THE ROLE OF PUBLIC INSTITUTIONAL SUPPORT FOR GLOBALIZATION OF PAKISTANI COMPANIES

Jawaid Ahmed Qureshi & Amanat Ali Jalbani

Abstract

This study explores the assistance of government institutions through technical capacity-building and financial assistance toward global expansion of Pakistani companies in different sectors. Many companies globalize their operations to enhance their export trade share in the world market. In Pakistan, Ministry of Commerce (MoC) and Trade Development Authority of Pakistan (TDAP) uphold them in various ways. This exploratory probe employs interviews from MoC and TDAP. The feedback is cross checked from globally operating/expanding companies from top-five export sectors in Pakistan including textile, leather, rice, seafood, and wheat. The findings indicate that the role of public bodies remains limited and undermined.

Keywords: Institutional Support; Globalization of Pakistani Companies

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Introduction

Globalization has paved the way for companies to operate and expand beyond domestic borders. From companies’ expansion perspective, this is termed as corporate globalization (Qureshi & Jalbani, 2013; Qureshi, 2014; Li et al., 2011; Hill 2005, 2006). Indeed this is one step ahead of exports, since companies not only export but transact sales in foreign territories, while they can import various inputs inclusive of human resources and services from home country and have the discretion to repatriate profits back to the home country. The companies that spread their chapters abroad evade tariff and non-tariff barricades as well. Above all, such extension can enable them to penetrate and raise their market share in the global arena. They seek domestic investors or avail financing schemes abroad, cheap inputs, and enjoy global opportunities, lucrative markets, new avenues of growth, and state-of-the art technology cum infrastructure (Contractor and Lorange, 1988 as cited by Li et al., 2011; Jones, 2002). However, they encounter a variety of challenges like strange markets, unknown customers, their culture and behavior, stiff foreign regulations, standardization and licensing requirements, intensity of competition and entrenchment of firms, and so on (Czinkota & Ronkainen, 1977; Thoumrungroje & Tansuhaj, 2007; Li et al., 2011; Kotler & Keller, 2009).

Countries of the world formulate policies and programs to flourish their export trade in a bid to accomplish balance of trade, balance of current account, stabilize their currency exchange rate with other currencies, and nourish employment, income, tax revenues, gross domestic product (GDP), and overall economic growth within their individual countries (Qureshi & Jalbani, 2013). In addition to domestic developments, they contribute in global economic development as well. Organizations like ministry or department of commerce and trade promotion bodies endeavor to uphold their exports and domestic economies. They design a mechanism to facilitate foreign trade. They organize events like foreign trade expos, single-country exhibitions, ensure participation of domestic companies to do spot selling there, build rapport and do networking with trade channel partners abroad,
and collect trade enquiries from foreign sources and communicate them to domestic companies and their chambers of commerce cum trade associations to tap such opportunities. In addition, they assist exporters and their globally expanding companies technically and somehow financially too to establish their overseas offices, sales or distribution subsidiaries, and retail outlets, renting warehouses, hiring sales teams, forming supply chain channels, conducting marketing and business research, developing brands, and upgrading packaging of products. In this nexus, they build productive linkages with foreign governments and trade facilitating agencies. Above all, the commercial counsels of embassies play a crucial role in this direction (Ibid, 2013; Ministry of Commerce, 2015, 16; Trade Development Authority of Pakistan, 2015, 16).

Research Objective

Every country endeavors to develop itself by earning revenues through contributing in global trade and business. The core objective of this study is to discover the facilities and programs offered by Government of Pakistan (through various institutions) to nourish exports and global expansion of Pakistani companies. These include trade policy incentives and other initiatives designed by ministry of commerce (MoC) and Trade Development Authority of Pakistan (TDAP) to flourish exports or global trade from Pakistan. In addition to the main objective, the study enquires about the satisfaction derived by exporters and globally expanding Pakistani companies from the policies and facilities of the public-sector entities particularly MoC and TDAP.

