U.S. Department of State
FY 2000 Country Commercial Guide: Pakistan

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Country Commercial Guide FY'2000 - Pakistan

I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Pakistan's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. Business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government agencies.

Pakistan, a country with a population of approximately 140 million, will continue to offer a challenging market for U.S. exporters and investors. Pakistan's economic performance has been handicapped in recent years largely because of ineffective governance and weak policy implementation. Although the economy grew by 5.4 percent in the 1998, it has the potential to achieve higher growth levels if the Government of Pakistan takes effective measures to achieve macro-economic stabilization and increase economic efficiency by restructuring its power sector and introducing financial sector reforms.

By some estimates, Pakistan has an immediate requirement for up to $20 billion in infrastructure development that could provide good opportunities for U.S. exports and investment. The most promising sectors for U.S. exports include oil and gas (exploration and transportation), agro-industry, information technology, textile machinery, gem mining, precious and semiprecious stones cutting, franchising, consumer goods, and environmental technologies. A major privatization effort in the telecommunications and financial sectors should offer additional markets for U.S. services, products and investors. In addition, Pakistan International Airlines also plans to replace its aging fleet of wide-bodied aircraft. Sales to Pakistan's government organizations, however, will be limited due to shrinking foreign exchange reserves and shortage of government funds.

Most potential investors in Pakistan are faced with many of the same challenges that exist in other developing economies. The biggest challenge facing American firms in Pakistan is lack of transparency in government decision-making, coupled with allegations of systemic corruption.

In general, principal competitors of U.S. businesses in Pakistan are European, Japanese, and South Korean firms. Financing of goods and services is sometime crucial for importers in Pakistan, and these countries often offer credit terms that could make it difficult for U.S. suppliers to compete. Also, Pakistanis sometimes note that U.S. goods are a bit pricey compared with those of some competitors, and that U.S. firms generally do not move as quickly as some competitors to meet demand.

Pakistan is a diverse and challenging market, requiring adaptability and persistence. Careful planning and patience are the prerequisites for success in this emerging market. U.S. firms that are willing to invest time to develop market presence should expect to be rewarded in the long-term.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at http://www.stat-usa.gov. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. department of Commerce, Trade Information Center by phone at 1-800-USA-TRAD(E) or by fax at (202) 482-4473.

II. ECONOMIC TRENDS AND OUTLOOK

A. Major Trends and Outlook

Since the late 1980s Pakistan has pursued a program of market-oriented economic adjustment, reform and development, including strong encouragement of foreign direct investment. Supported by the international financial institutions and bilateral donors, this program has aimed at enhancing macroeconomic stability, instituting structural reforms to promote private sector-and export-led industrial development, and reversing past neglect of key social sectors such as health, education and population planning.

Pakistan has made considerable progress under this program, but the process has not been entirely even, and key challenges remain for its $60 billion economy. Specifically, governments have sought to reduce fiscal and external imbalances, reduce trade barriers, modernize the financial sector, privatize state-owned industries, reform the tax system, encourage private investment in the critical energy sector, and offer specific incentives to attract foreign investment, which is considered critical to the overall development effort. Moreover, governments from all the main political parties support these reformist, market-oriented policies. These efforts have enjoyed generous support from the IMF, in the form of an Enhanced Structural Adjustment Facility approved in January 1999.

Various problems have kept Pakistan's progress below its potential. Floods, drought and pests hurt agricultural output in the early

1990s, and in the current fiscal year as well. Domestic political instability throughout the Bhutto administration and sporadic ethnic and sectarian violence under the caretakers and the government of Nawaz Sharif, who was elected February 3, 1997, have stunted foreign investment. And finally, policy inconsistency and weak implementation have, along with reports of improper official influence in business and economic decisions, dampened investor interest and economic growth in Pakistan.

Pakistan's mixed economic performance reflects the interplay of these positive and negative trends. Real economic growth has been positive, but below government targets. Real GDP grew 1.3 percent in 1996-97, and 4.3 percent in 1997-98. In FY 1998-99, GDP growth is expected to improve to 3.1 percent against a target of 6.0 percent. Recent annual consumer inflation of 6-8 percent has been moderated to match historically modest single-digit rates. In 1998-99, however, consumer inflation is projected at 6.1 percent. Fiscal slippages have led to difficulties in completing the IMF programs, however, Pakistan has been able to maintain an acceptable record with foreign creditors. New investment inflows, both portfolio and direct, at an all-time high in 1995-96, have nevertheless dropped substantially this year.

Poverty remains a serious problem in Pakistan. Average per capita income was only $448 in 1998-99, and income and wealth are not equitably distributed. Given the low rate of GDP growth, per capita income will be flat or decline slightly this year. The population of 134 million is growing at almost 2.6 percent per year. While Pakistan's economic fortunes remain closely linked to cotton and the textile products, the government has made some progress in diversifying the economy, and is committed to improving the quality of life for poorer citizens through the Social Action Program, a multi-year effort to raise education, health and sanitation standards.

There are significant possibilities for U.S. and other foreign suppliers and investors in Pakistan. However, realizing these opportunities will require sound economic policies by the government as well as actions to improve political stability and better develop human resources.

B. Principal Growth Sectors

- Economic Growth

After growing at an average rate of over 6 percent per year from 1980 to 1991, real GDP growth has slowed in the 1990's. Real GDP growth dropped to 1.3 percent in 1996-97 due to a poor cotton crop and related setbacks in the textile industry. In 1997-98 growth hit 4.3 percent against a target of 6.0 percent. Real GDP grew only by 3.1 percent in 1998-99.

The Pakistani economy is almost evenly divided between the commodity sector (51 percent of GDP) and the services sector (49 percent), shares that have held constant for about a decade.
Sectoral shares in 1998-99 were estimated by the Ministry of Finance as follows:

Commodity Sector	51.3 % of which:

Agriculture	24.5
Manufacturing	18.6
Construction	3.6
Electricity & Gas Distribution	4.1
Mining	0.5

Services sector	48.7 % of which:

Wholesale and Retail Trade	15.4
Transport, Storage & Communication	10.2
Public Administration & Defense	6.1
Ownership of Dwellings	5.8
Finance and Insurance	2.3
Other Services	8.9

- **Agriculture**

Pakistan has one of the largest irrigation systems in the world. The growth in agricultural production has been unable to meet the country's rapidly expanding food requirements. Agriculture remains the dominant sector of the Pakistani economy, accounting for about 24.5 percent of GDP, half the employed labor force, and a large share of foreign exchange earnings, as well as providing the base for key industries such as textiles and sugar.

Pakistan has two principal crop seasons: the "kharif," which begins in April-June and ends October-December; and the "rabi", which begins in November-December and ends April-May. Wheat, cotton, sugar cane, and rice continue to be the major crops, accounting for nearly 90 percent of value added in the agricultural crop sector. On a much smaller scale Pakistan also grows barley, millet, sorghum, corn, pulses, sunflower seed, rapeseed, mustard, sesame, and tobacco.

Share of Agriculture sector in GDP has declined from 38.9 percent in 1969-70 to 24.5 percent in 1998-99. During 1998/99 agriculture sector grew by 0.35 percent against 3.82 percent in 1997/98. The decline in agricultural growth was mainly due to a decrease in the production of cotton, wheat and value added forestry.

In an effort to boost rural incomes the Government of Pakistan (GOP) annually reviews and increases the support price of agricultural commodities. The GOP has removed price subsidies on fertilizers, increased the availability of agricultural credit, and provided incentives for the import of agricultural machinery. The GOP’s agricultural priorities include: integrated development of agriculture and irrigation facilities, better land and water management practices, improvements in fertilizer use, pest management, research, diversification to higher-value crops and development of agro-industries.

