

make in Pakistan

"Say no to Imported Products for Self Reliance"



ABDUL RAZAK DAWOOD
Advisor to the Prime Minister on Commerce and Investment

'Make in Pakistan' is the main focus of the Government as through greater industrialization will there be greater job creation. Building domestic scale will go hand in hand with our export-led growth strategy. Policies and strategies are best developed in partnership with the business community and this is what we are doing. Based on our export performance in 2019-20, I am hopeful of another successful year in spite of the Covid-19 related difficulties. Let us all work to build a great industrial base and bring back the industrial growth we had.



ABBAS AKBERALI
Chairman, Amreli Steels Limited

I congratulate the Honorable Prime Minister along with all the cabinet members that have embraced the 'Make in Pakistan' theme. It is an approach that encapsulates all that we need to do as a nation to march toward economic progress and prosperity. The policy will surely attract investment, create jobs, and reduce the trade deficit. As the world shifts to a new normal, we will all have to work with exceptional commitment to re-define the role of Pakistani manufacturing in the global arena.

Amreli Steels is proud to be strengthening the foundations of Pakistan since 1972 with the highest quality of steel bars, always made in Pakistan.



MUHAMMAD ALI TABBA
CEO, Lucky Cement Limited

Pakistan can achieve economic prosperity by promoting 'Make in Pakistan'. The Country is facing trade deficit since a very long time due to its reliance on imports to meet the domestic demand.

Pakistan has prematurely deindustrialized due to many reasons. Our flawed taxation policies including custom duties, smuggling, under invoicing and mis-declaration are just a few examples. Our investment to GDP is one of the lowest in the region. Due to an inefficient energy infrastructure, the industrial sector is facing high tariffs, unannounced load shedding and gas outages which has made local industries uncompetitive.

The Government of Pakistan needs to prepare a comprehensive long-term industrial policy to promote 'Make in Pakistan'. The Country is blessed with abundant natural resources, fertile land and minerals. The right policy will help us to unlock our true potential, which will lead to prosperity and self-reliance.

Realizing the dream of export-led 'Make in Pakistan'

Abdul Razak Dawood
Advisor to the Prime Minister on Commerce and Investment

THE failure of 'Make in Pakistan' over past several years has been the consequence of focusing on trading and growth through importation. This focus on trading was the result of many factors, particularly ease of collecting revenue by the FBR at the import stage and the Government's natural tendency to pursue short term importation policy rather than long term industrialization policy.

In the last ten years, matters for 'Make in Pakistan' got worse due to the need for more and more revenue and hence the push for higher custom duties etc. These factors contributed to de-industrialization and, hence, decline in Make in Pakistan.

Pakistan has the highest dependency on revenue collection at the import stage, compared to our regional competitors like Vietnam, Bangladesh and India. Such high dependency on revenues at the import stage creates impediment to local

manufacturing and brings about an anti-export bias by increasing cost and waiting for refunds.

In order to achieve an export led 'Make in Pakistan' the cornerstone has to be to build around domestic scale and global competitiveness. For the last two years, the Government has moved in the direction of reducing custom duties, particularly on raw materials and intermediaries, as was seen in the last two budgets. However, whatever has been done, so far, is not adequate in itself and more such reductions, in key areas like engineering, iron & steel etc, have to be done. Therefore, business community will have to wait a little till we get more fiscal space.

Going forward, our strategy is to bring duties on all raw materials down to zero and rationalize tariffs cascading and reduce the spread between raw materials and finished goods. This reduction in spread has to be done as it will induce greater efficiency and make our industry more

competitive. The Government will also give a three year plan for the period 2020-2023 so that businessmen can plan better. Also, the Government will re-examine the plethora of incentives in light of the large devaluation of the rupee and will set sunset clauses on all such incentives.

The main step to improve our global competitiveness is to lower the energy costs for our industry. Ways and means will have to be found so that cross subsidies of other sectors are not placed on the industry. Another key area to improve our competitiveness is enhancing our productivity, which has to be done right across the industrial landscape.

With greater 'Make in Pakistan' and domestic scale, more and more products will be available for export-led growth, as announced in Strategic Trade Policy Framework (STPF), which will be promulgated soon.

CONTINUED ON PAGE V >>

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make in Pakistan

"Say no to Imported Products for Self-Reliance"

Mighty Slogans, Mighty Responsibilities

Wajid Bukhari – Resident Director, Amreli Steels Limited

'MAKE IN PAKISTAN'

is a visionary approach to overhaul our economy by industrialization and self-reliance that will spur job creation and investment – the hallmarks of any growing economy. We face the daunting task of creating over a million jobs every year to keep pace with a growing population and young workforce that may be talented but have a weak educational background and skillset. It is through 'Make in Pakistan' that we can hope to become self-reliant and diversify our export-oriented industries to tackle the continuous deficit that unleashes a vicious cycle of currency depreciation, inflation and debt.

But as we have seen countless times in the past, a vision is useless if it cannot be executed or its implementation is stifled. 'Make in Pakistan' is a great over arching objective, but in order to achieve and implement this in its true spirit, we will need to embrace a policy of tariff protection in the short term and take a sectorial approach as each industry has its unique challenges, threats, and requirements.

To abide by the 'Make in Pakistan' mantra, tariff protection will play a significant role in the short term due to the state of affairs in our country. We currently rank a dismal #110 out of 141 countries on the Global Competitiveness Index (released by World Economic Forum) and #108 on the Ease of Doing Business Index (reported by World Bank). As such, it

is no surprise that the cost of doing business is extremely high in Pakistan; energy prices are higher than global competitors and always rising; global LPI ranking of #122 indicates uncompetitive logistic infrastructure; large number of taxes and high rate of taxes. Moreover, lack of long term policy direction and a boom-bust economic cycle has frequently put Pakistani businessmen to the test, marred investment appetite and hindered wealth formation. The conclusion is rather obvious- domestic industry will require tariff protection until the government can tackle the host of issues that we currently face to make ourselves competitive against imports and start to diversify our export oriented industries.

This is where sectorial roadmaps become the key starting point to implementing 'Make in Pakistan' in a sustainable manner. Ten-year road maps need to be made for each major industry with the view of eventually reducing protection, generating surpluses and becoming export oriented. Making industry roadmaps are not an easy task, it must include stakeholder consultation from industry experts & leaders, academia, consultants and government officials but one can assume that key players in the private sector can play a leading role. The issues of export bias, inefficiency and abnormal profits that arise from protection can also be reviewed in such sectorial analysis to ensure tariff protection is only being used as a stop gap measure until structural issues are resolved over a

defined time period. While the private sector may need some incentives to be nudged in the right direction, the difficult question is whether the government will be able to tackle all the cost of doing business, ease of doing business and infrastructural bottlenecks issues in a reasonable timeframe.