Literature Review

In today’s rapidly changing and modernizing world, no country can turn self-sufficient independently. Countries of the world have become interdependent on each other for technology transfer,
The Role of Public... Research

up-gradation, technical and financial assistance, and above all trade of goods and services with others. Globalization of trade, markets, investment, finance, technology, human resources, culture, and community have helped shaping the world as a global village (Qureshi, 2015a, b; Anjum, 2011; Jeffus, 2003; International Monetary Fund, 2000; Sklair, 2000, as cited by Jeffus, 2003). Exporters and globally expanding companies have escalated their operations beyond borders. Their transactions help in sustaining and upholding their domestic economies and those where they operate. The main exporting and globally expanding sectors of Pakistan include textile, leather, pharmaceutical, information technology (IT), processed food, banks, etc. (Qureshi & Jalbani, 2013). The section presented beneath describes corporate globalization/global expansion and then spells the role of government to facilitate them. Not just the companies of the developed countries but even those of the least developed countries can develop new ideas and technology in any domain and can sell or distribute it to the rest of the world. Many companies in Pakistan have expanded their network and operations around the globe. There are companies in the textile and leather sectors, and pharmaceutical area which have registered their brands in many major economies of the world. Her information technology sector companies are doing business beyond borders by designing custom-built software and websites for their global clientele. Her processed food sector companies are exporting their products to 160 countries around the world (Qureshi, 2015a,b). Shan Foods Pakistan claims to be a global company (Shan Foods, 2016).

Government's Role in Global Expansion of Pakistani Companies

The Government of Pakistan designs trade policy to foster the global trade and commerce of the country. Ministry of commerce, ministry of industries and production, ministry of finance, board of investment, and other economic institutions collaborate to raise foreign investment in different sectors in Pakistan, and aid domestic firms to...
export their products. In the wake of success, many of the exporting companies commence global operations and expansion. This section analyzes the public institutions’ support framework to such companies regarding their global expansion. The figure 1 given below displays that when firms attain success in business, they grow and expand domestically and even internationally, then the assistance programs of public institutions support them toward corporate globalization (or global expansion).

**Figure: 1.**

*Public Institutions’ Support for Corporate Globalization*

| Success, Growth, & Expansion of Companies | Public Institutions’ Support | Corporate Globalization |

**Trade Policy Incentives**

The government designs trade policy inclusive of import order, export order (i.e. such rules), and export targets and strategies to uphold the global trade and commerce of the country and sustainable economic development. Almost every year, government announces a trade policy. The latest strategic trade policy framework (STPF) envisioned a medium term framework for three fiscal years from 2015-2018 [for the period between 2015-16, 16-17, and 17-18] with the export target of US$35 billion by the year 2018. However, its precedent policy for 2012-15 targeted an unrealistic and unattained export of US$95 billion in three years. In addition, some features of earlier trade policy 2009-2012 are also highlighted here, since either they continue or keep revising. In addition to technical capacity building, some of the core incentives and facilities offered to the exporters, industrialists, and some particular industrial zones such as, export processing zones (EPZs) under various conditions consisting of various schemes and incentives, such as duty drawbacks and waivers, grants for products’ development and marketing.
overseas, etc., which are depicted in detail in table 1 on the next page. Note that these incentives not only aid exporters to internationalize their businesses, but support their global expansion through opening overseas offices cum subsidiaries, retail outlets, and branding of products. Developing export processing zones (EPZs) reflect another endeavor by the government to encourage export-oriented industries to accelerate their pace of exports by availing duties and taxes free facilities under one-window operations, whereby they can get the services of various departments like utility companies including gas, electricity, and telephone departments, etc. In the wake of success, many of such companies determine to go global and expand their network across borders (Qureshi, 2015a).

Table 1.
Incentives and Facilities Offered to Exporters and Globally Expanding Companies via Trade Policy Incentives

<table>
<thead>
<tr>
<th>Category of Incentive</th>
<th>Example of Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duty reduction</td>
<td>Duty drawbacks on re-exports and waiver of customs duties and sales tax on import of certain inputs and capital goods; Manufacturing in Bond (MiB) for duty free import of input goods for the sake of exports</td>
</tr>
<tr>
<td>Annual Incentives (in taxes)</td>
<td>First-year allowance on acquiring energy-saving, water-efficient, and environment friendly equipment; allowing accelerated depreciation expense method on import of pharmaceutical plants and machinery to gain significant tax benefits in initial years</td>
</tr>
<tr>
<td>Financial assistance</td>
<td>Grants for registration of pharmaceutical and medical products overseas; grants for hiring sales-force abroad to promote pharmaceutical products; grants for products’ development and marketing overseas; promotion of branded products overseas; and opening offices or retail outlets abroad; establishing research and development (R&amp;D) fund for Rs.3 billion for technology up-gradation, skill development, and management system up-gradation; establishing service export development fund; establishing warehouses in major world markets for Pakistani products; grants for procuring advisory services of consultants or experts for export of selected items and acquiring standardization certificates; and incentives for participating in domestic and international fairs</td>
</tr>
</tbody>
</table>

Source: Ministry of Commerce (2015, 16); Trade Development Authority of Pakistan (2015, 16)

Trade Assistance by Foreign Embassies and Consulates

The embassies, consulates, and trade missions of Pakistan spread all over the world assist Pakistani exporters and companies with global operations, or potential firms intending to globalize their operations by imparting technical knowledge through capacity
building and network of linkages. They typically provide various services (Qureshi, 2014), such as: info about trade leads or products enquires from overseas importers; imparting technical info about foreign trade, foreign regulations, marketing research, etc., which are depicted in detail in table 2 underneath.

