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Report – Panel Discussion

“The Economic Potential of E-Commerce in Pakistan: Strategies to Consider”

September 28, 2022



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PICTURES OF THE EVENT





The Centre for Strategic Perspective (CSP) at the Institute of Strategic Studies Islamabad (ISSI) in collaboration with URTASKER organised a Panel Discussion titled “The Economic Potential of E-Commerce in Pakistan: Strategies to Consider,” on September 28, 2022.

The keynote speaker of the event was Mr. Haroon Sharif, Former Minister of State and Chairman Board of Investment. Other panellists included Ambassador Aizaz Ahmad Chaudary, Director General, Institute of Strategic Studies Islamabad (ISSI); Mr. Zeeshan Riaz, Co-Founder and Chief Operating Officer, URTASKER; Mr. Muhammad Shahrukh Khan, Creative Content Strategist, URTASKER; Dr Usman Chohan, Director, Economics and National Development, Centre for Aerospace and Security Studies (CASS); Mr. Usama Nizamani, Assistant Research Associate, Islamabad Policy Research Institute (IPRI); and Ms. Komal Salman, Advocacy Lead for Web 3.0, Islamabad Policy Research Institute (IPRI). Dr Neelum, Nigar, Director CSP, moderated the session.

Situation of E-Commerce in Pakistan

- Currently Pakistan is the 37th largest E-Commerce market worldwide with market revenues successively increasing in the past 3 years.
- In wake of the recent pandemic a major tilt has been seen towards e-commerce however with the ease of restrictions, the market has bounced back to conventional means of activity. The market is untapped, and space is still available for specialization.
- The industry has potentials as the number of internet users are increasing which will in turn manifest innovation and improve B2B potential. Pakistan can learn from leading economies by improving its supply chain management system through logistics and distribution network.
- Many companies are incorporating their products in the digital sphere i.e., Vans and Coca-Cola. The gaming industry has untapped potential in Pakistan.

- The prevalent mindset in Pakistan is producing in bulk and selling it at a cheaper price thus reducing profit margin. Pakistan is producing for major corporations such as Walmart and Amazon basics which highlights its capacity.
- The Chinese model which can be an example for Pakistan is not just about manufacturing but having a stake in production such as direct shares.
- China currently has over 261 listed companies in the US with a market value of \$1.3 trillion, they are trying to reach the consumers directly.

Challenges to E-Commerce in Pakistan

- The challenges faced by E-commerce industry in Pakistan range from, lack of trust by consumers whether in the product or payment method, a reliable payment mechanism for instant transactions such as PayPal, cash on delivery payment method which slows economic activity and importantly the absence of an efficient logistics network which hinders economic activity altogether.
- Pakistan's on-ground realities and macro-economic challenges i.e., generating capital and policy implementation make it difficult for the country for such an immediate shift since the system is already fragmented with no relevant structures in place, furthermore it has no capital.
- The resistance to new ideas is a problem, there is a gap between the technological needs and policy makers. The gap is a real challenge, the research is not attractive enough for policymakers and needs to be made interactive to garner their attention with regards to E-commerce in Pakistan.
- Pakistan's production capacity is not enough to trade, and it cannot rely on imports. Production and trade need to be studied for a public policy intervention to take place.
- According to the World Economic Forum, 41% jobs are likely to be re-profiled globally in the next 5 years, 21% redundancies are expected. Subsequently right-wing governments coming in the western world will further squeeze our chances for exports.

- There is lack of trust towards online payment system and Pakistan does not have a fast and reliable payment reversal system in case of scam and fraud, it usually takes several weeks to process with no guarantee of return.
- Venture capital and private equity are much needed as commercial banks are reluctant to take risks, especially on youth and start-ups.
- Quality assurance is a major problem in Pakistan, a lack of concrete identification system whether it be of people or property exacerbates the problem. The latter in terms of unclear division in rural areas makes delivery difficult.
- Currently Pakistan's production, product innovation and competitiveness have not caught up with international markets as there is not enough product diversity.
- Pakistan's private sector is owned by several families who are resistant to change.
- The question of digitalisation also raises the concern, will it be viable for the increasing labour market as a major portion of it is unskilled. The political priorities are not in line with the shift either.
- Furthermore, regulatory, and legal barriers hinder E-Commerce development in developing nations.

Policy Recommendations

- Immediate issues which need to be addressed with E-Commerce are transparency in government system, consistent policy, contract enforcement, wider society's acceptance of new ideas and innovation.
- Pakistan should invest in its expertise and work towards international branding since its current sellers promote themselves as manufacturers rather than distinguished brands.
- International branding can help Pakistan achieve higher ROI's, strengthen its economy through increased dollar reserves, employment, and technological advancement.

- Pakistan needs to update its policies according to modern demands for the multinational E-Commerce companies to keep operating and expand their business in the country.
- In terms of innovation, Pakistan cannot just copy from other countries it needs to think strategically to capture the market.
- E-commerce companies must work on quality assurance which is linked to customer service. Along with this, data protection is very important especially in competition between businesses.
- There is a need for transparency in the industry as well as focus should be given to SME's and local manufacturers.
- A centralized portal should be established for E-Commerce participants and exports should be incentivised.
- Companies are not sure of the political and economic situation and are considering closing operations. Therefore, a need for consistency of policy.
- A data protection act should be established to ensure people dealing with public data are directed to do so in a responsible manner. Additionally, digital literacy should be improved especially in semi urban areas.
- Pakistan has a low investment to GDP ratio which is 15% and now it has gone down to 13% whereas its competitors have 30%, therefore a substantial amount of investment is needed for the infrastructure and logistics of the technological change and government also needs to be ready to manage and regulate the growth in the industry.
- For advancement and innovation, the labour force must be healthy, educated, and have access to internet and technology especially in rural areas. This needs to be incentivised for making it easy and access to all.
- Awareness should be given to manufacturers about these potential, and Pakistani embassies should get private equity firms to work with Pakistani companies.

- Minimum government intervention is needed in the industry with FDI friendly taxation policies, strong intellectual property rights and an improvement in the R&D sector is needed to stimulate growth in the industry.