances • Meat and milk processing • Petro-chemicals e.g. Naphtha Cracker to feed plastics • Steel 	<ul style="list-style-type: none"> • MT

PBC advocates a national consensus around

“MAKE IN PAKISTAN”



**JOBS IN MANUFACTURING
& SERVICES**



**VALUE-ADDED EXPORTS
AND IMPORT SUBSTITUTION**



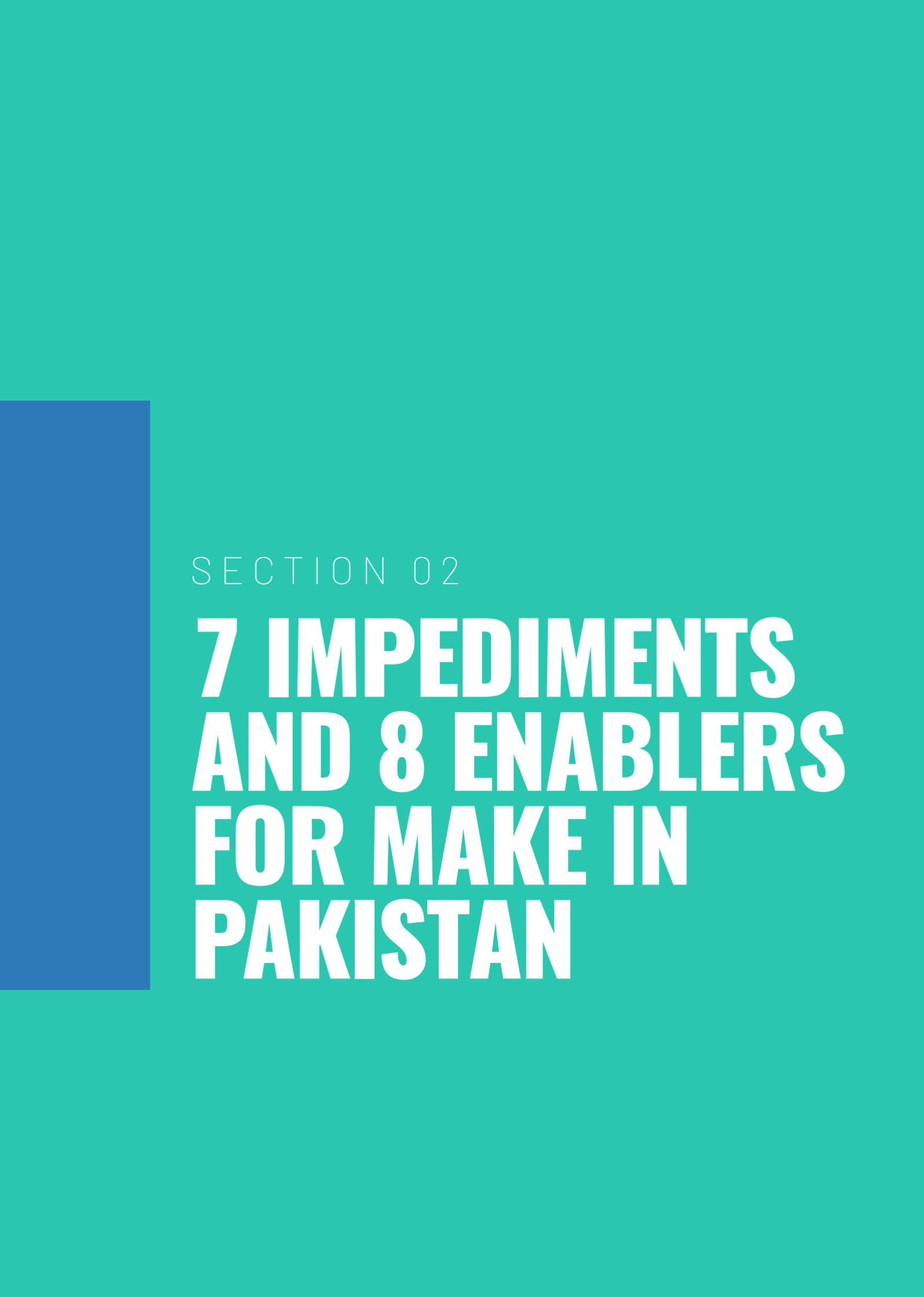
**HIGHER TAXES FROM A
BROADER BASE**

ESSENTIALS FOR A COMPETITIVE PAKISTAN: "FIX", DON'T TRY TO "MANAGE"