Table 2
Facilities and Services Offered to Exporters and Globally Expanding Companies by Foreign Embassies and Consulates of Pakistan

<table>
<thead>
<tr>
<th>Service Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Info about trade leads or products enquires from overseas importers and imparting</td>
</tr>
<tr>
<td>technical info about foreign trade, foreign regulations, marketing research, etc.</td>
</tr>
<tr>
<td>Making endeavors to export Pakistani products, especially services and manpower and</td>
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<tr>
<td>establishing liaison with overseas chambers and trade bodies and establishing</td>
</tr>
<tr>
<td>linkages with overseas authorities</td>
</tr>
<tr>
<td>Setting up display centers abroad to showcase Pakistani products and suppliers and</td>
</tr>
<tr>
<td>establishing warehouses for assisting in sales and supplies</td>
</tr>
<tr>
<td>Bringing Pakistani exporters in overseas expos and investment conferences and</td>
</tr>
<tr>
<td>attracting foreign importers and investors in domestic expos and investment</td>
</tr>
<tr>
<td>conferences to bring foreign direct investment (FDI) to Pakistan, and arranging</td>
</tr>
<tr>
<td>travel programs of Pakistani delegations</td>
</tr>
<tr>
<td>Showcasing Pakistan’s soft image to the world and presenting statistics, trade</td>
</tr>
<tr>
<td>directory, travel guide, and info to overseas investors on doing business in Pakistan</td>
</tr>
</tbody>
</table>

Source: Qureshi (2014)

Trade Assistance by Trade Development Authority of Pakistan (TDAP)

Trade Development Authority of Pakistan (TDAP) is the apex authority to promote export trade from Pakistan. It operates in liaison with ministry of commerce, chambers of commerce and industry, trade bodies, and other government authorities. It imparts various services like: info about trade leads or products enquires from overseas importers; developing database of registration of domestic exporters and overseas importers; imparting technical info about foreign trade, etc., which are depicted in detail in table 3 on the next page. The forthcoming projects of TDAP consists of setting up institutes for technology of marble, agro food, leather, carpets, carpets and crafts, fashion and design, packaging, gems, and so on.
The Role of Public . . .

Table 3.
Services Offered and Liaisons Established for Exporters and Globally Expanding Companies by TDAP

<table>
<thead>
<tr>
<th>Services Offered</th>
<th>Liaisons Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing database of registration of domestic exporters and overseas importers; imparting technical info about foreign trade, foreign regulations, marketing research, marketing, and brand development; exploring and developing new and potential markets overseas; establishing liaison with overseas chambers of commerce and industry, and trade bodies; bringing Pakistani exporters in overseas expos and investment conferences and attracting foreign importers and investors in domestic expos and investment conferences; disbursing subsidies and travel grants to exporters participating in overseas expos and conferences; offering assistance in settlement of trade disputes; presenting statistics, market reports, bilateral and multilateral trade analysis, financial stability reviews, trade policy initiatives, trade directory, travel guide, currency rates, HS-Code (Harmonized System Codes for customs duties on various items), and statutory regulatory orders (SROs) of the government, and info on doing business in Pakistan.</td>
<td></td>
</tr>
<tr>
<td>Liaison with foreign trade promotion agencies like, Japan External Trade Organization (JETRO), Japan International Cooperation Agency (JICA), Pakistan-Malaysia Friendship Association, Swiss Business Council, Pakistan-France Business Alliance, Pak-Australia Business Forum and similar forums with Belgium, Germany, Russia, and Sri Lanka, etc.; establishing liaison offices abroad and linkages with buying houses like, Walmart Global Procurement, Mondial Orient Limited, International Buying Sourcing (IBS), etc.; establishing World Trade Organization (WTO) cell to nourish free trade regime.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Trade Development Authority of Pakistan (2015, 16).