<u>Wheat</u> - Wheat accounts for nearly 38 percent of the cultivated area. During 1998/99 wheat production is estimated down 3.2 percent to 18.1 Million Metric Tons (MMT) compared to last year. This decline is attributed to decrease in yields because of a long spell of dry season at the time of crop growing season in rain-fed areas and decrease in use of phosphatic fertilizer.
<u>Cotton</u> - Pakistan’s economy primarily depends on cotton and its cotton textiles production as a major source of foreign exchange and employment. About 80 percent of the crop is grown in Punjab

and the remaining in Sindh Province. Cotton production in 1998/99 is estimated at 6.3 million (480lb) bales compared to 7.17 million bales in 1997/98. Decline in cotton production was attributed to decrease in area, unfavorable weather at harvest and virus attack in Sindh Province.

Rice - Rice is the second largest staple food crop in Pakistan and is a major export crop. The principal export varieties are long-grained non-glutinous aromatic "Basmati" rice grown in the Punjab and non-aromatic coarse rice (variety Irri-6) planted in Sindh province. Rice production during 1998/99 is estimated at 4.65 MMT compared to 4.33 MMT in 1997/98. Increased production is attributed to improved yields due to timely planting, less pest infestation and below normal monsoon rains in saline areas. Pakistan is a major rice exporter and annually exports about 2 MMT or about 10 percent of world trade.

Sugar cane - Pakistan's sugar production depends almost entirely on sugar cane, although there is some production of sugar beets in the NWFP. Production of sugar cane in 1998/99 increased to 55.2 MMT compared to 53.1 MMT produced in 1997/98. This increase was in response to higher support prices and even higher market prices for cane. Farmers also switched from traditional varieties to newer high-yielding and latter maturing varieties.

Refined sugar production in 1998/99 has been estimated at 3.78 MMT (raw value basis), at last year’s level. Pakistan has produced exportable supplies of sugar for the last two years. Excess production is becoming a burden to the industry because it is not efficient and cannot compete on the world market.

Tobacco - Pakistan grows tobacco and produces tobacco products, but the market for domestic products is substantially undercut by smuggled goods. Despite these major leakages, the cigarette industry is a significant contributor to excise and sales tax revenues. MY 1999 production is forecast at 98,500 metric tons (farm weight) due to an expected increase in area and yields.

About half of the total production is used for cigarette manufacturing and the remainder used in traditional ways of smoking (in hand-rolled cigarettes called birris, in water pipes, and as snuff). The major tobacco growing region is in the NWFP. Of the total tobacco imports estimated at 976 MT in 1998/99, 576 MT of flue-cured tobacco has been imported from the United States. The U.S. share of imported tobacco is increasing gradually in response to increased demand for high quality cigarettes.

Minor crops - Minor crops account for only 4.5 percent of total cultivated area; these include oilseeds (sunflower, soybean, safflower) chilies, pulses, potatoes, and onions.

Fisheries - Pakistan's fishing industry is relatively modest, but has shown strong growth in recent years. The domestic market is quite small, with per capita annual consumption of approximately 2.0 kilograms. About 80 percent of production comes from marine fisheries from two main areas, the Sindh coast east from Karachi to the Indian border, and the Makran coast of Baluchistan. Ninety percent of the total marine catch is fish, the shrimp which constitute the remainder are prized because of their greater relative value and demand in foreign markets.

During 1998/99, total fish production is estimated at 616,500 MT of which 431,000 MT is marine and remaining 168,000 MT is inland. About one-third of the edible catch is consumed fresh, nine percent is frozen, eight percent canned, and about 43 percent used as fish meal for animal food.

Livestock - Livestock accounts for 37 percent of the value added by the agricultural sector and 9 percent of the total GDP. Principal products are milk, beef, mutton, poultry, and wool. During 1998/99, livestock population increased to 118.2 million. Beef production in 1998/99 is estimated at 963,000 MT, mutton production 633,000 MT, milk production 24.8 MMT and poultry meat 188,700 MT.

In an effort to enhance milk and meat production, the GOP recently launched a comprehensive livestock development project with Asian Development Bank assistance. In addition, the GOP has broadened extension and artificial breeding services, rationalized animal health services, improved slaughterhouses, and introduced high yielding fodder varieties.

Forestry - Forests in Pakistan constitute an area of 4.2 million hectares i.e., about 5 percent of total geographical area. One-third of the forest area in Pakistan is productive and the remaining two-thirds is maintained for environmental stability. The principal forest products are timber, principally for house construction and furniture, and firewood. The estimated production of fuel wood during 1998 was 26 million cubic meters. A large number of wood products amounting to Rs.7.9 billion are being imported to meet the domestic requirements.

The growing population and rising standards of living have accelerated the demand for timber, which is partially supplemented through imports. The GOP has banned forest cutting to protect depleting reserves. In order to encourage imports duty on timber and wood has been lowered to 10% only.

Vegetable Ghee/Cooking Oil - Vegetable ghee, hydrogenated vegetable oil, is the principal cooking medium in Pakistan. After the market outstripped the supply of milk-produced ghee, the vegetable ghee industry has grown rapidly (from two units in 1947 to more than 40 in 1998). The principal raw material is edible oil, the majority of which is imported palm oil. Pakistan suffers from a large and chronic gap between demand and domestic production of edible oils.

Importing edible oil is an important task. It consumes a big portion of valuable foreign exchange. Pakistan remains a major importer of palm oil followed by soybean oil and sunflower oil. In MY 1997/98, Pakistan imported 163,000 MT of soybean oil, 385 MT of sunflower oil and 1.124 MMT of palm oil.

-Industry

Pakistan, which had almost no large industrial units at the time of Partition in 1947, now has a fairly broad industrial base, and manufacturing accounts for about 18.0 percent of GDP.

Cotton textile production is the single most important industry, accounting for about 18 percent of large-scale industrial employment. Cotton yarn, cotton cloth, made-up textiles, ready-made garments, and knitwear collectively accounted for nearly 60.0 percent of Pakistan's exports in 1998-99. Other important industries are cement, vegetable oil, fertilizer, sugar, steel, machinery, tobacco, paper and paperboard, chemicals, and food processing. The GOP is attempting to diversify the country's industrial base and to increase the emphasis on export industries. Small-scale and cottage industries are numerically significant but account for a relatively small proportion of the GDP, about 6.0 percent. (Small-scale industry includes facilities which employ fewer than 50 workers and cottage industries are industrial units in which the owner works and is aided by family members but employs no hired labor.)

Manufacturing's share of GDP in 1998-99 was 18.3 percent, about the same as last year. The manufacturing sector registered a growth of 5.4 percent in 1998-99 compared to 6.9 percent achieved last year.

Public Industrial Sector - The public industrial sector, under the Production Wing of the Ministry of Industries and Production, comprises eight holding corporations which controlled 74 industrial units. A majority of these units have been privatized under the GOP's privatization program and the rest are to be sold off. The eight holding corporations include: Pakistan Steel; the State Cement Corporation; the National Fertilizer Corporation; Pakistan Automobile Corporation (PACO); Federal Chemical and Ceramics Corporation (FCCC); State Petroleum Refining & Petrochemical Corporation (PERAC); State Engineering Corporation (SEC); and the Pakistan Industrial Development Corporation (PIDC). These public sector units will continue to play a key role in certain sectors, such as heavy engineering, steel, automobile, petroleum and defense production.

Textiles - The textile industry is the single most important manufacturing sector, accounting for an average of 40 percent of manufacturing employment, 62 percent of manufacturing exports, and 30 percent of manufacturing value added. Pakistan's textile industry produces cotton yarn, cotton cloth, made-up textiles and apparel. In order to reduce pressure on the demand for raw cotton, the polyester fiber and yarn industry has also grown significantly in recent years. Pakistan also has 12 jute mills with an installed capacity of 37,876 spindles and 1,946 looms. The industry produced 68,600 tons of jute products in 1998-99.