- Well aligned government policies that support jobs, exports and import substitution;
- Energy at regionally competitive costs;
- Realistic exchange rates;
- Smartly negotiated (or re-negotiated) trade agreements;
- Level playing field with the informal sector;
- More equitable and broader tax base;
- Tariffs that promote manufacturing over commercial imports;
- Separate policy and audit from tax administration;
- Fiscal policy which facilitates capital accumulation and consolidation;
- Tax rates which encourage more transparent corporate structures over unincorporated entities;
- Significant improvement in ease of doing business;
- Boost lending to the private sector, especially SMEs
- Up-skilling and rapid growth of the digital and knowledge economy;
- Move agriculture, livestock and dairy from subsistence to professional basis;
- Support prices are driving farmers from providing industry inputs for value-addition and exports;
- Addressing climate change is essential for life, not just the economy.







SECTION 02

**7 IMPEDIMENTS
AND 8 ENABLERS
FOR MAKE IN
PAKISTAN**

7 IMPEDIMENTS AND 8 ENABLERS FOR MAKE IN PAKISTAN

The seven major leakages of tax revenue, which are also the main impediments to industrial growth are:

01. Diversion of funds into the undocumented black hole of real estate.
02. Leakage of funds abroad, subsequently utilized for under-invoicing.
03. Rampant under-invoicing, misdeclaration and smuggling.
04. Proxy taxes (Final Tax Regime, Turnover taxes etc.), which absolve businesses from filing tax returns and accounting for actual profit.
05. In the highly undocumented economy, GST at 17% incentivizes evasion.
06. A fiscal policy which discourages capital formation and consolidation, thwarts scale.
07. Combining fiscal policy, audit and tax collection, under a single FBR leads to short-term, knee-jerk actions and harassment of existing tax payers.

The eight main enablers of Make in Pakistan would be:

01. Energy at globally competitive cost for exporters and energy-intensive import substitution industries with export potential.
02. Cascading import tariffs with highest duty on finished goods made locally and lowest for materials not available in the country.
03. Address the fragmentation post the 18th amendment, especially in taxation, labour laws, food and environment standards, to make it easier to do business nationally.
04. Make the DTRE and manufacturing bond schemes easier, automate export rebates and reform processes to ensure that tax refund arrears do not accumulate in future.
05. Provision of equity and debt to fund industry adequately, especially the SMEs.
06. Promote corporatization by levelling the taxation vs. unincorporated entities and by addressing the anomalies in the Companies Act 2017.
07. Heighten focus on the cultivation of cotton and oil-seeds.
08. Pursue only those trade agreements which secure jobs, maximize value-added exports and make imported materials, otherwise not available, for local value addition.

SEVEN MAJOR LEAKAGES IN TAXATION AND IMPEDIMENTS FOR “MAKE IN PAKISTAN”

