



By Mashood Khan

# Charting the Future of Pakistan's Auto Industry

## Reflections from PAPS Symposium 2024

In 2024, I had the privilege of attending the Pakistan Auto Parts Show (PAPS) Symposium, a critical industry event organized by the Pakistan Association of Automotive Parts and Accessories Manufacturers (PAAPAM) under the guidance of its Skill Development Committee (PSDC).

This symposium, now in its third year, has emerged as a defining platform to shape the future of Pakistan's auto industry by addressing current challenges, sharing insights from key stakeholders, and recommending policy directions.

### The Formation and Evolution of PSDC

The journey of PAAPAM's Skill Development Committee (PSDC) began in 2013, driven by the vision of Mr. Imtiaz Rastgar, a pioneer in Pakistan's auto exports. In collaboration with then PAAPAM Chairman and prominent motorcycle parts manufacturer, Mr. Ifthikhar Ahmed, they advocated for the creation of PSDC as a central support body for PAAPAM members, focusing on skill development, knowledge sharing, and growth facilitation. Mr. Ifthikhar worked tirelessly to launch workshops, soft skill seminars,

and training sessions for PAAPAM members, understanding that skill enhancement would be pivotal for the industry's competitiveness.

As a significant milestone in PSDC's evolution, Mr. Ifthikhar initiated the PAPS Symposium to set industry directions and provide policy recommendations. This year's event, themed *"The Automotive Industry of Pakistan: Today and Tomorrow,"* attracted a wide range of participants, including government officials, industry leaders, and technical experts.

Notable speakers included Syed Hamid Ali, Additional Secretary of the Ministry of Commerce; Eng. K B Ali, CEO of the Engineering Development Board (EDB); Mr. Muhammad Faisal, CEO of Lucky Motor Corporation; Mr. Takafumi Koike, CEO of Atlas Honda Car Motor Pakistan; Mr. Raheel Asghar, CEO of Millat Tractors Ltd; Mr. Mumshad Ali, CEO of R K Gear, Mr. Ali Khizer, journalist; Dr Suman Qadir, Research Economist (PIDE); Mr Suneel Sarfaraz Munj, Chairman Pak Wheel and Syed Nabeel Hashmi, CEO of Thermosole Industries.

### Key Discussions and Takeaways

#### 1. Taxation and Duties

One of the pressing issues discussed

was the high taxation burden, with custom duties, sales taxes, and regulatory duties exceeding 45% on automotive components.

This significant cost ultimately impacts consumers and hampers industry growth. Participants stressed that, while taxation supports government revenue, a balanced approach is necessary to make automobiles more accessible and affordable.

Several experts suggested tax reforms, especially for components that are essential for vehicle manufacturing, as a potential strategy for supporting industry expansion and consumer accessibility.

#### 2. The Critical Need for Exports and FTAs

A central theme of the symposium was enhancing exports, which are crucial for Pakistan's economic growth and diversification.

Many speakers emphasized that establishing Free Trade Agreements (FTAs) with other countries could facilitate automotive exports, helping Pakistani manufacturers access new markets and enhance industry visibility internationally.

As a model, they referenced Thailand, which in 2022 exported \$15.6 billion

worth of auto parts, largely due to its robust network of FTAs and supportive trade policies.

### 3. Boosting Local Supply Chains for Export Readiness

To achieve sustainable export growth, the industry must first strengthen its local supply chain. Symposium participants highlighted the importance of investing in local manufacturing capabilities and supplier networks to ensure quality, consistency, and cost-effectiveness. Establishing a resilient supply chain would not only reduce dependency on imports but also position Pakistan's automotive sector as a reliable exporter.

### 4. Export Opportunities for Tractors and Components

Pakistan's tractor industry emerged as a key topic, with the country boasting one of the world's lowest costs per horsepower. This competitive edge provides significant export potential. However, unlocking this potential requires strategic efforts, including market research, regulatory adjustments, and targeted marketing. Industry leaders at the symposium advocated for securing export permissions and incentives that would allow local manufacturers to expand their reach and capitalize on this unique advantage.

### 5. Skill Development, R&D, and Technological Advancement

An area of concern expressed by numerous participants was the need for skill development and technology adaptation in the face of an evolving global automotive landscape. Unlike the traditional industry model, modern automotive manufacturing requires expertise in electronics, software, and advanced engineering. Although the Automotive Industry Development Plan (AIDP-1) mentioned skill development, testing centers, and R&D facilities, their full implementation remains lacking. Industry leaders emphasized the urgent need for these resources to stay competitive in an increasingly digital world.

## 6. Role of PAAPAM and PAMA as Industry Pillars

Both PAAPAM and the Pakistan Automotive Manufacturers Association (PAMA) are crucial stakeholders in the industry. While each organization represents distinct sectors, they share a common goal: advocating for policy reforms that prioritize the national interest.

As highlighted in the symposium, this collaboration is essential for addressing sector-specific challenges while ensuring that Pakistan's automotive industry remains aligned with global trends and local priorities.

It was clear that unity among industry bodies could amplify their collective influence, particularly when negotiating policies with the government.

### International Case Studies:

#### Lessons for Pakistan

To draw inspiration, several participants discussed success stories from countries like Thailand, Vietnam, and India.

In 2022, Thailand exported \$15.6 billion in auto parts, while Vietnam's exports were valued at \$5.42 billion. India, which has also made significant strides, exported automobile components worth \$21.2 billion in the fiscal year 2024, representing a 5% growth.

For Pakistan to mirror such achievements, a multi-stakeholder approach involving government ministries, industrial associations, the State Bank of Pakistan, and financial institutions is essential.

### Roadmap to a Sustainable Future

The discussions at the PAPS Symposium emphasized the importance of creating a roadmap for the next 5 to 10 years, focused on transforming Pakistan from an import-dependent nation to an export-driven economy. S

peakers highlighted the need to foster a culture that prioritizes exports over imports, where government policies and incentives are structured to encourage local manufacturing and global competitiveness.

The critical role of the Ministry of Commerce was noted, but participants also pointed out that achieving meaningful export growth requires the active involvement of various government ministries, the Ministry of Finance, industry associations, and financial institutions. By building a collaborative ecosystem that aligns with the broader economic goals, Pakistan can realize its export potential.

### Conclusion:

#### A Platform for Progress

The PAPS Symposium has proven to be an invaluable platform, fostering meaningful dialogue among industry, government, and academia to shape the future of Pakistan's automotive sector.

I extend my gratitude to Mr. Iftikhar Ahmed, whose dedication to organizing these symposiums has significantly benefited the industry and the nation.

Through these efforts, PAAPAM and its partners continue to inspire a new era for Pakistan's automotive industry—one that embraces innovation, prioritizes export, and nurtures sustainable growth for generations to come.