Various government incentives have raised the total installed capacity to 8.3 million spindles and 145,000 rotors from about 8.2 million spindles and 143,000 rotors a year earlier. Despite recent efforts to induct high-speed spindles, automatic cone winders, electronic splicers and other high-tech equipment the industry still is concentrated in the preliminary stages of processing. In general, large firms concentrate on spinning and weaving leaving garment-making to highly fragmented small to medium-scale producers. The number of textile units totaled about 503 in 1998-99. The textile industry needs to move to higher value-added production and to rationalize its operations in order to face the challenges and opportunities of the phased elimination of quotas as part of the Uruguay Round trade agreement.

Knitwear has been Pakistan's largest single segment of garment exports, but finished goods have generally lagged yarn and cloth production. The GOP has proposed a series of measures to upgrade the garment sector, including modernization of facilities, and market research and sales promotion. Ready-made garment exports in 1997-98 totaled $671 million.

Food Processing and Consumer Products - Major segments include sugar, tea, aerated water, edible fats, dairy products, concentrates, juices, tobacco, detergents, and personal care products. Nearly all of these items are produced for domestic consumption.

Iron and Steel - Pakistan Steel, with an annual capacity of 1.1 million tons, is Pakistan's only integrated steel plant. It is located near Port Bin Qasim, 25 Kilometers East of Karachi. The Steel Mill was constructed with technical assistance from the former Soviet Union, and currently employs about 20,000 workers. Iron ore, manganese, and cocking coal for the plant are all imported. Pakistan Steel produces coke, pig iron, billets, hot and cold rolled coils and sheets, and galvanized sheets. The facility notched record production of over one million tons in 1993-94. That resulted in significant pre-tax profits for Pakistan Steel, which had been a chronic loss-maker for most of its operational history (in 1995-96, however, production of all major items declined by an average of 7.5%). Pakistan Steel had announced an expansion program to increase its production capacity to three million tons by mid-1999 but its privatization has now become the first priority of the government.

In June 1999, the first tin plate making plant of Pakistan, Siddqsons Tin Plate, has started commercial production. This plant is a joint venture between a local company with French and Japanese firms. The plant cost US$32 million and has a production capacity of 120,000 tons of tin plate per annum.

Fertilizer - Pakistan has 10 fertilizer units, of which four are in the private sector. At the end of 1998, they had a total annual capacity of 4,551 thousand tons. In 1998-99 overall production of fertilizer declined 2.3 percent to 3,019,478 million tons compared to 3,089,191 million tons during 1997-98 There is no domestic production of potassic fertilizers.

Cement - Pakistan has 23 operating cement units, of which 19 are in the private sector. The total annual capacity of the industry is 13,029 thousand tons. Cement production in 1998-99 was about 3.8 percent lower than the previous year. Pakistan has large quantities of both limestone and gypsum and a large domestic market. Cement was one of the few industries with an established base in Pakistan at the time of independence in 1947, when there were five cement factories. Pakistan currently produces five types of cement: Portland grey, Portland slag, Sulphate resistant, Super Sulphate resistant, and White. In 1972, the Government of Pakistan nationalized cement factories and consolidated them under the State Cement Corporation of Pakistan. The current privatization process has reversed that initiative. In order to promote growth in the cement sector, the GOP has allowed duty-free import of plant and machinery not manufactured locally.

Chemicals - Pakistan produces some basic chemicals, such as soda ash, caustic soda, and sulfuric acid. Production of soda ash in 1998-99 was 177,593 tons, and caustic soda 83,998 tons. Caustic soda is used in the textile, hydrocarbon refining, and soap industries; sulfuric acid is used in the textile, paper, fertilizer, and steel industries.

Leather - Leather is a major and rapidly expanding export sector; exports grew at an annual compound rate of 21 percent over a recent five-year period, boosted by a range of government incentives. The leather and leather products industry is labor-intensive (directly employing more than 200,000 workers) and there are over 400 tanneries in Pakistan. The recent growth of the industry is due in large part to its successful progression from the export of raw hides and skins and semi-processed leather towards high value-added finished leathers and leather products (including leather jackets, gloves, footwear, and sporting goods). The tanning sector is concentrated in the Punjab, where units process primarily buffalo and cow hides; tanneries in the Sindh process primarily goat and sheep skins. The local market for leather is limited, and about 80 percent of production is exported. More sophisticated machinery and productivity increases can be expected to further boost exports. Pollution is a serious problem for this industry.

Electronics and Electrical Goods Industry - The electronics and electrical goods industry is basically a consumer products industry, making light bulbs and tubes, air conditioners, fans, refrigerators, freezers, televisions, radios, and other electrical appliances. The industry depends heavily on imported parts and components, although there have been somewhat successful efforts to increase the percentage of domestic components.

Vegetable Ghee/Cooking Oil - Vegetable ghee, hydrogenated vegetable oil, is the principal cooking medium in Pakistan. After the market outstripped the supply of milk-produced ghee, the vegetable ghee industry has grown rapidly (from two units in 1947 to more than 40 in 1998). The principal raw material is edible oil, the majority of which is imported palm oil. Pakistan suffers from a large and chronic gap between demand and domestic production of edible oils.

Importing edible oil is an important task. It consumes a big portion of valuable foreign exchange. Pakistan remains a major importer of palm oil followed by soybean oil and sunflower oil. In MY 1996/97, Pakistan imported 205,672 MT of soybean oil, 3,836 MT of sunflower oil and 1070,000 MT of palm oil.

Pharmaceutical - There are more than 30 multinational manufacturers of pharmaceutical products in Pakistan (of which twelve are U.S. firms) and they command over three quarters of the domestic market.
Engineering Industry - Major engineering goods facilities include a heavy foundry and forge at Taxila in the Punjab (which produces castings and forging for the railway, heavy machinery, and automobile industries); the Heavy Mechanical Complex at Taxila (which produces industrial machinery); the Karachi Shipyard and Engineering Works (which builds and repairs ships as well as produces boilers); and the Pakistan Machine Tool Factory, established at Karachi in 1968 in collaboration with a Swiss firm (which produces precision machines, tools and automotive parts).

-Energy:

Pakistan's primary energy supply mix during the period July 1997 to June 1998 consisted of oil (43.9 percent), natural gas (37.3 percent), hydel 13.0 percent), coal (5.1 percent), liquid petroleum gas (0.4 percent) and nuclear (0.2 percent). The average crude oil production during this period was 56,284 bpd. The production of natural gas during the same period was 1,916 mmcfd. Development of the energy sector remains a high priority. Pakistan has faced chronic energy shortages and domestic energy demand has outstripped supply. From July 1997 to June 1998, the largest electricity consumption was domestic (42.1 percent), followed by industry (27.7 percent), agriculture (15.6 percent), bulk supply and public lighting (9.3 percent) and commercial (5.3 percent).

A series of new petroleum policies, announced in late 1991, September 1993, February 1994 and again in May 1997, have promised to boost investment in the oil and gas sector. The energy shortfall has been particularly acute in electricity generation. This has resulted in regular rotating power outages (load shedding) and forced many industries to develop their own alternative power sources. In early 1994, the electricity shortage was estimated at 2,000-MW during peak load hours. The Government of Pakistan (GOP) at that time announced a policy inviting the private sector to develop power generation projects. In 1997-98 government pressure increased for financial concessions from the independent power projects. Investors received from the GOP letters of intent to terminate. The termination would lead to massive financial losses for the firms and further damage to Pakistan's weak investment climate. Notices to five were withdrawn when they later agreed to reduce their power tariffs for 10 years.

Current Situation and Future Planning - Pakistan's electricity is supplied by two large state-owned utilities, the Water and Power Development Authority (WAPDA), which supplies about 86.63 percent of total electricity generated, and the Karachi Electric Supply Corporation (KESC), 13.37 percent. WAPDA, headquartered in Lahore, has an installed generation capacity of 9,945-MW consisting of 51.48 percent thermal, and 48.52 percent hydel. KESC, which generates and distributes electricity to Karachi and its suburbs as well as the adjacent parts of Baluchistan, has an installed generating capacity of 1,735-MW, all of it thermal. In addition, seven private sector plants of a total installed generation capacity of 4,024-MW supply power to the national grid. The country’s single 137-MW nuclear power plant has been non-operational since January 1999; and two of the four units of KESC's 382-MW Korangi Thermal Power Station have recently been retired, reducing its present generation capacity to between 155 and 180-MW. Government management of the power sector has been considered very poor, line losses huge, and corruption and over-employment rampant.