Most importantly, 'Make in Pakistan' must be owned by all government institutions and decisions should be taken with this over-riding objective in mind. Mis-alignment of institutions may be the biggest threat to 'Make in Pakistan' and industrialization in general. It is too often that there is talk of global competitiveness but the tough decisions are not made; tariff anomalies are not resolved due to revenue considerations, sub-standard manufacturers are not regulated due to backlash, and tax evaders are not taken head on but regulated indirectly by putting further burden on the documented sector.

We must take lessons from China, an economic success story that is unmatched in history. They did not become an economic powerhouse by trade liberalization and reduction in import tariffs. They developed a strong manufacturing base between 1980-2000 by restricting imports, focusing on Making in China, building infrastructure, creating jobs and developing competencies. India has also followed a similar model. The government has taken the right step in adopting the 'Make in Pakistan' model. Now its implementation is where all the focus must be.

Strengthening the foundations of Pakistan

AS the largest engineering company of Pakistan, Descon has cemented itself deep in the foundations of the country's construction and engineering industry, having been part of some of its biggest and strategically key infrastructure projects. We operate local, as well as internationally, competing with the global leaders in the field. Our business portfolio encompasses three key sectors – power, engineering and chemicals.

Descon Engineering Limited is an integrated engineering services

establish us as one of the leading chemical manufacturers in Pakistan. We supply customized chemicals for plant for the wind industry in Pakistan, developing and fully relying on local resources. In addition, we also locally manufacture disinfectants and high-pressure equipment, standing resolutely by our philosophy of Make in Pakistan. These products are not only distributed locally but are exported to other countries as well, supporting the growth of Pakistan's economy. Descon's progressive vision is evidenced by the fact that they are the first and only Pakistani company

Descon's power business in Pakistan includes Descon Power Solutions, which has the solid expertise in operations and maintenance of thermal, wind, engines based and biomass power plants.

We also have in-house capabilities to build and deliver power projects and power plants on EPC basis.

Each business aims to follow Descon's vision of building enduring

relationships with partners and providing services that exceed expectations, advance their prosperity and build their success. Our operational excellence is a testament to our commitment of providing our clients with nothing short of the best. Our workforce receives international standard training and this is distinctly reflected in the quality of services that we provide. We are also the largest conglomerate to export talent overseas, which is a very large source of foreign exchange for Pakistan.



and manufacturing provider that delivers client-specific solutions for projects related to energy, infrastructure and process industry including engineering, procurement, manufacturing, construction, commissioning, reliability and maintenance services. We have contributed to the development of the country in large infrastructure projects, which in past was only attempted by international companies. Descon's foray into chemicals as Descon Oxychem has rapidly grown to

relationships with partners and providing services that exceed expectations, advance their prosperity and build their success. Our operational excellence is a testament to our commitment of providing our clients with nothing short of the best. Our workforce receives international standard training and this is distinctly reflected in the quality of services that we provide. We are also the largest conglomerate to export talent overseas, which is a very large source of foreign exchange for Pakistan.

that has the capacity and capability to build and maintain alternate and renewable energy projects. This commitment to the growth and progress of the country is what makes Descon the preferred partner for its customers. In addition to Pakistan, Descon also offers engineering solutions in other countries with a global network that spans across Saudi Arabia, Kuwait, Oman, UAE, Iraq, South Africa and Kenya.

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make in Pakistan

"Say no to Imported Products for Self-Reliance"

Fatima Group - 'Make in Pakistan'

Fatima Group (FG) being one of the fastest growing industrial conglomerates of Pakistan, has been determined to create maximum opportunities for local jobs and improving human capital ever since its formation in 1936. The corporation's belief to reduce the nation's dependency on imported goods and producing export quality products is evident by its upward movement along the manufacturing value chain, through utilization of innovative manufacturing technologies.

Fatima Group is also an internationally certified manufacturer of fertilizer by International Fertilizer Association (IFA). The Group started off as a commodity trading business, which rapidly expanded into other industries ranging from fertilizers, energy, sugar, venture capital, packaging and textiles. In December 2003, Fatima Fertilizer Company Limited (FFL) was incorporated under the 2001 Fertilizer Policy of the Government of Pakistan, whereby it is engaged in production of formulated and specialized Nitrogen and Phosphate based fertilizer. The complex is spread over an area of 950 acres and is situated at Mukhtar Gah, near Sadigabad, District Rahim Yar Khan. Its development phase was completed in 2009, whereas commercial production at the complex started on July 01, 2011.

Under the privatization policy of Government of Pakistan, Pakarab Fertilizer Limited in Multan, was acquired by Fatima Group and Arif Habib Group in July 2005. Both Pakarab Fertilizer Limited and Fatima Fertilizer Limited are designed to manufacture 2.1 million metric tons per annum of fertilizers. Production of both plants is marketed under the brand name of 'Sarsabz'. FatimaFert, located in Sheikhupura is another fertilizer plant owned by Fatima Group that produces Urea and markets DAP fertilizer under the brand name, 'Babbar Sher'.

Driven by the passion to improve agri-economy of Pakistan and elevate the status of farmers, Fatima Group realizes the transformational impact innovative

agricultural technologies have for improved productivity and enhanced competitiveness, therefore it actively focuses on agricultural development by embracing modernity and forging mutually beneficial ventures for the ultimate benefit of the local growers.

As Pakistani soil is 100% deficient in Nitrogen and 70-80% deficient in Phosphorus – the major nutrients primarily responsible in increasing plant growth, biomass and yield, therefore FFL introduced a high value alternative to the usual pairing of the widely used Urea and Di-Ammonium Phosphate (DAP) as sources of Nitrogen and Phosphorus for crops in Pakistan, i.e. Calcium Ammonium Nitrate (CAN) and Nitrophos (NP). This combination offers an increased yield of 10% on average, as proved by an extensive research on more than a hundred demo plots in collaboration with University of Agriculture, Faisalabad. The yield increase helped the farmers in recovering their initial investments on fertilizers and also earned them additional profits, thereby, quickly becoming the preferred choice of farmers.