	Leakage/Impediment	Recommendation
01.	Diversion of funds into the undocumented black hole of real estate.	Align the provincial and federal property valuations and taxation thereof. Start with Punjab, KPK and the Center, where the PTI is in power. Address the rest via Council of Common Interests.
02.	Leakage of funds abroad, subsequently utilized for under-invoicing.	Sustain and strengthen controls over transfer of funds abroad. Incentivize home remittances through the banking channel.
03.	Rampant under-invoicing, misdeclaration and smuggling.	Estimated by the PBC at US\$ 6 Bn per annum <ul style="list-style-type: none"> • Exchange trade data with partners, esp. China. • Heighten the watch over valuation of risk-prone items; • Conduct shop raids to stem sale of smuggled goods; • Urdu language labelling of imported food products; • Harmonize tariffs with Afghanistan.
04.	Proxy taxes (Final Tax Regime, Turnover taxes etc), which absolve businesses from filing tax returns and accounting for actual profit.	All in taxable activities to file returns. Tax to be assessed thereon, instead of proxies like turnover or imports.
05.	In the highly undocumented economy, GST at 17% incentivizes evasion.	As soon as the fiscal space permits, GST should be reduced. Failing this, the informal sector enjoys an unfair advantage.
06.	A fiscal policy which discourages capital formation and consolidation, thwarts scale.	<ul style="list-style-type: none"> • Super tax be discontinued; • Remove tax on retained reserves; • Exempt inter-group dividends from cascading taxes; • Restore the group relief as per Finance Act 2007; • Stay committed to bring corporate tax rate to 25%. • Minimum and Alternate Corporate Tax should not apply in first 5 years of a capital intensive project. Loss arising from Capital Allowances should be carried forward.
07.	Combining fiscal policy, audit and tax collection, under a single FBR.	<ul style="list-style-type: none"> • Separation of fiscal policy will promote long term growth of business and infuse investor confidence; • Separation of audit will bring objectivity to accountability – prosecutor cannot be judge! • Deploy talent and technology to harvest data • FBR's main KPI should be: tax collected from new tax payers, not total tax raised because the latter leads to harassment of current tax-payers.

EIGHT ENABLERS FOR “MAKE IN PAKISTAN”

	Enabler	Recommendation
01.	Energy at globally competitive cost for exporters and energy-intensive import substitution industries with export potential.	A \$ saved in imports is worth the same as a \$ generated from exports. Energy intensive import substitution industries should be provided energy at rates similar to the five export sectors. The GIDC should be withdrawn.
02.	Cascading import tariffs with highest on finished goods made locally and lowest for materials not available in the country.	Cascading tariffs be part of the new National Tariff Policy. This together with a new Industrial Policy, smartly negotiated trade agreements and an active and effective National Tariff Commission, promote local manufacturing.
03.	Address the fragmentation post the 18th amendment, to make it easier to do business.	Resolve, harmonize, unify and simplify: <ul style="list-style-type: none"> • Labour laws; • Environmental and food standards; • Agriculture policies; • Taxation: unify the 47 taxes and simplify processes under a National Tax Authority.
04.	Make the DTRE and manufacturing bond schemes easier, automate export rebates and reform processes to ensure that tax refund arrears do not accumulate in future..	<ul style="list-style-type: none"> • The SME sector does not have resources to deal with complex duty avoidance schemes • Rebates for exporters should be automated and credited by banks on receipt of proceeds • Exporters should be exempt from GST and WHT to avoid buildup of tax refunds
05.	Provision of equity and debt to fund industry adequately, especially the SMEs.	<ul style="list-style-type: none"> • Promote listing through fiscal incentives • Establish secondary platform for listing • Reduce cash in circulation by promoting e-banking • Switch government borrowing from banks to alternative channels • Use carrot and stick to promote lending to the SMEs
06.	Promote corporatization by levelling the taxation vs. unincorporated entities and by addressing the anomalies in the Companies Act 2017.	<ul style="list-style-type: none"> • Due to cascading tax on inter-corporate dividends, the effective tax rate for shareholders of holding companies is 55% vs. just 30% for sole traders; • Companies Act 2017 is being misused to solicit information on foreign shareholdings, which taxation law should (and now does) address. • Anomalies in the CA need to be removed
07.	Heighten focus on the cultivation of cotton and oil-seeds.	<ul style="list-style-type: none"> • Incentives for wheat and sugar-cane divert land and water resources from cotton required by the textiles industry for export, which we are currently importing • Pakistan spends \$3.5 Bn on importing vegetable oil and edible oilseeds. This could be reduced by incentivizing growth of Sunflower and Canola

	Enabler	Recommendation
08.	Trade agreements that secure jobs, maximize value-added exports and make imported materials, otherwise not available, for local value addition.	<ul style="list-style-type: none">• Obtain parity access with Bangladesh and ASEAN in existing agreements, especially with China;• Pursue similar access to Japan, Canada, Norway;• Move cautiously in FTA negotiation with Thailand and Turkey.