Hydroelectric Power - WAPDA, the sole operator of hydro projects, has three large hydroelectric projects: Tarbela, with a total generating capacity of 3,478-MWs; Mangla, with a total capacity of 1,000-MW, and Warsak with 240-MW. Together with 107-MW from scattered small hydro projects, the three major projects give WAPDA 4,825-MW of hydropower. Hydropower's drawback is its seasonal fluctuation. There is little rain from October to May when the demand for irrigation water is high, reducing the effective capability of hydroelectric units. Reservoirs can register up to a 45 percent difference between wet and dry season water levels. Nevertheless, Pakistan has vast untapped hydro potential suitable for development.

Thermal Power - WAPDA has 5,120-MW of installed thermal generating capacity. Most of this capacity comes from two large complexes: Guddu (1,657-MW of steam and combined cycle units), and Jamshoro (880-MW of oil-fired units). WAPDA's third large thermal unit, Kot Addu (1,621-MW) has been partly privatized and its management handed over to the investor. KESC's generating capacity is concentrated in the six-unit Bin Qasim Power Station (1,260-MW).

In late 1998 the Pakistan Army was called in to improve WAPDA's financial status, control power theft and recover outstanding dues. Thirteen Pakistan Army officers headed by a Lt. General are on deputation to WAPDA. They are expected to continue to be involved for a period of two years in the restructuring process. Approximately 35,000 Pakistan Army personnel assist the WAPDA team. Their numbers are to be reduced to 3,500 by the end of July 1999. As a result of their efforts, the total percentage of systems losses during the period January to April 1999 fell to 33 percent from 44.8 percent over the corresponding period the previous year. In late May 1999 the Pakistan Army was also handed control of KESC, ostensibly for a period of six months, to reduce power losses, ensure uninterrupted power supply and improve the recovery of dues. Approximately 3,000 Army personnel are to assist the KESC team. WAPDA is currently negotiating separately with the Hub Power Company and the Kot Addu Power Company, the two major independent power producers, as well as with several smaller independent power producers (IPPs). These negotiations are to be followed by negotiations with the remaining IPPs. They aim at reducing WAPDA's financial burden without violating the sovereign agreements. The GOP plans to restructure and privatize the thermal power generation, transmission and distribution functions of both WAPDA and KESC. As a preliminary step, each of WAPDA's eight electricity boards has been corporatized; its thermal power units converted into three separate power generation companies; its transmission and grid station network corporatized into a single entity; and Pakistan Electric Power Company, a holding concern created to coordinate their activities. KESC is to be privatized by September 30, 1999 through the sale of up to 51 percent of its equity interest to a strategic buyer, who is to be given management control. Once the two utilities have been privatized, further investments in power generation facilities will become market driven and of no concern to the GOP. For the transition period, the GOP has announced a new (1998) Policy for Private Independent Power Projects, which encourages the use of indigenous resources for power generation. The policy will bring on line private sector generation to meet the power deficit beyond PFY-2003. Until then, the existing power generation facilities as well as those in the pipeline are expected to meet demand. By July 2008 the total power demand in Pakistan is expected to range between 19,000 to 25,000-MW, leaving a shortfall of 5,000 to 8,500-MW in generation capacity.

Nuclear Power - Pakistan produces approximately 0.86 percent of its electric supply from the Karachi Nuclear Power Plant (KANUPP), which is presently non-operational. KANUPP, which was constructed in the 1970s, uses Canadian technology and has a gross generating capacity of 137-MW. A second nuclear plant of a gross generating capacity of 325-MW is under construction with Chinese technical assistance at Chashma, Punjab province and is scheduled to be commissioned by the end of 1999.

Demand for Electricity - WAPDA's customer base has expanded from 311,596 in 1959-60 to 10.5 million in May 1999, an average annual compound growth rate of approximately 8 percent. KESC presently has 1.4 million customers. Electricity is still, however, available to less than half of the population. By January 1999 WAPDA had electrified a total of 66,795 villages under its Village Electrification Program. During the 9th 5-year plan (1998-2003), WAPDA proposes to electrify 2,000 to 2,500 villages annually.

Coal - Pakistan's coal reserves received a substantial boost from the discovery, with assistance from the U.S. Agency for International Development (USAID), of deposits estimated at 175 billion tons in the Thar desert. The country's total coal reserves are now estimated at 185 billion metric tons. Initial data suggests that the coal can be mined and is suitable for power generation. As an underground mineral resource, coal (and its extraction) falls within the jurisdiction of the provincial governments. The policy for development of Thar coal provides that its primary use will be to fuel large electric power plants built in tandem with the coal mines, and that development, ownership and operation of both mines and power plants will be in the private sector. The Thar coal field has enormous economic potential for Pakistan.

Minerals - Pakistan offers many opportunities for investors in the mining sector. GOP departments involved in mining development are trying to attract foreign investment through joint ventures for specific projects. Pakistan Mineral Development Corporation (PMDC) is seeking joint venture to develop deposits of Lead and Zinc, and rock salt purification. The Sindh Coal Authority is seeking joint venture for the development of its coal deposits in Lakhra. Several other mineral deposits have been discovered but mines are yet to be developed due to shortage of required funds.

The mining sector registered a negative growth rate of approximately 20% for the year 1998/99. Saindak Metal Corporation that was responsible for commercial production of copper, gold and silver from the Saindak mines has ceased operation due to lack of funds. Various government departments such as Pakistan Mineral Development Corporation (PMDC), Saindak Metal Corporation, Sindh Coal Authority, Punjab Mineral Development Corporation, Sarhad Development Authority and Baluchistan Development Authority are responsible for mining development. Geological Survey of Pakistan (GSP) is responsible for the pre-investigation of soil and geological surveys while the Oil and Gas Development Corporation (OGDC) is involved in exploration of oil and natural gas.

Production of crude oil registered a 5.5% growth, natural gas 19% and coal 21% growth, while production of copper, iron ore, gypsum, rock salt and granite showed a decline.

Total value of estimated reserves of various minerals, other than oil and gas, is approximately US$1.7 billion. Industry specialists feel that initially US$ 300 million is required to develop the reserves that have already been identified. Major mineral deposits in Pakistan are: coal (200 billion tons), limestone (500 million tons) barite (200 million tons), chromite (50 million tons), iron ore (50 million tons), marble & onyx (50 million tons), gypsum (20 million tons), china clay (20 million tons), pink granite (20 million tons), feldspar (10 million tons), and fluorite and quartz (5 million tons each).

During 1997-98, mineral imports of Pakistan included iron ore, copper ore, zinc, lead and aluminum. Pakistan also exported chromite to Japan and China, rock salt to USA, Canada, Indonesia, India and Bangladesh, silica sand to United Arab Emirates.

C. Government Role in the Economy

Since the late 1980s, the GOP has been pursuing a gradual strategy of deregulation, reduction of the public sector role in the economy, and opening the economy to international competition. The government has sought to reduce its direct productive or controlling role, and instead focus on creating the conditions to foster private sector investment and activity. While it has made much progress in this effort, the state remains an important player in the Pakistani economy, especially in the financial sector. Government-owned industrial enterprises employ almost 46,000 workers and remain important in such key sectors as steel, engineering and agro-processing.

- Monetary policy

Recent monetary policy has been inconsistent but has been aimed at encouraging growth in the context of price stability. The GOP and State Bank of Pakistan (SBP, the central bank) are attempting structural reforms in an effort to move toward more indirect, market-based methods of monetary control along with greater autonomy for the SBP.