Likewise, Pakistan's national textile sector is largely dependent on cotton industry and is also one of the major exporters of cotton yarn, which highlights the industry's importance for the agri-economy, but due to the usage of substandard quality of cotton seeds, the production quality and quantity of this crop are continuously degenerating. Fatima Group is therefore, taking effective measures to save this principal crop from further decline and helping uplift the associated industries by entering into a joint venture with Sapphire and Nishat Textiles in 2019, under the name of SANIFA, to introduce high yield hybrid cotton seeds in Pakistan.

Furthermore, robust steps to introduce precision farming in Pakistan, aimed at maximizing agricultural output through adoption of latest irrigation technologies and farming methods, saving

20% water consumption on rice by introducing the latest dry sowing methodology to farmers of Punjab to help the tail end cotton farmers of Sindh, who find it difficult to meet their crop's water requirements are some of the few trailblazers of Fatima Group for the development of agriculture sector of Pakistan.

FFL has always been very vocal about the uplift of agri-economy through the uplift of its main constituents i.e. farmers. By means of its active digital presence, FFL is leading the way for others to follow through provision of technical sessions to the farmers, and effective campaigns to help them safeguard against Covid-19 and locust attacks by delivering timely information and tips. It also considers the farmers' socio-economic development and promotes their participation in recreational activities and sports by organizing or supporting events such as various farmer fairs, kabaddi, tent-pegging, wrestling and cricket.

Besides, Fatima Group has successfully been able to celebrate the farmers who are responsible for ensuring food security for the nation by marking a special day for them called Farmer's Day in 2019 with the Government's support. This day will be celebrated every year nationwide, henceforth on December 18, made possible through FFL's 'Salam Kissan' initiative to promote the welfare and prosperity of small farmers. Likewise, FFL will soon be launching a web series named 'Kissan Kahani' depicting true rural stories where it will pay tribute not only to the male farmers but also to the females of those families who are just as hardworking and courageous as their male counterparts.

Fatima Group is categorically supporting the Government's 'Make in Pakistan' policy by working relentlessly to increase industrial production, in a bid to create employment opportunities, offer import substitutions and eventually enhance exports to ameliorate Pakistan's economy.

ROOH AFZA

Rooh Afza is the hero brand of one of the most prestigious groups - Hamdard Pakistan and considered as one of the oldest indigenous brands of the country. Rooh Afza has classically been the national drink of Pakistan, the most favorite red syrup, and is typically and more popularly consumed by South Asian Muslims, but has now seen popularity among the non-Muslim populace as well. Rooh Afza promotes the positive feeling one has towards the brand, promoting an ethical side. Rooh Afza – the heartbeat of Pakistan. Its strong vision and the love it holds for the nation, truly defines its philosophy. Everything Rooh Afza stands for and is positioned as brand, is inspired by the idea of how to promote, create happiness and bring people closer.

The red elixir has become an integral part in lifestyles of Pakistanis, considered as a must at iftar, amid Ramadan. As Rooh Afza is the forerunner elixir that not only possesses a unique taste with captivating aroma, it is also safe for human consumption with added health benefits. The challenge for brand was to empower itself as a family-oriented brand that has been consumed round the year. Therefore, Rooh Afza transformed itself and emotions based positioning was introduced in the highly popular campaign "Zindagi Mubarak". The launch TVC was focused on the strong relations of a father and his daughter depicting the two generations – one brand loyalists and the other one the perceived audience. Rooh Afza was seen as an integral part in every phase of life. The phrase "The King Rules" was now easily relatable to the image of the brand as it enhanced its significance in the lives of the consumers.

Crossing borders and seas, Rooh Afza has not only made its presence on the shelves across the world but has been talk of the town by being the first brand to reach Times Square, New York on Pakistan Resolution Day in 2018. The journey of going global didn't stop at New York as it showcased the brand along with Pakistan's flag on screens at Eaton Center, Canada and London underground stations on Independence Day, the same year.

Being a revitalizing and energizing drink that connects the hearts of millions in Pakistan and 35 other countries, Rooh Afza uplifts your soul and calms your mind with its all natural ingredients that keep you energetic, yet at peace. The drink of East staying true to

its essence spread the message of peace and love during the holy month of Ramadan to families living in New Zealand by painting the towns red and lighting up Christchurch and Auckland with affectionate and warm wishes. In the summers of 2019, Rooh Afza also took the major step and became the part of the national movement and carried out its campaign "Plant for Pakistan" and played the role in planting trees across different areas and cities all across the country.

For a brand possessing a legacy of a 112 years, to establish a new extension was a daunting task – but it came to life in April 2019, in the form of Rooh Afza GO – a version of the traditional concentrated syrup, already diluted and made ready-to-drink – plus being carbonated to have fizz to match that of youth!

Rooh Afza GO is perfect for everyone who seeks instant refreshment, while being on the go. Since its launch, it has not only garnered a lot of appreciation for its taste, but has also helped in promoting the equity and sales of the parent brand. After its successful launch, Rooh Afza GO has managed to create its own prominent space in the beverage category. Rooh Afza GO, since its launch, has created a buzz in the industry. It has tapped into spaces that no new brand has ventured into i.e. partnering with one of the largest and most prestigious advertising agencies in Asia – Ad Asia and, besides this, it has also partnered with the different style of movies, thus supporting this newly emerging film industry of Pakistan.

This year, yet again, Rooh Afza has challenged its roots and brought the century old tradition of mixing the red syrup with milk in form of a ready to drink Doodh Rooh Afza. In May 2020, Rooh Afza launched its first ever 225 ml Tetra pack by the name of Doodh Rooh Afza. Since its inception, it is available in all over Pakistan, where the audiences have shown quite a welcome and an affection towards it. And why not, after all, it is the taste that floods in nostalgia for us and ease and convenience for our kids who are always in search of an explosion of flavors, especially for those that better the taste of milk.

With Rooh Afza GO launched last year and now Doodh Rooh Afza in the market, we can only wait to witness an impeccable turning point for Rooh Afza with its all new products and many more we can hope to see in future.

Self-Reliance for Economic Revival 'Make in Pakistan'- Need of the hour

Amin Ganny – Chief Operating Officer, Lucky Cement Limited

Pakistan has been consistently facing a trade deficit for a very long time mainly due to its reliance on high imports which includes mineral fuels, oils, machinery, vehicles, electronic equipment, organic chemicals, plastics, vegetable fats and oils. This reliance and the purchasing habit of the people developed due to these imports have marked a negative impact on the economy of Pakistan.