SECTION 03

**EXTRACTS
FROM FINANCE
MINISTER'S &
PRIME
MINISTER'S
SPEECHES**

EXTRACT FROM THE FINANCE MINISTER'S SPEECH AT THE PEF V

Asad Umer

Finance Minister of Pakistan



- Happy to see the PBC continue with the Pakistan Economic Forum.
- There is near perfect alignment between the PBC and the government on the need to promote industry.
- The growth model based on consumption and imports is a broken model, and needs to be fixed.
- The government is committed to reversing the deindustrialization .
- We have already separated tax policy making from tax collection.
- A policy which taxes capital accumulation and consolidation is flawed.
- The Ministry of Commerce is working on a National Tariff Policy and a new Industrial Policy which should both be announced in the next fortnight. Both will promote local industry.
- The policies and actions being taken will take time to come into effect. I request business to have some more patience and get ready to invest.

EXTRACT FROM THE PRIME MINISTER'S SPEECH AT THE PEF V

Imran Khan

Prime Minister of Pakistan



- The government needs to promote a culture that values wealth creation and does not regard profit as a sin
- No country can progress without wealth creation
- I had two visions for entering politics
 - First, that Pakistan becomes a self-sufficient country. We are the first generation born in an independent country. However, dependence on aid had compromised our independence and dignity. We should have been helping poorer countries. However, nationalization ruined the economy. If we start treating entrepreneurs as criminals, we will have deindustrialization.
 - Second, I wanted poverty to be overcome. This cannot be done without promoting wealth creation. China is an excellent example.
- Making a profit is not bad, profiteering is. Tax evasion is. I was delighted to hear from the FBR Chairman that bureaucrats need to change their mindset to promote profitable business
- We need to export more. Singapore with 5 million people has exports of \$ 330 Bn; Malaysia with 60 Mn people has \$210 Bn of exports. Pakistan should have had higher exports than \$24 Bn.
- If there were defects in the Ayub era of 22 families controlling vast amounts of wealth, there should have been better ways to handle them than to nationalize and destroy industry
- We will centralize poverty alleviation and ease of doing business within the PM's Secretariat.
- We will have a level playing field with South Asia on exports
- We will go after money laundering and smuggling and deal with the Afghan Transit Treaty. We will come out with a comprehensive policy to create a level playing field
- Remittances through official channels will be promoted
- Pakistan's geo-strategic location and young population make it an attractive place to invest
- Mining has potential. We will incentivize.
- Tax system needs to be made easier. Investors who have a choice are unlikely to invest here due to the difficult tax system and fragmentation following the 18th Amendment. Tax policy has been separated from collection. For too long the FBR was focused on collecting taxes, not in facilitating investment
- We will continue to engage with the PBC on charting the way forward
- No society can progress without wealth creation. When people see others earning profit, they are attracted to invest
- Wealth creation is the surest way to fight poverty.





SECTION 04

PRESS COVERAGE

TAX REGIME TO BE CHANGED TO BOOST BUSINESS, INVESTMENT: IMRAN

DAWN

14TH DECEMBER 2018

ISLAMABAD: Prime Minister Imran Khan said on Thursday he had decided to change the existing tax regime and investment policies in the country to provide ease of doing business to the business community and investors.

He said the government was promoting wealth culture in the country to provide opportunity of wealth creation to investors.

‘Today the chairman of the Federal Board of Revenue said in a meeting that wealth creation was not a bad thing. I was happy to hear this from a bureaucrat like him because it means that the mindset of the bureaucracy is also changing,’ the prime minister said while addressing an economic forum at a local hotel.