Other GOP monetary reforms have included efforts to reduce concessional and government-directed credit schemes, enhance competition in the banking sector, and improve prudential regulation and supervision. State-owned development finance institutions, however, continue to make politically influenced lending decisions and, partly as a result, have weak balance sheets. Prudential regulations have occasionally been relaxed in adhoc fashion to prop up loss-making public or private industries. The State Bank of Pakistan's autonomy was considerably strengthened with the passage of new banking laws in and the amendment of the State Bank Act in May 1997.

- Fiscal Policy

A central element of Pakistan's economic reforms has been the effort to reduce persistent government budget deficits. However, little overall progress has actually been made so far and the current financial position of the country remains fragile.

Deficit reduction is constrained by rigidities in spending patterns and a weak tax base. Defense spending and debt repayments absorb 67 percent of total federal spending, leaving little for other basic government functions and improving the long-neglected social sectors. Meanwhile, the country has a very narrow tax base; perhaps one in one hundred Pakistanis pays income tax. The country has had to rely on import and excise taxes for a very high share of revenues, thus protecting inefficient industries and encouraging smuggling, and on official transfers from external creditors, primarily the World Bank, the Asian Development Bank and the Government of Japan.

The GOP's medium-term adjustment program has aimed to broaden the tax base through extension to under-taxed sectors and reduction of exemptions; to shift from taxation of international trade to taxation of consumption; to move to market determination of administered prices; and to improve the productivity of public spending. Progress has been mixed. Agriculture remains very lightly taxed. A sales tax has been instituted but exemptions, often secured through political influence, remain common. Maximum import tariffs were reduced from 70 percent in 1994-95 to 65 percent in 1995-96,to 45 percent in March 1997, and to 35 percent in March 1999. Increases in utility charges have attempted to keep pace with actual costs, but fee collection remains a serious problem.

- Privatization

Privatization of many state-owned enterprises is another key element of Pakistan's reform program, and both major political parties support reducing the state's role in the economy via this process. In 1991 the GOP identified a group of 118 state-owned industrial units for privatization. Of these, 97 units have been sold off. Industrial units, including factories producing cement, chemicals, automobiles, food products, etc., have mainly attracted domestic private investors.

The GOP is continuing preparations at a much slower pace for at least partial privatization of a few state-owned banks, several energy utilities, and - the largest item of all - Pakistan Telecommunication Company Limited (PTCL), the state monopoly phone company. In most cases, the GOP aims to find "strategic investors" to buy up to 26 percent of these firms and gain management control. These privatization are very complex undertakings, since new regimes for regulation of private sector entities in these sectors are still being established. The GOP's implementing agency, the Privatization Commission, says it is proceeding carefully to ensure a transparent process. The government is benefiting from World bank technical assistance in this effort and has hired several foreign financial advisors to help with the preparation.

Foreign investors have shown interest in acquiring stakes in these firms but note that reliable independent audits would speed the bidding process.

The GOP and public-sector unions have agreed on a generous relief package for employees of divested state-owned enterprises. Labor opposition to the privatization program has held up some privatization initiatives through legal action.

D. Balance of Payments Situation

- Foreign Exchange Policies and Reserves

The GOP has continued policies to liberalize and deregulate the exchange and payments regime. The Pakistani rupee has been on a managed floating exchange rate until July 21, 1998. Pakistan moved to a dual exchange rate system from July 22, 1998. Under this regime there existed two exchange rates, inter bank floating rate and composite rate, besides official exchange rate determined by the State Bank of Pakistan. While the inter bank floating rate was determined by the market mechanisms, the composite rate was weighted average of official exchange rate and the inter bank floating rate. However in a major development the dual exchange rate was replaced with a market-based unitary exchange rate system from May 19, 1999.

- Remittances from Overseas Workers

Remittances from overseas workers have been a major source of foreign exchange earnings for Pakistan. They peaked at $2.89 billion in

1982-83, then dropped to $1.5 billion in 1995-96. In FY 1997-98 workers' remittances further dropped to $1.4 billion. The relative importance of workers' remittances, however, continues to decline. In the past ten years they have fallen from 10 percent of GDP to about 5 percent.

- Foreign Trade

The country's trade performance remained disappointing through FY 1998-99. The trade deficit at the end of first ten months (July-April) of 1998-99 stood at $1.3 billion, up 3.5 percent over the same period of the previous year. Exports were down 11.0 percent while imports dropped 8.9 percent.

In 1997-98, Pakistan's foreign trade decreased 3.1 percent over the previous year. However, a sharper fall in imports, lowered the trade deficit to $3.4 billion. Exports for 1997-98 totaled $8.4 billion compared to $8.1 billion in 1996-97. Imports in 1997-98 were $10.3 billion versus $11.2 billion in the previous year.

An export growth of only 4 percent in 1997-98 was mainly due to higher exports of synthetic textiles, rice, raw cotton and sporting goods. In 1997-98, the following countries were the largest recipients of Pakistani exports: the U.S. (21.1 percent); the UK (7.0 percent); Germany (6.4 percent); Japan (4.3 percent); Hong Kong (7.3 percent); United Arab Emirates (5.2 percent); France (2.9 percent); The Netherlands (3.2 percent).

Imports, at 10.3 billion in 1997-98, decreased 8.2 percent over the previous year mainly due to reduced import of edible oils, tea, synthetic fiber and chemicals. In 1997-98, the following countries were the major sources of Pakistan's imports: the U.S. (11.0 percent); Japan (7.7 percent); Malaysia (6.8 percent); Germany (5.1 percent); Kuwait (5.4 percent); UK (3.9 percent); Saudi Arabia (6.6 percent); China (5.0 percent)

E. Infrastructure Situation

Ports - Pakistan has two significant seaports - Karachi and Port Mohammad bin Qasim - and two proposed sites for future facilities - Gwadar and Pasni, both on Baluchistan's Makran Coast. Karachi is the main port, handling the majority of all dry and liquid cargo. Karachi Port handled 17.586 million tons of cargo during July-March 1998-99 (13.302 million tons of imports and 4.284 million tons of export). The number of vessels handled during July-March 1998-99 were 1,262. Port Qasim, located 50 kilometers southeast of Karachi, is Pakistan's second deep sea port and was built for overflow from Karachi Port and to handle raw material imports for Pakistan Steel Mills. During the period July-March 1998-99, Port Qasim handled a cargo volume of 8.013 million tons, comprising 7.529 million tons of imports and 0.484 million tons of exports.

To facilitate this expansion, the GOP has allowed two shipping companies to construct and operate specialized integrated container terminals at Port Qasim and on Karachi's West and East Wharfs. The GOP also plans acquisition of a bucket dredging plant, development of a modern warehousing complex in Karachi, and construction of a liquid products marine terminal at Karachi. In addition, the GOP proposes private sector participation in contract dredging to deepen navigational channels.

Railroads - Pakistan Railways, an autonomous agency under the Ministry of Railways, operates the railroad system. The system is primarily broad-gauge, but there are also segments of meter-gauge and narrow-gauge track. Over the past fifteen years, there has been a marked shift in freight traffic from rail to highways, a trend which the GOP hopes to stabilize and reverse. Railways carries about 15 percent of freight traffic and road vehicles 85 percent. The rail system comprises 781 stations and 45 halts. Rolling stock includes about 550 locomotives, 4,250 passenger coaches, and 32,000 freight cars. Pakistan Railways plans to improve railroad's share of long-haul freight traffic, to upgrade track to permit trains to operate at higher speeds, and to rehabilitate infrastructure in order to improve capacity utilization. Specific priorities include double-tracking; rehabilitating about 380 traction motors; procurement of diesel-electric locomotive engines; and manufacturing air-conditioned cars and diesel-electric locomotives at a recently opened factory at Risalpur in the NWFP, as well as upgrading telecommunications and signaling systems.

Highways - The World Bank reports that Pakistan's road network is notable for its poor condition. About fifty percent of the road network is unpaved and over two-thirds of paved arterial roads do not have enough carriageway width for two lanes. The majority of paved and unpaved roads are in poor condition. According to the World Bank, on average, poorly maintained roads can cause 30-40 percent higher transportation costs. At both federal and provincial levels, Pakistan provides insufficient funding for road maintenance.