Our foreign investments are drastically low compared to other growing economies in the region. To attract more investments and to provide opportunities of employment, Pakistan needs to cut down its cost of doing business. The Country needs to offer an efficient energy infrastructure and business friendly environment for foreign investments and local businesses to flourish.

Emergence of CPEC

Since the emergence of China Pakistan Economic Corridor (CPEC) Pakistan has come up as a key partner for China's global trading policy with a plethora of new development projects in the country. Now mass industrialization is set to be initiated in the country under CPEC that can help Pakistan to develop self-reliance.

Business Cooperation Agreements in various fields between leading Chinese entrepreneurs and Heavy Mechanical Complex (HMC) in Taxila is a testament on how Pakistan can make its way towards a 'Make in Pakistan' economy.

The revamping of HMC and Pakistan Steel Mills will contribute in import substitution and can help prevent us from importing heavy machinery and steel products from abroad, which gives us the opportunity to develop products locally and bring innovation in local industries as well as more employment opportunities.

By effectively availing this opportunity arising from CPEC, Pakistan can further introduce economic and technological

innovation to improve its industries such as agriculture which contributes a major chunk in the Country's GDP. This can be achieved by working on crop sciences, new varieties and through effective use of water with innovation.

To modernize our economy, Pakistan can adopt the steps taken by China as a reference point. By focusing on the already in place Special Economic Zones (SEZ) Pakistan can enhance its dependence on the local industries. This model has facilitated China's economy and such adaption can strengthen Pakistan's as well.

Infrastructural and Economic Reforms

Implementation of effective import-substitution policies in Pakistan can be helpful in uplifting the local industries. But local production alone will not be enough. Integrating and digitizing the existing infrastructure of transportation and energy is key here. Integrated transport systems need to be introduced for swift flow of cargo between producers and consumers. The reduced production and transaction costs will also serve as a stimulus for the economy.

Supply chain management is a demanding challenge for Pakistan especially in the wake of CPEC. We need to speed up the lead times at dry ports and Karachi port to enhance our imports and exports. In Pakistan, roads are the most common mode of transportation and they handle almost all of the total freight traffic. Road transportation, while faster, is nearly always costlier compared to rail systems so a trade-off needs to be made. Massive investments in railway's effectiveness and its capacity building is the need of time along with reduction in the cost of doing business to move towards 'Make in Pakistan' initiative.

Pakistan's abundant renewable resources can also boost its power generation capacity,

According to International Renewable Energy Agency's assessment the country has up to 60 GW of hydropower potential. The assessment also identifies 50 GW of theoretical wind potential in Pakistan's southern Sindh and Baluchistan provinces and further estimates that 25 million tons of biomass feedstocks from industrial and agricultural residue can also be



made available for use, per year. Not only will renewable energy exploitation pave the way for a cleaner, greener country and reduce emissions, but it will also drastically reduce both the susceptibility to global economic shocks and the continuous outflow of precious foreign exchange.

Our mineral rich Baluchistan province with large deposits of copper, gold, rare earth minerals, limestone, gypsum and coal is also an avenue which can offer endless investment opportunities. Despite having one of the largest gemstone reserve, Pakistan has not been able to develop a globally competitive gems industry so far.

Pakistan needs to overhaul the existing policy regime and this can be done by following the models adopted by other countries in the region which

have incentivized the industry and simplified its procedures.

One of the sectors that will be key in driving the growth resulting from this economic overhaul is the construction sector, which has recently been given the status of an industry. This industry nearly employs 8% of the labor force and accounts for almost 3% of GDP in Pakistan. More than 40 allied industries including



electronics, wood products as well as steel, iron and cement are all directly or indirectly related to construction. With a population of more than 200 million people- and growing fast- Pakistan's population is expected to reach 403 million by 2050, according to the UN. This will create immense scarcity for housing units in the country with a current backlog of 10 million housing units and a demand of building 400,000 housing units annually. Investment in the construction industry will build new housing units, high rises, and commercial hubs which will result in reduction of rents and better quality of life. This will not only improve the infrastructure but will provide an environment for new businesses. Pakistan's cement industry has also shown positive signs of growth

backed by its increased exports of mainly clinker, which rose by 100 percent in last two years. Moreover, Pakistan cement exports have become more diverse in terms of market access, which is promising.

Now by implementing an effective industrial policy will not only help in providing a reliable and high quality local machinery as a substitute to current imports, but



key segments like the construction industry will reap immense benefits of these efforts.

Opportunities amid the Pandemic

Today the world faces an unprecedented healthcare crisis which is quickly translating into dire socio-economic challenges. However, considering Pakistan's abundant natural resources, agriculture assets and affordable human resources this challenge can be transformed into an opportunity to become self-reliant.

The consumer items, which were readily imported before have now indeed become out of reach for people due to the virus outbreak but this has also created a huge vacuum which can be filled by introducing local alternatives.

By understanding the needs of the global markets many of our textile and apparel units have adapted quickly to this health crisis and shifted their production to face masks and shields for healthcare providers and frontline workers. This resulted in exports of a large quantity of health care products and opened a new horizon of global trading for Pakistan. The recent



exports of the textile sector can be taken as a case study on how local businesses have quickly adapted this change and offered relevant products to the market.

Pakistan needs a comprehensive long term trade and industrial policy with a focus on logistics and energy infrastructure that reduces cost of doing business to promote innovation and risk taking as well as offers business friendly environment, which will indeed help in capturing new markets and employment generation with value-added exports. The potential for Pakistan to lead a 'Make in Pakistan' philosophy was always there, and there has never been a better time than now to quickly adapt and progress towards this notion.

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"Say no to Imported Products for Self-Reliance"

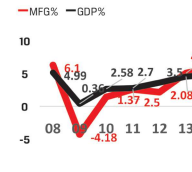
'Make in Pakistan' A journey to reindustrialize Pakistan

THE PAKISTAN BUSINESS COUNCIL

The Pakistan Business Council (PBC) is a research-based business advocacy body composed of over eighty of the most prominent businesses, both local and multinational, operating in Pakistan. PBC's membership has a very significant economic footprint and therefore a long-term commitment to sustainable, growth-oriented policies. The combined sales of its members represent every 9th Rupee of GDP; they contribute 25% of Pakistan's annual tax revenue and generate 40% of the country's exports. Together they employ over 2 million in their value chains.