He said making money through legal means was not an offence, but there was a mindset in the country that always criticised wealth creation.

‘Today I chaired a meeting and realised that such a system has evolved in the country that it is very difficult for investors to invest in Pakistan,’ the prime minister said. He, however, said the Pakistan Tehreek-i-Insaf government was determined to introduce investment-friendly system and policies.

‘We have to boost our industry and for that purpose the government will get feedback from the business fraternity,’ he added.

Prime Minister Khan said his Malaysian counterpart Mahathir Mohamad and the United Arab Emirates rulers had told him that unless he provided opportunities to create wealth, Pakistan could not prosper. The prime minister said the menace of poverty could not be overcome without wealth creation.

‘If an investor earns money its trickle-down effect will reach the grass-roots level,’ he added.

Earlier, the prime minister chaired a meeting to review progress on improving ease of doing business and creating an enabling environment to facilitate conversion of interest of local and foreign investors into actual investments in the country.

The meeting was attended by Finance Minister Asad Umar, Law Minister Dr Farogh Naseem, Commerce Adviser Abdul Razak Dawood, Board of Investment (BOI) chairman Haroon Sharif, federal secretaries and senior officials.

Prime Minister Khan directed the BOI chairman to present a comprehensive plan, listing all the issues in various sectors and their sub-sectors, and how the processes could be streamlined to simplify procedures related to government approvals, address taxation issues and dispute resolution and facilitate investors/businesses.

Haroon Sharif, briefing the prime minister about the steps taken so far, said the BOI would be serving as agent of change for facilitating business transactions, removing impediments in way of materialisation of investors' interest into actual investments and smooth functioning of the business in the country.

He also talked about various issues being faced by the business fraternity, including taxation, access to finance, regulation and policy issues and red tapism.

The BOI chief said that his organisation was also actively working with the provinces and relevant ministries for removing barriers in the way of establishing special economic zones.

He said special efforts were being made to bridge the gap between private and public sectors and to reach out to the private sector to revive its confidence in government policies and put in place a framework that facilitates business fraternity in its business pursuits.

Mr Sharif also briefed the prime minister about the Naya Pakistan Diaspora Fund which is being set up to promote small and medium enterprises and rural development in key areas of education, health and infrastructure development. He also apprised the meeting of the investment framework which had been structured to attract and materialise investment from the UAE, Saudi Arabia, China, Japan and Malaysia.

It was decided during the meeting that the prime minister would chair a review meeting every month on ease of doing business in the country. Mr. Sharif also briefed the prime minister about the Naya Pakistan Diaspora Fund which is being set up to promote small and medium enterprises and rural development in key areas of education, health and infrastructure development. He also apprised the meeting of the investment framework which had been structured to attract and materialise investment from the UAE, Saudi Arabia, China, Japan and Malaysia.

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WEALTH CREATION IMPORTANT FOR POVERTY REDUCTION: PM

**BUSINESS
RECORDER**

14TH DECEMBER 2018

ISLAMABAD: Prime Minister Imran Khan has stated that the government will facilitate local and foreign investors by simplifying tax regime for wealth creation that will eventually reduce poverty in the country.

Speaking as chief guest at 'Pakistan Economic Forum' organised by Pakistan Business Council, the Prime Minister said, "Wealth creation is important for poverty reduction." He cited the example of China how it brought 70 million Chinese people out of the poverty.

"We (government) have to help the investors within and outside the country through facilitation as no investors will invest in Pakistan with the current tax regime," he said adding that the government wants to simplify the tax regime and will ensure facilities for investors in coming days.

The Prime Minister said that the government has separated tax policy and tax administration primarily because centralisation of tax policy and tax collection in Federal Board of Revenue has destroyed the industry.

Pakistan has become an attractive place for investors owing to its geo-strategic location, China-Pakistan Economic Corridor and demographic dividend. Additionally, he said, Balochistan province is rich with natural resources.

The Prime Minister also promised the business community that he will keep in touch with them as wealth creation is important for development of the society. "No society can move ahead without emphasising on wealth creation," he said adding that Pakistan needs wealth creation to remove poverty.