Over 80 percent of Pakistan's freight and passenger traffic travels by road. In June 1998, Pakistan had 236,041 kilometers of roads. The major north-south and east-west link is Lahore and Rawalpindi to Peshawar and carries over half of Pakistan's goods and passenger traffic.

The National Highway Authority (NHA), established in 1991, has the major responsibility to plan, promote, organize and implement programs for construction, development, operation, repairs and maintenance of national highways and strategic roads. Plans, policies and budget of the NHA are approved by the National Highway Council headed by the Prime Minister. The Council controls, directs and regulates the affairs of the NHA.

The GOP's key development priority in the highway sector is to upgrade and fill in gaps in the existing road network so the system can be more efficiently utilized. Proper maintenance of the network is a newly emphasized priority. Additional construction projects include completion of the Indus Highway, converting of the principal route (the N-5 National Highway) to double track, and construction of several inter-city expressways and by-passes. The Lahore-Islamabad motorway was opened for traffic in November 1997.

Air Transport - The GOP has opened the domestic aviation market to private sector competition. As of June 1999, three private carriers operate commercial flights. The national carrier, PIA, has a fleet of 47 planes (eight Boeing 747s, ten Airbus 300s, six Airbus 310s, six Boeing 737s, thirteen Fokker-27s, two DeHavilland Twin Otters, and two Boeing 707 freighters). PIA has also acquired five Boeing 747-300 from Cathay Pacific on a two-year lease. This is an interim arrangement until PIA replaces its aging fleet of Boeing 747-200s.

PIA serves 37 domestic and 55 international destinations.

The current private sector competition consists of Shaheen Airlines, a unit of the Shaheen Foundation (a foundation for retired air force officers), Aero Asia, part of the Karachi-based Tabani group of companies, and Bhoja Air.

The GOP plans to continue modernizing and upgrading its civil aviation facilities. This includes construction of a new international airport at Lahore. New airports and improvements in runways are also planned for Islamabad, Peshawar, Karachi, Sialkot and other cities.

Utilities - Two public utilities, the Water and Power Development Administration (WAPDA) and the Karachi Electric Supply Corporation (KESC) are responsible for electric power generation and distribution. However, the GOP's policy to bring private firms into the generation of power has been inconsistent.

Telecommunications - In December 1990, Pakistan converted Pakistan Telephone and Telegraph (PTT) Department, which was directly controlled by the Ministry of Communications, into Pakistan Telecommunications Corporation, (PTC), and more recently into Pakistan Telecommunication Company Limited (PTCL), still the only provider of basic telephone services. The GOP plans to privatize PTC, by first selling 26 percent ownership to a "strategic investor", and then selling the rest after the firm is on a solid footing. The GOP has deregulated and privatized selected telecommunication services. At present there are three cellular mobile phone operators and a fourth one (owned by the PTCL) will commence operation by December 1999. In addition, there is one radio paging company; seven card-phone licensees; seventy telex, facsimile and PABX service providers; two manufacturers of large digital exchanges; and more than twenty data network operators in the private sector.

III. POLITICAL ENVIRONMENT

A. Nature of Political Relationship with the United States

Pakistan and the United States have had bilateral diplomatic relations since Pakistan's independence in 1947. Pakistan is a member of the United Nations, the Organization of the Islamic Conference, the Economic Cooperation Organization, and the South Asian Association for Regional Cooperation, among other international organizations. Pakistan has worked effectively to promote and support peacekeeping operations in Somalia, Bosnia, Haiti and elsewhere. In 1990, U.S. economic and military assistance to Pakistan was suspended as required by U.S. legislation (the so-called Pressler Amendment to the Foreign Assistance Act) when the U.S. President could no longer certify to Congress that Pakistan did not possess a nuclear explosive device. The Brown Amendment enacted in 1996 provided some relief from the Pressler sanctions. However, Pakistan's nuclear tests in May 1998 have resulted in the imposition of U.S. economic sanctions which have recently been relaxed (primarily to enable multilateral support for basic human need applications). The United States has traditionally been Pakistan's leading trading partner and largest source of private foreign capital, but the treatment of independent power projects may affect inflows of further U.S. investment into Pakistan.

B. Major Political Issues Affecting Business Climate

Since 1988, Pakistan has moved toward a two-party system, dominated by the Pakistan Muslim League (PML) and the Pakistan People's Party (PPP). Both parties have favored a liberalizing, market-oriented economic policy. This consensus, together with the macro-economic discipline of structural economic adjustment programs adopted with the full support of the International Monetary Fund (IMF) and the World Bank, has had a positive impact on the business climate.

As in many developing countries, corruption is an unwelcome, but ubiquitous, part of the business climate in Pakistan. Recent anecdotal reports suggest that this problem may be having a sclerotic impact on the economy. Efforts to reduce opportunities for corruption by improving management systems in, for example, the customs and tax services are under way. Also, important business organizations, including the nation-wide Federation of Pakistan Chambers of Commerce (FPCCI), have made curbing corruption a principal plank of their policy agendas.

Regional stability is an additional concern for business interests in Pakistan. Political violence, a marked increase in crime, and a general deterioration in law and order in Sindh province (particularly Karachi) resulted in suspension of provincial legislature and a transfer of control to the central government in August 1998. Punjab has also experienced a substantial decline in overall security.

C. Political System

Pakistan is a developing democracy based on a parliamentary system. The parliament consists of two houses, a National Assembly elected directly through universal suffrage, and a Senate elected by the provincial legislatures. The Prime Minister is the head of government and is elected by and from the National Assembly. The Head of State is the President, who is chosen by an electoral college consisting of the National Assembly, the Senate, and the provincial assemblies. The Constitution requires that the President be a Muslim and provides for a five-year term. Pakistan is divided into four provinces; Punjab, Sindh, Baluchistan, and the Northwest Frontier Province (NWFP). Each province has its own directly elected provincial assembly, a government headed by a Chief Minister, and a Governor appointed by the President upon recommendation by the Prime Minister.

The 217-member National Assembly is elected for a five-year term and the 87-member Senate for six-year term. National Assembly seats are currently apportioned 8 to the Federally-Administered Tribal Areas (FATA) and one to the Federal Capital of Islamabad, with ten additional seats reserved for religious minorities. Each of the four provinces has 19 senators; there are eight senators from the FATA and three from the federal capital area. Indirect elections for half the members of the Senate are held at three-year intervals.

The Constitution guarantees an independent judiciary. The Supreme Court is the highest court in the country; High Courts in the provincial capitals of Lahore, Karachi, Peshawar, and Quetta stand at the head of the provincial judicial systems. Pakistan's press publishes freely for the most part. However, self-censorship is widely practiced by journalists and advertising and other tactics are used by the government to influence content. The electronic media is monopolized by the state and is notorious for one-sided propaganda.

Pakistan came into existence in August 1947 with the partition of British India. The creation of a separate Muslim nation was accomplished largely through the efforts of Mohammed Ali Jinnah, Pakistan's first Governor-General. In 1947-48, Pakitan and India fought the first of the three wars involving the Muslim-majority territory of Kashmir, claimed by both states. The conflict ended in stalemate and Kashmir remains disputed territory, divided by a heavily defended Line of Control where recurrent violations have occurred.

Pakistan initially consisted of two areas, East Pakistan and West Pakistan, separated by 1,000 miles of Indian territory. The 1970 general elections resulted in the Awami League sweeping the East Pakistan seats to gain a majority in Pakistan as a whole. The Pakistan People's Party (PPP) founded by Zulfiqar Ali Bhutto, won a majority of the seats in West Pakistan. The outcome was a country completely divided with neither major party having support in the other area. Negotiations to form a coalition government broke down and a civil war ensued. In 1971, the eastern section declared itself the independent nation of Bangladesh. Leadership of the western part of Pakistan was handed over to Bhutto, who became President and first civilian Chief Marshall Law Administrator.

