Pakistan Knitwear & Sweater Exporters Association
1014-16, Park Avenue, PECHS Block 6
Shahrah-e-Faisal, Karachi-75350
Tel: 34544035 SG: 34544039, email: kho@paksea.com

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Jam admits high energy prices, interest rates hurting exports

BUSINESS RECORDER

Commerce Minister Jam Kamal Khan has said Pakistan needs to create a conducive and competitive business environment to boost exports, as high electricity and gas prices and expensive financing are making Pakistani products uncompetitive in international markets.

Briefing the Senate Standing Committee on Commerce, which met under the chairmanship of Senator Anusha Rahman, the minister said he had presented several proposals to Prime Minister Shehbaz Sharif aimed at increasing the country's exports.

Jam Kamal said his Ministry had proposed establishing a National Export Promotion Bureau to promote exports and address structural issues affecting the country's export competitiveness.

"We should expect performance from TDAP as per its mandate. There should be some structure where all departments should be answerable to it or own the decisions taken by the forum," he said.

The minister said the cost of financing was another major hurdle for exporters. "If the interest rate is 12 percent, a businessman will have to obtain financing at a high cost," he said, adding that electricity was available in neighbouring countries at around 7–8 cents per unit, while electricity and gas was more expensive in Pakistan.

He said there was a perception that increasing exports was solely the responsibility of the Ministry of Commerce.

"I am asked to increase exports of products that are expensive and uncompetitive," he said, stressing that improving exports required broader economic and structural reforms.

Giving the example of Libya, Jam Kamal said a Pakistani investor was currently setting up a cement factory there because the business environment was more favourable.

“Electricity is cheap in Libya, gas is free and there are tax exemptions,” he said.

The minister said the government had identified around 35 issues that needed to be addressed to improve Pakistan’s export performance.

“When we bring an investor to Pakistan, he checks the rates of electricity, gas and taxes. After that, he says “Thank you, Jam Kamal but no thank you,’” he said.

He added that regardless of how much protocol was provided to a potential investor, an investor would not put money in Pakistan if the underlying cost structure remained uncompetitive.

“Foreign investors come to Pakistan to make money. Business is neither a social service nor a welfare activity,” Jam Kamal remarked.

Responding to a question from Senator Anusha Rahman regarding restrictions on Export Processing Zones (EPZs), the minister said such restrictions were not in Pakistan’s interest. However, he said engagement with the IMF was a collective government decision under which the interests of several entities sometimes had to be compromised.

Chief Executive of the Trade Development Authority of Pakistan (TDAP), Faiz Ahmad Chadhar, gave a detailed presentation on the authority’s performance and shared 35 determinants of export growth. He said only three of these—trade policy, tariff policy and negotiated market access/free trade agreements—fell directly within TDAP’s domain.

He also highlighted factors beyond TDAP’s control that were contributing to stagnation in exports.

Responding to Senator Amir Waliuddin Chishti’s assertion that foreign direct investment (FDI) was not coming to Pakistan, the TDAP chief executive said the lack of foreign investment was one of the reasons for stagnation in Pakistan’s exports.

The committee also discussed audit paras of TDAP for FY2024-25 amounting to Rs3.678 billion. Of these, paras involving Rs3.481 billion, or 94.6 percent of the total amount, had been settled.

On the request of the Ministry of Commerce and TDAP, the committee decided to recommend that the Auditor General of Pakistan (AGP) conduct pre-DAC meetings with the concerned authorities before publication of the final audit document.

During the meeting, Senator Anusha Rahman said Pakistan had signed a bilateral trade agreement with China but noted that China was not purchasing maize from Pakistan.

The issue of wheat production also came under discussion. Senator Saleem Mandviwalla said Pakistan was importing wheat this year despite repeated claims of a bumper crop.

He criticised the government for its unwillingness to provide support price to farmers, warning that failure to address the issue could discourage farmers from cultivating wheat.

“People in the country will not be willing to grow wheat,” Mandviwalla said.

The committee was briefed on the possibility of establishing a Pakistan Chamber of Commerce office in China, while the Chief Executive Officer of the Trade Development Authority of Pakistan (TDAP) gave a briefing on the authority’s performance during the last financial year.

During the discussion on Pakistan’s commercial presence in China, the Secretary Commerce informed the committee that a foreign chamber could be established in China either as a joint chamber or as a branch. However, no joint chamber from Pakistan is currently registered in China, while no Pakistani trade representative organisation is registered there either.

The Secretary Commerce further informed the committee that only one joint chamber from Pakistan can register itself in China and that Pakistani chambers seeking to establish a joint chamber or representative office would have to fulfil the requirements laid down by the Chinese authorities.

Questioning the absence of a Pakistani chamber or representative organisation in China, senators asked why no such organisation had been registered despite the scale of business activity between the two countries. The Secretary Commerce replied that the reason could best be explained by the trade organisations themselves.

Senators also asked to share real benefit in establishing a joint chamber or representative office. The Secretary Commerce said the Ministry of Commerce could not give a position on the issue and suggested that the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and other chambers should be asked for their views.

The Secretary Commerce said the Pakistani private sector could establish a chamber in Beijing or Shanghai, adding that the Ministry of Commerce would provide full support to any chamber interested in establishing such a presence, subject to fulfilment of Chinese requirements.

Senator Anusha Rahman pointed out that a chamber could enhance Pakistani companies to effectively follow up on commercial opportunities in China.

The committee also examined Pakistan’s export performance and the role of TDAP. The Chief Executive TDAP said the authority was generally held responsible whenever exports failed to increase, but export growth depended on several broader economic factors, including production costs, electricity prices and the cost of financing.

Commerce Minister Jam Kamal Khan told the committee that the Ministry of Commerce regularly sends multiple policy proposals and recommendations to the government aimed at improving policies. He said he had also proposed to the Prime Minister that reciprocal incentives should be pursued to increase exports.

The Commerce Minister said the Ministry of Commerce was working on new proposals aimed at improving international marketing and increasing Pakistan's exports. He stressed that export competitiveness could not be improved without addressing the underlying cost and investment environment.

Giving details of TDAP's export promotion activities, the Chief Executive TDAP informed the committee that the authority participated in 91 international exhibitions during the last financial year to promote Pakistani exports.

He further said that 11 trade delegations travelled abroad during the same period as part of efforts to develop new markets and expand commercial linkages.

The committee was also informed that Pakistan currently has preferential trade arrangements with 93 countries.

The Chief Executive TDAP clarified that TDAP does not receive funding from the Export Development Fund. Instead, the authority receives government financing for specific projects.

Senator Saleem Mandviwala also drew the committee's attention to the role of a Chinese international cooperation with specialists of trade, highlighting the potential for private-sector and institutional linkages to generate investment and trade.

The committee's discussions appreciated efforts of TDAP in growing exports, highlighted the need for a coordinated strategy linking trade policy, investment, industrial competitiveness, export promotion and market representation to further improve. Members stressed that Pakistan's trade agreements and international commercial relationships must translate into measurable increases in exports, investment and market access.

Nadia Iqbal Soomro
Deputy Secretary
021-34544035 Ext: 103