Khan said that an office on ease of doing business will be set up in the Prime Minister Office to address the difficulties for businesses. Additionally, he said that his government wants to initiate coordinated efforts to reduce the poverty and an office on this issue will also be set up in the Prime Minister Office.

The Prime Minister said that the government is committed to giving a boost to the country's exports to reduce the current account deficit. "We will try to boost the exports by providing level playing field," said Imran Khan, citing the example of Singapore in this regard.

The Prime Minister also reiterated his resolve to deal with the challenge of money laundering and smuggling and stated that the government is looking at Afghan Transit Trade Agreement (ATTA) for taking up the issue of smuggling with the Afghanistan. He said that policies will be introduced to stop smuggling and money laundering as well as to increase the remittance through formal channel.

The Prime Minister said that national dignity was harmed because of reliance on borrowing from all sources to run the affairs of the country. He also spoke about the stunted growth and stated that a coordinated poverty reduction programme is being launched to deal with the issue.

INVESTORS TO COME IF THEY CAN MAKE MONEY: IMRAN

INTERNATIONAL
THE NEWS

14TH DECEMBER 2018

ISLAMABAD: Prime Minister Imran Khan has termed creation of wealth imperative for alleviating poverty from the country, saying businesses must prosper to achieve this objective. He said investors will come to Pakistan only if they are able to make money. He said the government is making policy to curb smuggling and money laundering.

He vowed that Pakistan would be made economically self-reliant since it's financially viable and strong by getting rid of dependency syndrome. Addressing the Pakistan Economic Forum here on Thursday, Khan said that the government is taking measures to ensure a conducive atmosphere for the business community.

"If businesses prosper, poverty will be alleviated," he said. The prime minister said that wealth creation is necessary to take the country forward. He said that a business friendly culture will be introduced and businessmen will be encouraged to invest their capital in various sectors.



"No country can progress if it presents its industrialists as criminals. Making money is no sin, but using unfair means to make it or avoiding tax is," he added. Counting China as an example, Imran Khan said that the East Asian country lifted 700 million people out of poverty in three decades. "We will learn from China's experience to alleviate poverty in the country." He said, "Focus is being put on improving competitiveness of our products to grab major share of exports in world markets." The incumbent government has introduced policies to facilitate export industry. The prime minister said money laundering and smuggling harm the country hard and steps are being taken to discourage these practices. He said the tax policy and collection have been separated in order to create a favourable environment for businesses.

He said Pakistan is an attractive destination for investment and in recent months many foreign firms have expressed keen interest to invest in various sectors of Pakistan. The prime minister assured the business community that he will keep in touch with it on regular basis. He said that it is needed to dispel the notion that creation of wealth is inappropriate; it can, in fact, help eliminate the scourge of poverty. "The days ahead will bring more convenience and opportunities for investors," he assured. "We must provide a secure environment to businessmen."

The premier termed self-reliance absolutely imperative in order to free the country from dependence on others. He said, "The examples of China and other countries can be followed in this regard." He said that Pakistan has a shocking level of poverty. "We are going to introduce 'poverty alleviation programme', the first of its kind," he said. He announced that the government will make all-out efforts to seize smuggling of dollars.

Earlier, he chaired a high echelon meeting to review the progress on improving ease to doing business and creating an enabling environment to facilitate conversion of interest of local as well as foreign investors into actual investment in the country. The PM directed chairman BOI to present a comprehensive plan, listing all the issues in various sectors and their sub-sectors and how the processes could be streamlined to simplify procedures related to government approvals, addressing taxation issues, dispute resolution and facilitating investors/businesses.

The meeting was attended by Finance Minister Asad Umar, Law Minister Dr Farogh Naseem, Commerce Adviser Abdul Razak Dawood, Chairman BOI Haroon Sharif, federal secretaries and senior officials.