Bilateral Trade and Free Trade Agreements (FTAs), and Trade Blocks

A country’s favorable foreign relations with another country aid in sustainable trade growth and development between them. Pakistan has established magnificent bilateral trade rapport with China, Saudi Arabia, Iran, UAE, Malaysia, Indonesia, India, Japan, USA, England, Germany, France, and many other countries. Moreover, Pakistan has signed Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) with many countries to offer and receive a concessional tariff on export as well as import of various products, whereas some remain yet pending, such as with India. The list of such FTAs and PTAs includes Pakistan–China FTA; Pakistan–Malaysia FTA; Pakistan–Sri Lanka FTA; etc., which is portrayed in table 4 underneath:

Table 4
FTAs and PTAs of Pakistan with Other Countries

<table>
<thead>
<tr>
<th>FTAs of Pakistan</th>
<th>PTAs of Pakistan</th>
</tr>
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<tbody>
<tr>
<td>Pakistan–China FTA; Pakistan–Malaysia FTA; Pakistan–Sri Lanka FTA; Pakistan–Afghanistan FTA.</td>
<td></td>
</tr>
<tr>
<td>Pakistan–Iran FTA; Pakistan–Mauritius FTA; Pakistan–Indonesia FTA.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of Commerce (2016); President of Pakistan (2013).
In addition to FTAs and PTAs, there exist some other types of bilateral trade and multilateral trade ententes among states. Some examples include: Afghanistan–Pakistan Transits Trade Agreement (APTTA), South Asian Association for Regional Cooperation (SAARC), SAARC Preferential Trade Agreement (SAPTA), South Asia Free Trade Area (SAFTA), and Developing 8 (D8). However, Pakistan is also seeking the FTA or cooperation with Gulf Cooperation Countries (GCC). In addition to bilateral and multilateral trade agreements of Pakistan, it is also the beneficiary of Generalized System of Preference (GSP) treatment that offers subsidized tariff to the developing countries to support their economic well-being, export growth, and industrial development. It is given by countries like USA, Canada, Japan, Australia, New Zealand, UK, and EU (European Commission, 2016; International Trade Center, UNCTAD/WTO & Small & Medium Enterprises Development Authority, 2007). Under GSP status, Pakistan enjoys zero tariffs on twenty items’ exports to European Union and discounted duty on seventy percent items. Since the year of its award from 2014, unfortunately Pakistan made a little progress toward GSP Plus status and its exports declined in the last half of 2015-16. The inside story was that the government did not address the grievances of exporters by timely disbursing them the sales tax refund claims (on inputs bought for export purpose), withheld their billions of rupees, and allowed export of scarce raw materials (Khan, 2016).

Method

The research design comprises qualitative method of enquiry. It tends to be an exploratory study in the context of Pakistan and utilizes semi-structured interviews from foreign trade specialist of ministry of commerce (MoC) and Trade Development Authority of Pakistan (TDAP), while the satisfaction derived from their services is sought from exporters and globally expanding companies of Pakistan operative in different sectors. It is a cross sectional study. For the qualitative study, the secondary data is garnered from published sources (employed by various authors regarding globalization,
corporate globalization, and international trade), and the primary data is assembled through one-on-one semi-structured interviews from multiple populations. They comprise of foreign trade specialists of ministry of commerce (MoC) and Trade Development Authority of Pakistan (TDAP), and exporters and globally expanding companies of Pakistan operative in top-five export sectors of the country inclusive of textile, leather, rice, seafood, and wheat (Pakistan Bureau of Statistics, 2013; Pakistan Economic Survey, 2010-11; 11-12; 12-13). The textile sector contains sub-sectors as well. The wheat sector – a member of food group tends to be in top export sectors in years when there is a bumper crop, and Trading Corporation of Pakistan (TCP) allows its export. The samples consist of ten officials, five each from MoC and TDAP and twenty five officials from top-5 export sectors in Pakistan, five from each category/sector chosen through proportionate stratified sampling procedure. Their characteristics that qualify them for interviews include: top managers with 3-5 years’ experience at that position in their existing company (their companies include MoC, TDAP, and companies of top-five export sectors). The minimum number of samples taken for interviews includes six (6) participants, since rather than number or size, their quality of feedback matters (Luca, 2013). The questionnaires cover all the pertinent variables. They are pre-tested for determining their cognition by respondents and eliminating any bugs or snags. The data analysis techniques include interpretation of interviews (aggregate to unique responses) from different populations taken for survey through semi-structured interviews. In addition, the other techniques used include: Similarities and Differences Method (so-called convergence and divergence method) to ascertain similarities and differences in the opinions of individual cases (Ragin, 1994a, as cited in Neuman, 2003); Text analysis used in qualitative analysis of literature, articles, reports, books, and other written materials (Silverman, 2000); and Interpretation of interviews through code book, protocols, and transcripts method to codify categorical
responses, having a plan of research procedure and preparing notes, and finally describing the aggregate findings (Qureshi, 2014).