PBC is neither a chamber of commerce nor a trade body. Its advocacy is driven by what is good for the country and is free of sectoral or investor origin biases. A majority of its 28 full time resources in Karachi and Islamabad are engaged in research, which amongst others, includes trade, fiscal, energy, capital markets and corporate law. Additionally, it partners external research organizations, the academia and domain experts in developing its advocacy. The primary thrust of the PBC is "Make in Pakistan" with the objectives of creating jobs, promoting value-added exports and encouraging competitive import-substitution. One of the key enablers of this is a level playing field for the formal sector. Therefore, it also focuses on broadening the tax base, tackling under-invoicing, smuggling and Intellectual Property infringement.

Role of Manufacturing
For a country of 215 Mn people and at its stage of development, manufacturing plays an important role in the economy. There is a very close correlation between the rate of growth of manufacturing and that of Pakistan's GDP.



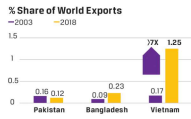
Pakistan is Deindustrializing
The role that manufacturing plays in Pakistan's GDP has been declining over the years, whilst countries like Bangladesh, that are not as richly endowed with manufacturing inputs, continue to industrialize. This is a "wake-up" call. Unless we address the key causes, we will lose jobs and export share.

Import Reliance Even for Essentials
Despite a 215m population, of which 130 m fall in the middle three

quintiles, Pakistan has not been able to leverage scale to make manufacturing competitive. Import reliance has grown sharply

Imports 2007*	Imports 2016*	Growth Multiple	
Footwear	34	103	3X
Pumps	47	171	3.6X
Basewear	19	74	3.6X
Ties	20	170	3.4X
Blankets	17	46	2.7X
Fans	25	69	2.7X

Falling Share of World Exports
If a country does not make enough, it will not be able to export. With declining manufacturing, Pakistan has been losing share of world exports, whilst countries like Bangladesh and Vietnam have grown theirs by between 2 to 7-fold.

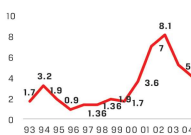


Recurring Trade Imbalances, IMF Programmes and Pakistan's Global Standing

Due to deindustrialization, growing reliance on imports and falling share of exports, Pakistan has been suffering from recurring crises on the balance of trade and the external account. As a result, it has spent more years under the IMF programme, since independence, than out of it. Unless fundamental reforms are adopted, Pakistan will continue to be reliant on handouts and multilateral assistance. No country can sustainably gain and maintain economic and political autonomy without financial solvency. All stakeholders with a vested interest in Pakistan's stature

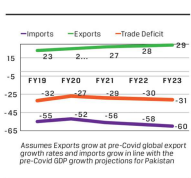
and global standing need to come on a common platform to agree and implement these reforms.

Import Cover in Months



In a "Do-NothingNew" Scenario, trade balance will revert back to FY19 levels

"If you keep doing the same as the past, you get results very similar to the past. For radically different outcomes, we have to try new solution."



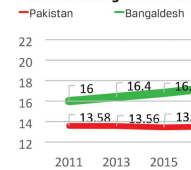
Two Main Thrusts for "Makein Pakistan"

Pakistan is fortunate in having a population size to permit scale. This can be leveraged to competitively produce goods and services that lead to lower import reliance. At the same time, it needs to focus on gaining global competitiveness to address export opportunities.

BUILDING DOMESTIC SCALE

Cascading Tariffs
When import tariffs are used primarily to raise tax revenue and not to support industry and raw materials, intermediate inputs and finished goods are taxed at virtually the same rate, domestic industry is unable to compete with imports from countries that have greater scale and

Manufacturing as % of GDP



productivity, especially if these countries enjoy preferential tariffs under a Free Trade Agreement. The

Investment Incentives

Pakistan significantly lags its neighbours in private sector investment. Whilst some of this is on account of shortage of power, which, if not the cost of energy, is now addressed, there is a need to invest in both capacity and diversification of manufacturing. It is regretful that tax credit available for investment in plant and machinery until the FY19 Finance Act has been withdrawn and despite pleas by PBC and others, not restored in the current Finance Bill.

Supportive Fiscal Regime

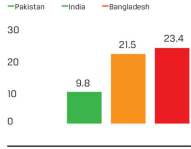
Industry which represents about 20% of GDP carries 55% of the national tax burden. Ninety percent of the top-1000 tax payers are subject to minimum tax on turnover. Just 10% pay income tax on actual profit. Minimum tax based on turnover is fundamentally flawed in that it is not a tax on profit. A standard rate of tax at 1.5% of sales fails to differentiate between the underlying profit margins of different sectors. Post Covid when profitability of industry generally is poorer than hitherto, continuing to extract minimum tax on turnover is grossly unfair and unreasonable.

Tax payers have been forced to become unpaid tax collectors by the FBR through imposition of withholding taxes. Two-thirds of annual income tax is now collected by industry through withholding taxes. There are 74 different types of such taxes, which require a 51-page guide to fully understand. Severe penalties are levied for errors. In many cases the withholding tax rate is far higher than the minimum tax payable on sales. The Finance Bill 2020 has attempted to rationalize rate of withholding tax at the import stage, which is a good start.

One National Standard

Until a recent decision by the Council of Common Interests (CCI), each province, post the 18th Amendment, had the power to enact food and other standards. Thus, there could be four different standards in the main provinces, a fifth for the federal capital territory and two more for Azad Kashmir and Gilgit Baltistan. For a national food manufacturer, it would be impossible to meet the requirements of seven different standards within Pakistan and yet have the scale to be competitive globally. Whilst the decision of the CCI is pending implementation, it will strengthen domestic manufacturing and make it easier to do business. The same needs to be done for environment standards where again it makes no sense to potentially have seven different standards.

Pakistan Lags Private Investment % GDP



On smuggling, the best control is to stop sales through outlets that are generally known to deal in them. Counterfeiting and adulteration, besides the loss of tax revenue are also harmful to health. Consumer courts should be empowered to hear the cases and private sector be allowed to join the prosecution.

Plug and Play Industrial Areas

Existing industrial estates are choked, lack adequate infrastructure and land, which is being encroached by housing, has become unaffordable for industry. The country badly needs new industrial estates where "plug and play" facilities are provided to enable a quick start of new plants. Much is talked about Special Economic Zones, but the walk on these is missing. Besides SEZs need to be near concentrations of population, be easily accessible to ports and road/rail networks and ideally be organized to achieve cluster concentration to develop supply chains that can be optimally integrated. Land in such industrial zones should only be leased and not sold to avoid real estate speculation. Much has been said about attracting Chinese investment into labour intensive industries, given the rising cost of labour in China. Slow progress on SEZs, where "plug and play" facilities would be available, is partly responsible for this. Taxation incentives are less important.