A new constitution, Pakistan's third, came into effect in August 1973 and Bhutto became Prime Minister. His government implemented portions of the PPP's socialist manifesto, restructuring the economy, increasing the prominence of the public sector, and nationalizing many industries. Bhutto's centralizing policies and autocratic ways galvanized the opposition, which challenged his sweeping victory in the March 1977 national elections. In July 1977, Bhutto was deposed by his Chief of Army Staff, General Zia-ul-Haq, who became president in 1978. Bhutto was executed by hanging in April 1979. Under Zia, the Government of Pakistan became increasingly Islamicized and benefited from supporting mujahideen efforts to counter the Soviet invasion of Afghanistan. Non-party elections were held in February 1988 for the National Assembly and the four provincial assemblies. In August 1988, General Zia died in an air crash.

General elections were held in November 1988 and the PPP, headed by Benazir Bhutto, daughter of the late Prime Minister, won a plurality of seats and formed a coalition government. In August 1990, President Ghulam Ishaq Khan exercised his right under the constitution to dissolve the National Assembly, dismiss the Prime Minister, and call for new elections. In the general election held in October 1990, the Islamic Democratic Alliance won the largest number of seats and Mian Nawaz Sharif, leader of its largest component party, the Pakistan Muslim League (PML), became Prime Minister. Nawaz Sharif, the first industrialist to lead Pakistan, continued the trend toward liberalization of the economy and promotion of private sector growth.

In April 1993, President Ghulam Ishaq Khan again dissolved the national Assembly and dismissed the Prime Minister, but a month later the Pakistan Supreme Court reinstated the National Assembly and the Nawaz Sharif government. Continued tensions between the reinstated Prime Minister and the President resulted in governmental gridlock; the Chief of Army staff brokered an arrangement under which both the

President and Prime Minister resigned their offices in July 1993. Elections in October 1993 resulted in a plurality for the PPP and Benazir Bhutto secured sufficient additional support to be elected Prime Minister by the National Assembly. Bhutto's hold on power received a further boost in November 1993, when her PPP ally, Farooq Ahmed Khan Leghari, was elected President.

In November 1996, President Leghari dismissed the Bhutto government, charging it with corruption, mismanagement of the economy, and implication in extra-judicial killings in Karachi. Elections in February 1997 resulted in an overwhelming victory for the PML/Nawaz and Nawaz Sharif was again called upon to form a government. In April 1997, Sharif proposed and parliament passed a constitutional amendment removing the president's power to dissolve the National Assembly and making his power to appoint military services chiefs and provincial governors contingent to the "advice" of the prime minister. A constitutional confrontation between Sharif and the Chief Justice of the Supreme Court resulted in the resignation of Leghari and the subsequent election of the Prime Minister's own presidential candidate. This was followed by the removal and replacement of the Chief Justice, an act which observers feared would damage the prestige and independence of the court system.

1. Schedule for Elections - The most recent elections for the national and provincial assemblies took place in February 1997. National elections are scheduled to be held again in February 2002 and indirect elections for half of the members of the Senate in March 2000. The indirect election of the President was held in December 1997 and the next Presidential election is scheduled for 2003.

2. Major Political Parties - The two largest political parties are the Nawaz Sharif group of the Pakistan Muslim League (PML/N), led by Prime Minister Nawaz Sharif, and the Pakistan Peoples Party (PPP), led by Benazir Bhutto. Both parties have a centrist orientation and support private enterprise and the free market. The PPP espouses a somewhat more activist view of government, especially in the social sector. The PML/N is slightly to the right of the PPP. With the current exile of Benazir Bhutto, however, the PPP has lost much of its power and ability to dictate policy.

There are several other smaller, but significant, parties. The Muttahidda Qaumi Mahaz (United National Movement - MQM) is a party that claims to represent the interests of Pakistan's mohajirs (Urdu-speaking descendents of Muslims who migrated from India following the partition). The Awami National Party (ANP) is a Pushtun nationalist party in the NWFP. Both parties were allied with the PML/N for brief intervals. The Jamaat-I-Islami (JI) is a conservative Islamic political party that has enjoyed electoral success only when allied with a larger party.

IV. MARKETING U.S. PRODUCTS AND SERVICES

A. Distribution and Sales Channels

There are approximately 125,000 retail outlets in Pakistan, of which nearly 30,000 are located in the major cities. About 50,000 of the total are classified as universal stores/outlets. These are further subdivided into the following categories:

Category	Size	No.of Outlets

A	Very Large	300-500
B	Upscale	5,000-7,000
C	Medium	10,000-15,000
D	Very Small	50,000+

Stores in the latter three categories are usually owned by a sole proprietor. Large supermarkets or chain stores for general consumer items still do not exist in Pakistan, though the trend may catch on soon, as one large supermarket has been established in Lahore in collaboration with a British chain of supermarket and has become a major point of attraction there. However, the concept of chain stores for fashion apparel has lately begun to emerge in the larger cities, where several such chains carrying predominantly locally manufactured merchandise are currently operating. In addition, hundreds of government-owned Utility Stores sell food and household items and serve as a mechanism for restraining inflationary price increases by following the government line on pricing.

Many consumer retail stores stock general merchandise for everyday use. There are also large numbers of stores which sell a single commodity, for example, tires, cooking utensils, textiles, or jewelry. Such stores are generally located in bazaar areas and tend to be situated near many other shops carrying similar goods. There are as yet no shopping malls or large department stores in Pakistan; however, the government has built multi-storied shopping plazas in Islamabad, Karachi and Lahore with several stores rented out to retailers. The one located in Islamabad is partially closed, and Karachi and Lahore plazas are struggling to stay in business.

Foreign companies considering marketing their products in Pakistan may choose to use the services of local distributors or may develop their own distribution chain. Distributors in the urban areas generally deal on an exclusive basis. Some market consultants estimate that the services of 100-300 distributors would be required for nationwide coverage. One very large multinational company selling consumer products employs 500 distributors to reach a significant portion of Pakistan's small towns and villages.

As a matter of policy, most companies do not provide credit to distributors, and distributors in turn generally sell on a strictly cash basis to retailers. Smaller distributors often do provide credit to retailers, but the volume of such transactions is relatively insignificant.

Pakistan's wholesale market is fairly well-developed, with about 1,000 - 1,500 wholesalers constituting this segment of the distribution network. Karachi is the major distribution center and wholesale terms there are representative. Approximately one-fifth of the wholesalers in Karachi sell on a consignment basis. Fewer than one-third of the wholesalers allow discounts to their customers, but the granting of 30 to 90-day credit is common. Because of limited financial resources, retailers generally sell on a cash-only basis. Consumer credit in Pakistan remains an insignificant portion of the total commercial credit. Foreign companies selling industrial or capital goods often sell directly to the end-user or, if the market is fairly large, they appoint one major distributor, who then sells either to sub-distributors or directly to end-users.

B. Use of Agents/Distributors: Finding a Partner

Many foreign firms in Pakistan appoint local agents to provide market intelligence and to facilitate distribution. These agents typically work on a fixed commission, which can range from two to 10 percent for plant and equipment purchases and from 15 to 20 percent for spare parts. Commissions may be computed on f.o.b., ex-factory, or c.i.f. basis, as mutually agreed. Some agents prefer to have suppliers quote net prices to them and they, in turn, add the commission to arrive at their selling price. Other agents operate as consultants on a fixed-fee basis, receiving their fee regardless of the volume of total sales.

Probably the most common arrangement is the exclusive agency agreement, under which the supplier agrees to neither appoint another dealer/distributor, nor to negotiate sales through any other party. In return, the agent is barred from handling similar items produced by other companies. Under this arrangement, the agent receives commissions on all sales of the product regardless of the channels through which the order is placed. He often imports and stocks the spares most frequently required by the end-users. Agency agreements typically extend for a term of one to three years and generally require 30 to 90 days notice by either party for termination.