Results and Discussions

The officials of MoC and TDAP maintained that the Government support to exporters inclusive of Pakistan-based globally expanding companies technically for their capacity building is provided in terms of free or subsidized training and development projects; provision of foreign trade statistics; market analysis and reports; and developing linkages with overseas buyers and trade channel. The Government provides financial assistance to them for enhancing their overseas sales in terms of grant for acquiring quality and standardization certificates, R & D expenditures, hiring research consultants overseas, opening offices abroad, facility to store their goods in the government-hired warehouse abroad, and the like. The biggest subsidy given to them is export financing scheme (EFS), which is in the shape of provision of cheap loans to finance their export LCs. Regarding transparent distribution of grants to them, they expressed that if there is no issue in the source documents of a claim and the said grant is verified by MoC, it is transparently released by it. Regarding this, all the claims are duly verified, cross checked, and later on, diligently audited.

The owners /export managers of exporters and Pakistan-based globally expanding companies stated that the government institutions like MoC and TDAP support them technically and financially. But many of them expressed their grievances and complaints that the Government does not keep up its promises, and there is a very pathetic role of TDAP and MoC in nourishing overseas commerce. What it pledges seems only a wonderful dream for many, (but on the other side, there are many companies who enjoy being the beneficiaries as they receive such subsidies and grants). They adhere to the rules or procedures devised by TDAP and persistently comply with the matters of such claims and lodged their bona fide claims, which remained un-entertained and outstanding for years. Few of the
respondents did not believe in any technical or financial incentives at all, because they are not disbursed fairly and transparently, while there have been incidences of nepotism, and only the big guns having firm ties in MoC or TDAP enjoy such benefits. Several incidences of corruption and malfeasance have been recorded in renowned media channels about billions of rupees’ embezzlement at TDAP from export development fund. In addition, there appears a very serious issue of domestic turmoil that puts barricade in the way of their global market share and expansion including increasing lawlessness, terrorism, fanaticism, energy crises, rampant corruption, bureaucratic red tapes, and so forth.

**Conclusion and Recommendations**

Many of the Pakistan-based companies have been extending their operative networks in different parts of the world. The main sectors include textile, leather, pharmaceutical, information technology (IT), food, banks, etc. The top-five export segments (during 2010-13) comprise textile, leather, rice, seafood, and wheat sectors. There are evidences of lack of support from public sector entities, but many of the globally expanding Pakistani companies and exporters receive substantial benefits from schemes of duty drawbacks, sales tax refunds, export financing at subsidized interest, allowances in attending foreign expos, and funds for developing exports and overseas markets. However, there are several cases where individual exporters including globally expanding companies from Pakistan are claiming for their long-awaited pending claims, but the authorities maintain about the un-adherence to the formally laid down procedures.

It requires three strategic interventions (to flourish exporters and globally extending Pakistani companies): fair role of government for technical and financial support mechanism; ratifying more free trade agreements with foreign countries; and handling the domestic crises hampering business and industry. A turn-around time (TAT) to process the claims within due course of time needs to be determined. The concerned companies should be able to check the up-dated status of
their work on the relevant body’s official website. The complaints/claims of the companies representing all the national-level trade associations and chamber of commerce should be resolved on priority basis, and productive linkages among public-private and corporate-government sectors need to be spurred. Raising share in the global marketplace requires inking free trade agreements (FTAs) or preferential trade agreements (PTAs), and market access by foreign governments. This way potential Pakistani companies can avail reduced tariffs and non-technical barriers to trade, and exploit generalized system of preference (GSP) plus market access from donor countries like USA, EU, Australia, and Japan, etc. Eventually, it calls for transparent and proactive policies for handling domestic crises pertaining poor governance and corruption. These crises consist of uncertain law and order conditions, terrorism, fanaticism, electricity and gas outages, rising cost of business, poor infrastructure, volatile and un-friendly business policy framework, and ever-escalating rampant corruption. These issues deter the businesses inclusive of globally expanding Pakistani businesses to attain their performance goals and serve as elementary obstructions in their sustainable development.
References