Availability and Affordability of Energy

For many years Pakistan suffered from power shortages and several manufacturing units closed as a result. Fortunately, sufficient power is now being generated but transmission and distribution need to be addressed. The country appears to be some way off from providing industry energy at a competitive rate. Wheeling is still not permitted. Capacity payments, transmission and distribution losses and theft all contribute to higher cost to the customer. Whilst the first core export sectors are being provided electricity at 7.5 c/kWh, which is competitive with the region, domestic industry is charged higher rates. Below-cost and low-cost supply of gas to some domestic consumers results in higher tariffs for industry. In a "chicken or egg, which came first" dilemma, consumption is subsidized instead of promoting jobs and disposable income.

Controls over under-invoicing, misdeclaration, smuggling, counterfeiting and adulteration

The leakage of national tax revenue as a result of under-invoicing, misdeclaration and smuggling is considerable. PBC's study shows that imports from just China are under-invoiced by \$5 Bn annually. It is essential that Electronic Data Interchange (EDI) is agreed with the main trade partners to quell under-invoicing. Additionally, data on items prone to this practice should be made public and through an auction, such goods be disposed to the highest bidder provided the bid was 15% or greater than the declared

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Port Handling and Inland Logistics

It presently takes 200 hours to clear a container from the port as it involves multiple regulatory authorities, working in silos, with duplicating documentary requirements.

CONTINUED ON PAGE V >>

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make in Pakistan

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« CONTINUED FROM PAGE IV

'Make in Pakistan' A journey to reindustrialize Pakistan

The National Single Window initiative of the government will go a long way to improve this. The time and cost of moving goods across the country is not competitive, because of an unreliable railway system, poor roads and an ageing trucking fleet. The latter is mostly in the informal sector.

Private Sector Credit Especially for the SME

As the government crowds out the private sector, bank lending to the private sector is limited and banks are reluctant to take risks with SMEs. There appears to be no direction that the State Bank can give to banks and government borrowing is unlikely to decline. The SME bank has also failed to perform its task. One option is to use vendor financing to provide credit through larger companies to their supply chain SMEs.

Inter-Provincial Competition to Attract Industry

Unlike many countries, the provinces in Pakistan do very little to compete to get industry to establish their factories and offices, aside from developing industrial estates. Since the minimum wage across the country is identical, provinces could offer to subsidize wages, offer reduced property taxes etc.

IMPROVE GLOBAL COMPETITIVENESS

Competitive Exchange Rates

A constant exchange rate for several years promoted imports and made exports less competitive. With competitive exchange rates now in place, the role of exchange rates in managing the external account has been restored. Devaluation is not a cure-all for exports, it is just one of several factors that make exports competitive. Pakistan's labour cost expressed in US\$ prior to the adjustment in exchange rate was uncompetitive vs regional players. This has largely been rectified, though productivity remains an issue.

Energy at a Competitive Cost

See note under Building Domestic Scale. Whilst the five core export sectors have been assured electricity at 7.5 c/kWh for a limited time, this assurance needs to be renewed to ensure they remain competitive. Secondly, as more sectors are added to the core, they should also be provided this reduced rate.

Global Standards and Certification

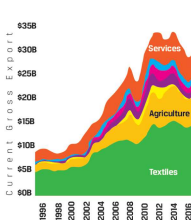
It goes without saying that goods offered for exports need to accord with global standards, also as these are used as non-tariff barriers by some importing countries. The standard certification agencies require testing and evaluation equipment and processes that also accord with global requirements. This is particularly so for edible products. One way to ensure that industry standards come up to global expectations is to set local standards that are closely aligned with global.

Global Skills and Productivity

Industry needs to gear up the skills and capabilities to be globally competitive and improve the productivity, quality and costs of its offerings. Whilst in Textiles, this can be led by larger companies, in many other sectors, the Export Development Fund should be utilized to improve productivity. Clusters such as Sialkot have an advantage in this respect.

Diversification and Sophistication of Products

Pakistan has not only been slow to diversify its sectoral reliance, within the dominant textiles, it has not addressed the shift in preference from 100% cotton to man-made fibres or graduated up on value-addition. Within agriculture, rice continues to be the main export, whilst horticulture has not received the attention that its potential promises. The contribution of services has been stagnant and its export does not attract any drawback or rebates. The core export sectors need to be expanded to include Pharmaceuticals, Meat, Poultry, Fruits, Vegetables and Fisheries



Diversification and Development of Non-Traditional Markets

With more than 50% of its exports destined for North America and Europe, Pakistan needs to diversify to non-traditional markets, of which Africa has a strong potential. Pakistan is underrepresented in Africa relative to India in the number of in-country trade and investment offices. It has just one trade agreement with Mauritius, a small country vs thirteen of India's. The Pakistan private sector, particularly the larger exporters are used to serving less risky North America and Europe. It is less inclined to take credit and other risks associated with dealing with Africa. The country therefore needs an Export Credit and Guarantee institution to address this gap and open up new vistas for exports. Export Houses (such as Mitsubishi in Japan) can also help integrate SMEs into global value chains. The model for this can be developed with assistance from Japan and the IFC. Commercial banks are traditionally reluctant to take direct exposure to SMEs. Vendor financing using larger exporters and Export Houses could offer a way around this.

PAKISTAN SIGNIFICANTLY UNDER-REPRESENTED IN AFRICA

Africa's Total Imports 2018 US \$ 577 Bn, 10 Largest Importers \$342 Bn	Pakistan	India	India Multiple Pakistan
Exports to Africa US\$ Bn 2018	1.5	26.9	x18
Share of Africa's Total Imports	0.25%	4.7%	x18
Share of Imports into 10 largest Import Markets	0.2%	3.8%	x19
Share of 10 Largest Import Items	0.2% (almost all Rice)	4%	x20
Number of Trade Agreements	1 (Mauritius)	13	x13
Number of in-country Trade & Investment Offices	4	18	x5

Wash Export Prices Clean of Taxes and Levies

If Pakistan's exports are encumbered by taxes and duties, they will be less competitive than countries that have processes to ensure that export prices are clean of such levies. Larger exporters can operate bonded manufacturing facilities and use the DTR scheme to avoid paying or claim back taxes and duties incurred. However, the SME lack scale, sophistication and resources to do this. It is proposed to address this by issuing and periodically updating standard drawback rates per unit of export of various export items. SMEs that generally rely on an extended value chain for supply of inputs, will be saved from lengthy process of identifying and claiming levies incurred at various stages of this supply chain.