The chairman BOI briefing the meeting about the steps taken so far said that the BOI would be serving as agent of change for facilitating business transactions, removing impediments in way to materialisation of investors' interest into actual investments and smooth functioning of businesses in the country.

Chairman BOI briefed the prime minister about Naya Pakistan Diaspora Fund which is being set-up to promote SMEs and rural development in key areas of education, health and infrastructure development. He also apprised the prime minister of the Investment Framework which has been structured for attracting and materialising investment from the UAE, Saudi Arabia, China, Japan and Malaysia. It was decided during the meeting that prime minister would chair a review meeting every month on Ease of Doing Business in the country.

In another high echelon huddle for political brainstorming under Prime Minister Imran Khan, the ruling PTI has devised strategy to deal with the upcoming developments in the two houses of the Parliament as National Assembly (NA) is already in session while the Senate session is commencing today (Friday). The meeting sorted out the issue regarding appointment of Public Accounts Committee (PAC) chairman and offered its chairmanship to leader of opposition Shahbaz Sharif. It will help smooth functioning of the Parliament.

The process has already been delayed for about two months. The meeting took place at the Prime Minister's Office (PMO) and it was also attended by NA Speaker Assad Qaisar and others.

The prime minister has asked members of the Upper House to ensure their presence during the session in maximum number. He asked Shibli Faraz to brief the Upper House about the steps being taken by the federal government for the welfare of the masses. He impressed upon the government's senators to keep the house aware of the efforts made by the incumbent government made in various sectors including reforms, development projects and planning being carried out by the federal government.

PBC & PAKISTAN

BUSINESS RECORDER

18TH DECEMBER 2018

For those who are still unsure, the battle of Islamabad has been won by big corporates. That was the single biggest takeaway from the fifth round of Pakistan Economic Forum (PEF) organised by Pakistan Business Council (PBC) in Islamabad late last week.

None other than the Finance Minister Asad Umar, chairman of the PBC in his past life as a corporate honcho, said "the PTI and the PBC are in sync". "We are playing the same team", and that 'we (the government) have covered 80 to 90 percent of PBC's demands in the various upcoming economic policies and federal budgets'. Related fact: the much-expected supplementary finance bill will be announced by the end of this month or first week of January, said Asad at the PEF. Quite sure there will be at least one cheeky headline: 'PTI's new year gift'.



PM Imran Khan, who also attended the PEF with prayer beads in his hand, joined Asad Umar in giving confidence to the big business. His single point message repeated umpteen times during the speech: there is nothing wrong with wealth creation. "Wealth creation is not a sin; evading taxes, illegal earnings, money laundering, smuggling is". He said the campaign against industrialists, capitalists and wealth creators ought to come to an end, and that Pakistan would have been a glorious country had the famous 22 families not been exorcized from the country's business landscape.

Khan seems to know his audience well. Standing atop a container, corruption used to be his biggest agenda point. In his televised address to the nation, he shifts to 'having compassion' and building a Medina like welfare state, taking care of the poor, addressing stunting and malnourishment. No surprises therefore that in his address to the PBC last week, Khan focused only on wealth creation and made just a single faint passing reference on wealth or income distribution without any sense of emphasis.

All Khan said on the subject that 'distribution could have been better' during the so-called Ayub's famous decade of development, and that a plan for 'coordinated poverty alleviation is currently in the works'. This was quickly followed up by a statement that "poverty cannot end without wealth creation", citing, unsurprisingly, the case of China.

All Khan said on the subject that ‘distribution could have been better’ during the so-called Ayub’s famous decade of development, and that a plan for ‘coordinated poverty alleviation is currently in the works’. This was quickly followed up by a statement that “poverty cannot end without wealth creation”, citing, unsurprisingly, the case of China.

Unlike China, however, where state capitalism paved way for market development, the PTI seems clear that “government’s role is only of a facilitator”, at least so said Asad at the PEF. He also emphasised that “the private sector also needs to look inside” than simply expect endowments from the government; that “they need to catch up with the world” referring to increasing productivity and efficiency.