Automate Rebates and Drawback

Presently exporters need to file claims to obtain rebates and duty drawback. Since exports are all documented and export proceeds are received through banks, it should be possible to eliminate the need to file claims that take a long time to be processed. Banks should be authorized to credit rebates and duty drawback. To provide added assurance, their credits could be audited on a sample basis.

Obtain Market Access into Japan, Canada and Australia

Gaining parity with Bangladesh into Canada, Japan and Australia would open up prospects of \$3.2 Bn of exports.



Greater Global Integration

Unlike Vietnam and other countries in Asia, Pakistan is not well integrated. Politics limit integration with our immediate neighbours and we have not ventured with any success to reach out to ASEAN or the EU. The latter has granted Pakistan GSP Plus status, which will expire in 2023. We have had an agreement with China which has been renegotiated to our advantage, opening up \$11.3 Bn of exports at zero duty, about twice the previous level.

Vietnam's Trade Agreements

China | Asean | US | Japan | CP Trans Pacific Partnership EU (ratification pending)

Export-Oriented FDI

Unlike Pakistan, Vietnam has attracted export-oriented FDI from companies such as Samsung (which account for 25% of its entire exports). This allowed it to accelerate diversification of exports as well as utilize the extensive networks of these foreign investors to market abroad. Pakistan's FDI, on the other hand, has mainly relied on FMCs that are attracted by the demographic dividend from consumption by a large middle class. They do not export significant percentage of their turnover and rely on imported inputs to grow their domestic businesses. There is no FDI in Textiles, Pakistan's principal export sector, nor in agriculture. Pakistan needs an FDI policy which differentiates in favour of exports and import substitution and for those investments which bring technology and know-how not available in the country or comes in through local investors lack capital or risk appetite. An example of the latter would be oil and gas exploration.

Branding

Whilst exporters are permitted to retain up to 10% of export proceeds to spend on market development, for which there is no accountability, if they wish to utilize part of this retention to acquire brands or other capital assets, they need State Bank or ECC permission. This needs to be reviewed as there is no foreign exchange outflow beyond what is already permitted to be expended. Building brands abroad often requires investment greater

state of the economy and most recently from the impact of Covid-related lockdowns. But there is hope.

population it is important to recognize that manufacturing alone cannot absorb everyone, Pakistan

Progress	Key Recommendations
✓	Competitive exchange rate
✓	Renegotiate FTA with China
✓	Cascading tariffs to encourage local value-addition
✓	Withdraw presumptive taxes on imports and stem under-invoicing and smuggling
✓	Make energy available at a competitive cost to industry
✓	Separate fiscal policy and tax suite from the collection of taxes. Simplify and document
✓	Encourage capital formation and scale through consolidation
✓	Promote investment and capacity addition

Make-in-Pakistan is not just about Manufacturing

It is a misconception that Make-in-Pakistan is just about manufacturing. Given its objectives of creating jobs, promoting value-added exports and encouraging import substitution, it covers all activities in and beyond manufacturing which meet these objectives. Foremost, it includes agriculture. If you don't grow enough of what the country and the world needs, you can't meet the objectives of Make-in-Pakistan. Also crops like Cotton are the backbone of our textile industry, the largest employer outside agriculture. We spend significant amounts in importing edible oil and pulses. Promoting cultivation of edible-oilseeds and pulses would create import substitution. Meat, Poultry, Fruits and Vegetables have significant scope for exports. So do minerals and fisheries.

The services industry not only facilitates manufacturing but also has a direct export potential. We have not accorded export of services the same importance as we do to goods. With Pakistan's large

has a large number of freelance software developers. The cost and quality of software developed in Pakistan compares favourably with our neighbour. Yet we provide no rebate to export of software, and encouraging import substitution, it covers all activities in and beyond manufacturing which meet these objectives. Foremost, it includes agriculture. If you don't grow enough of what the country and the world needs, you can't meet the objectives of Make-in-Pakistan. Also crops like Cotton are the backbone of our textile industry, the largest employer outside agriculture. We spend significant amounts in importing edible oil and pulses. Promoting cultivation of edible-oilseeds and pulses would create import substitution. Meat, Poultry, Fruits and Vegetables have significant scope for exports. So do minerals and fisheries.

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« CONTINUED FROM PAGE I

Realizing the dream of export-led 'Make in Pakistan'

The fundamental pillar of the STF is to bring about a mindset change to an export culture, which would permeate from the Prime Minister's Office down to the Local Governments. We must understand that exports is a requirement of the Government for the well-being of the citizens of Pakistan, hence, there has to be a national effort to achieve the desired objectives.

The guiding principles of our export policy are that, first, there must be no element of duties, taxes, surcharge or cesses etc. on all our exports, which is the standard international practice. In Pakistan, this has not been the case and whatever is due to our exporters is inadequate and payments delayed for years. Second, export incentives must be disbursed timely and they must be time-bound as well.

Focus of export strategy is to achieve product and geographical diversification. Not only in the traditional export sectors, our product range has to widen but also there will be greater push in the developmental sector, such as pharmaceuticals, engineering, meat & poultry, fruits & vegetables and our services. The recent move into export

of Personal Protection Equipment, because of Covid pandemic, is an example of responding to the changing circumstances. Similarly, exports of tractors, microwave ovens, refrigerators and water dispensers etc. are good illustrations of product diversification achieved by some of our exporters.

The recent surge in meat exports, where there has been growth of 30%, and IT services, where growth is 21%, are indicative of success of diversification strategy.

On the case of geographical diversification, the Look Africa Policy has shown some success as observed by the increase in exports to the African countries. In addition to Africa, we feel that diversification into Central Asian Republics would also open new doors of opportunities for our exporters. To conclude, the fact that our exports declined by only 6% indicates that our exports are bouncing back. There is much to be done and, so far, small steps have been taken; however after Covid, more strategic policies are in the pipeline. Export led 'Make in Pakistan' is the main focus of the Government but it can only be successful in partnership with our business community.