The issues and prescriptions highlighted by the PBC are difficult to argue with. Manufacturing is indeed a proverbial sin in Pakistan. Ehsan Malik, PBC’s CEO, and a host of other speakers representing the country’s premier business advocacy organisation, flagged a wide array of issues that need to be addressed by federal and provincial governments. The list includes poor credit to SMEs, a disincentivising tax structure and policy, lack of coordination between federal and provincial governments, shortage of skilled labour, misaligned trade agreements and so forth.

Individually, on line by line basis, these and many other issues flagged by the PBC are spot on; who can dispute those high cascading taxes on imports of raw material used in local manufacturing. These demand a course correction in a “transformational way rather than transactional” manner, to quote Malik’s expression. But there are three areas where the PBC is oft found wanting.

First: PBC’s weak public engagement with the provincial mandarins. For instance, a host of issues that were identified at the PEF were effectively provincial concerns. The zoning of land for industrial use; tapping the mining and mineral sector; and developing a skilled labour force. These and many other are all provincial concerns. Yet for the last many years, the PBC doesn’t publicly engage with provincial governments, ala the PEF.

Second: development of four industries and sectors was pitched at the PEF: naphtha, steel, light engineering and IT. But the sales pitch for those ideas lacked some of the key aspects needed to convince policy thinkers.

For instance, it lacked the analyses of competitive landscape not only of the present but more importantly of the foreseeable future. The industry would not wish to end up in a situation where it sets up a naphtha plant and the whole ecosystem around it in five to seven years — only to find out the region is flushing with naphtha, pushing regional prices lower and making life difficult for local downstream sector.

Likewise, by the time this country develops a fancy zone and gets the business running for light engineering goods, the world may have moved on to 3D printing, which then

Third: a significant number of independent economists and other stakeholders believe that PBC’s ‘Make in Pakistan’ mantra is another name for protectionism. The PBC has denied such allegations, but that communication has not been too effective.

Ever since the PBC made inroads in power corridors after the PTI came to power, stakeholders have been even more concerned that the entity will lobby for protectionism, which will eventually come to hurt consumers. Ergo, the PBC should at least put out a position paper explaining with well researched examples what it doesn't mean by 'Make in Pakistan', and that it supports a sunset clause to where and when the industries have been or proposed to be protected.

Given the vantage point it now has of being very close to the ears of top political leaders, the PBC now has much bigger responsibility on its shoulders. If it really wants to play a transformational role and not merely a transactional one; it will need to address these concerns and offer holistic policy analyses. begs the question whether we want to develop industries of the past or of the future.







SECTION 05

ABOUT PBC

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The PBC is a private sector business policy advocacy forum composed of Pakistan's largest businesses / groups including multinationals that have a significant investment in and a long-term commitment to the growth of Pakistan. Members turnover represents every ninth Rupee of Pakistan's GDP and together the members contribute 25% of the annual tax revenues and exports. More information about the PBC, its members and its activities can be found on our website www.pbc.org.pk

THE PBC'S MEMBER COMPANIES





THE PBC MEMBERS BY SECTOR

PBC currently has 78 members, whose businesses cover nearly all sectors of the formal economy. The sector wise representation (in alphabetical order) is detailed below:

Sector	Member Companies
Large-Scale Manufacturing	
Agro Industries	1
Cement	2
Chemicals / Fertilizer	8
Energy	2
Engineering	7
Fast Moving Consumer Goods	17
Packaging Material	2
Pharmaceuticals and Healthcare	6
Textiles	9
Total Members in Large-Scale Manufacturing	54
Services	
Financial service	11
Hospitality	1
Insurance	2
Logistics / Courier	2
Telecommunication	2
Utilities	1
Total Members in the Services Sector	19
Conglomerates	5

29 MNC'S FROM 13 COUNTRIES



USA



UK



UAE



Switzerland



Japan





Netherlands



Bata



France



Bahrain

HBL



South Korea



Norway

LOTTE



Hong Kong



Germany

SIEMENS



Sweden









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