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make in Pakistan

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Salt industry needs a push to diversify exports

Ismail Suttar – Chief Executive, Hubsalt

SALT as we know it as an essential mineral for human consumption, holds a lot of opportunities for Pakistan if seen from the right perspective. In recent past, much have been discussed about the edible rock salt on the news channels and social media for all the right reasons—the benefits of our distinctive pink shaded rock salt from Khewra, its surge in demand worldwide, and the opportunities missed that could earn heaps of exports proceeds presumably. However, we often ignore the real potential of salt industry by seeing it as an ingredient that makes our food taste better. The total salt consumed annually for human consumption is only 10% of global production. Where does the remaining 90% go is where exactly lies a number of opportunities Pakistan needs to explore.

The major portion of salt production is used in the chemical industries. These industries use electrolysis process of sodium chloride to produce chlorine and sodium hydroxide (caustic soda) which are commodity chemicals required by industry. Without salt the chemical industry, glass production etc will be unimaginable. The market demand from the glass application is over half of the overall soda ash demand. It is also the quickest-increasing segment for soda ash. EDC/VCM/PVC accounts for over one third of the overall chlorine demand.

The annual world production of salt is around 300 million metric tons, mainly extracted from two different sources i.e. sea water and rock salt mines. The most common methods used for production of salt are rock salt mining and sea salt evaporation which is also known as solar salt. One third of world's salt is produced by solar evaporation of sea water.

The largest solar salt facilities in the world produce approximately 9-10 Million tons of industrial salt and caters the need of hundreds of industries across the world. Mexico and Australia are known for such enormous scale of production. The other salt producing countries are China, USA and Canada. Pakistan despite having one of the largest salt mines and a huge coastal belt which is ideal for solar salt production is nowhere in the list of top producers. Whereas, India amongst one of the top salt producing countries in the world, operates through a number of small salt vendors yet exports 227 Million USD worth of salt every year. In 2018 India alone exported 13 Million tons of salt whereas Pakistan could only export 0.3 Million tons.

Pakistan exports yearly 250 thousand tons of rock salt only. The reason for such miniature level of exports is the low value of the product which makes this business more about the logistics than the product itself. The mines are located in the northern areas of the country. After extraction, the salt needs to be transported through

long distance of approximately 1000 kms to reach the port which adds up to the cost making it highly expensive to be sold to industrial consumers. Industrial salt is consumed in bulk therefore it is necessary that the salt works are established at the shortest possible distance to the point of loading.

To establish a solar salt facility, flat land is required near the coastal areas with specific meteorological conditions. Coastal areas of Balochistan are gifted with such



For a country like Pakistan with huge coastal area of around 750 km in Balochistan, solar salt works can provide immense benefits to the economy. The industry demand is quickly increasing in the emerging economies of the Middle East & African continent.

Solar salt production is typically the capturing of salt water in shallow ponds where the sun evaporates most of the water. The concentrated brine precipitates the salt which is then gathered by mechanical harvesting machines.

Usually two types of ponds are used. First is the concentrating pond, where the Calcium Salts are salted out. The second is called the precipitation ponds where the salt crystallizes. The salt is then harvested and stocked for dispatch to customers. The same method of solar salt production is being used by various salt producers in the world mainly in Australia and Mexico.

For a solar salt project to be successful it is crucial to construct a jetty from where the salt

involves extra handling cost resulting in lower profit margins. This is due to high volume low value nature of salt as any extra handoff in the supply chain will surge up the cost per unit substantially.

Solar salt works are classified as the most environment friendly industrial projects as it does not produce any waste or residue. It does not require influx of raw materials and the production depends on natural green energies as the process only uses natural wind and solar heat therefore no chance of shortage of either raw materials or energies such as gas, electricity, water etc.

A solar salt project can offer a lot to Balochistan in terms of generating economic activity, earning foreign exchange and creating employment for the people and more importantly the youth. The project of such an impactful nature that has everything to trigger a number of projects that can turn Balochistan into a huge chemical complex. Large amount of flat barren land of hundreds of thousands of acres ideal for solar salt, is available along the Balochistan coast which can be expediently used to replicate the solar salt facilities like the ones in Mexico and Australia.

For a country like Pakistan with huge coastal area of around 750 km in Balochistan, solar salt works can provide immense benefits to the economy. The industry demand is quickly increasing in the emerging economies of the Middle East & African continent. With the growing

market for packaged and processed food, the demand of soda ash in the food processing sector is also increasing at a quick rate. China being the largest consumer of industrial salt mainly drives the growth. There have been recent investments made in the chlor-alkali industry in the Middle East and African region. Further, the increasing cross border trade is expected to create enormous opportunities for salt producing countries.

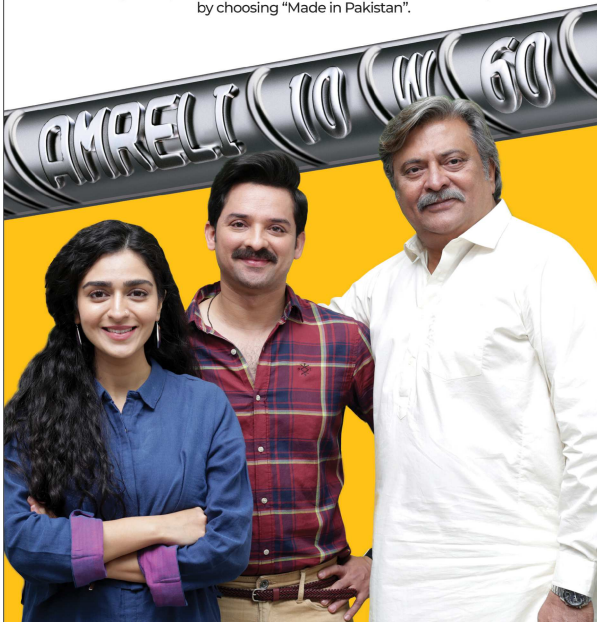
China despite being the world's largest salt producer is also net importer of salt. With rapid shut down of the existing salt facilities in China the import requirement is surging. Majority of the salt import in China comes from India which contains impurities that result in substantial increase in cost when treated. A solar salt facility can bring upto half a billion dollar in terms of foreign exchange with no import costs except for initial investment in machinery. Government of Pakistan in these hard time should focus on diversifying the export base and support such exemplary projects through Public Private Partnerships. Considering huge continuing large balance of payment crisis, projects like these are necessary for the revival of our economy. The increase in the demand and supply gap in China and the rise in demand in Middle East African region is an opportunity waiting at our doorsteps but is also feared to be capitalized by India of course if we didn't take immediate measures.

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