Overseas suppliers may look after the interests of their local agents in various ways. For example, the principal may arrange separate payments to the local agent for provision of after-sales service during and beyond the warranty period. The principal often compensates the local agent for providing technical and administrative support services not directly related to any specific sales transaction.

The Commercial Service of the U.S. Department of Commerce (USDOC) can provide assistance in locating potential agents and representatives abroad through its Agent/Distributor (ADS) and Gold Key services available through USDOC district offices in the United States. The "International Company Profile" (ICP) can provide information on individual agents.

C. Franchising

The concept of franchising is gradually gaining acceptance in Pakistan, especially in the hospitality sector. Several major U.S. hotel chains, three major U.S. restaurants, and a U.S. car rental company are currently represented in Pakistan through franchisees. Other leading U.S. fast-food companies are looking into the prospects of entering this market, and have done some major groundwork.

Franchising provides U.S. companies with a fairly swift way to enter the market without a major capital commitment. By operating through local franchisees, U.S. firms can gain access to local expertise and significantly reduce the problems of adjusting to an unfamiliar business environment.

However, franchising in Pakistan is not without drawbacks. Potential areas of tension between franchiser and franchisee include quality control, intensity of marketing efforts by the local franchisee, and possible conflict of interest on part of the franchisee. The local affiliate may end up as a competitor once the franchise agreement expires or is terminated.

A key consideration in establishing a franchise operation in Pakistan is quality control, particularly if the enterprise proposes to use locally produced items. The quality of local items is often inconsistent and must be closely monitored. Some U.S. franchisers in Pakistan have run into quality-control problems and have either terminated operations or allowed the operation to blend into the local economy and let the image of an international franchise lapse. Importing inputs, especially food ingredients, also poses problems for franchises. Import regulations are often vague and interpretations can change with little or no prior notice. In Pakistan, all imported food items, particularly meat items must be certifiably "Halal", (slaughtered in the proper ritual Islamic manner).

Selection of a franchisee is critical because usually it involves a long-term relationship. Prior to entering an agreement with a local company, U.S. firms may commission an ICP on the local company, by paying the appropriate fee to their local district office of the U.S. Department of Commerce. U.S. firms are, of course, advised to identify a number of candidates and evaluate each carefully.

The franchise agreement must be carefully drafted to protect the interests of the parties. The franchiser must be able to retain some direct control over operations, even after transfer of business and technical know-how. Crucial elements of the franchise agreement include territorial coverage, duration, franchise rate, protection of trade secrets, quality control, and minimum performance clauses. The U.S. firm should assure that its patents and trademarks will be registered in its own name rather than that of the franchisee.

Major U.S. companies with franchise operations in Pakistan include Marriott, Sheraton, Best Western, Pizza Hut, Kentucky Fried Chicken, TGI Friday, Subway, McDonald's and Avis. A couple of other fast-food franchise outlets are expected to come up in Karachi, Lahore and Islamabad shortly.

D. Direct Marketing

Direct marketing in Pakistan until recently was limited to direct mail advertising, with leading pharmaceutical firms and large publishing groups as major users. The pharmaceutical companies were reaching out to doctors, hospitals, and other medical professionals, and the publishers were using direct mail to reach out to their existing subscribers of magazines and publications for repeat business. However, the inception of telemarketing and greater use of courier services have recently broadened the scope of direct marketing.

The concept of direct marketing is gradually gaining acceptance in the Pakistani marketplace, driven by the efforts of several multinational companies. Low costs for domestic mail and local telephone calls make this a potentially cost-effective sales medium. The major drawbacks to direct marketing in Pakistan are the lack of readily available mailing lists and the paucity of reports on consumer preferences, making it difficult to target and reach the intended audience. Efficient mail, courier, and telephone services are generally limited to major urban areas, confining the current reach of direct marketing to the cities of Karachi, Lahore, Rawalpindi/Islamabad and Peshawar.

U.S. companies considering direct marketing in Pakistan should take local customs and cultural values into consideration before launching a campaign. The use of a local advertising agency is advisable in implementing the direct marketing option. A few advertising agencies have separate direct marketing departments. Now, a major U.S. bank has also begun to offer this service.

E. Joint Ventures/Licensing

The three principal routes to entering the Pakistan market are: (1) formation of a wholly-owned private company; (2) formation of a public limited company (foreign firm retains majority control, but seeks public participation through stock flotation); and (3) establishment of a company in cooperation with joint venture partners, who supply local expertise, management, and capital.

The joint venture may be either a private or a public company. Joint ventures can be an attractive option in Pakistan today because there are many local entrepreneurs who have built a substantial base in their industrial enterprises and are seeking to combine their knowledge of local markets with foreign capital and technological know-how. The foreign joint venture partner limits its initial country exposure while enjoying the support of a local partner in a new market and prominent joint ventures have been established in the automobile, fertilizer, electronic, financial services, food, and consumer product sectors.

Firms wanting to delay direct entry into the Pakistan market should consider licensing arrangements with Pakistani firms, an option that permits them to enter the market in stages if the initial response is promising.

F. Steps to Establishing an Office

A business in Pakistan may be organized as a sole proprietorship, a partnership, or as a public or private limited company. Foreign investors generally establish limited companies as required under the Companies Ordinance, 1984. They must register with the Registrar of Companies. Company registration offices are located in each of the provincial capitals and also in Islamabad and Multan. The promoters of any proposed company have to also obtain confirmation from the Registrar of Companies that the proposed name of the company intended to be set up is not identical to the name of any existing company, or the proposed name is not deceptive or inappropriate.

A company making any public offer of securities for sale or intending to issue capital is required to obtain approval from the Controller of Capital Issues (CCI). After completion of the required formalities, firms should apply for necessary utilities to the authorities below:

Electric Power: Karachi Electric Supply Corporation (KESC), for the Karachi area, and Water and Power Development Authority (WAPDA) for the rest of the country.

Natural Gas: Sui Northern Gas Pipelines (for Punjab and NWFP) and Sui Southern Gas Company (for Sindh and Baluchistan).

Telephone, Fax: Pakistan Telecommunications Corporation (and private cellular phone companies).

Water: Local governmental authorities.

All manufacturing concerns employing more than 10 persons are required to register with the appropriate provincial Chief Inspector of Industries under the Factories Ordinance, 1984.
Companies are also required to register with the concerned income tax department and obtain a National Tax Number (NTN).

Within 30 days of establishment, foreign companies must file the following documents with the Registrar of Joint Stock Companies, Ministry of Finance:

- a certified copy of the charter, statutes, or memorandum, and articles of association of the company;

- the full address of the registered or principal overseas office of the company;

- the names of the chief executive and directors of the company;

- the names and addresses of persons resident in Pakistan who are authorized to accept any legal notice served on the company.

U.S. firms may find it advantageous to use the services of a local attorney in complying with these formalities.

G. Selling Factors/Techniques

Imports - Imports of goods into Pakistan generally require a Compulsory Letter of Credit (L/C), unless a special exemption is obtained in advance. Revolving, transferable, and packing letters of credit are not permissible. Letters of credit should provide for negotiation of documents within a period not exceeding 30 days from the date of shipment.

Payment to the beneficiary (stipulated in the L/C) may be made either in the country of origin or in the country of shipment of goods. Other payment terms are subject to approval by the State Bank of Pakistan (SBP). Remittances may be made soon after goods have been cleared by Customs.

Pakistan Customs authorities require a commercial invoice and a bill of lading (or airway bill). Exporters should forward documents separately if shipment is by sea, but should include them with air shipments. Certificates of origin are not legally required but may be requested by the consignee or consignee's bank. When a certificate of origin is not requested, a statement of country of origin should appear on the invoice. Consular invoices are not required.

The exporter should also be sure to ascertain from the importer the precise number of copies of each document which will be required. Other documents, such as insurance certificates and packing lists, also may be requested by importers, depending on the specific circumstances. Customs authorities require special certificates for imports of plants and plant products and used clothing (e.g. a U.S. Food and Drug Administration certificate for foods and pharmaceutical). In order to expedite the process and to avoid potential delays and penalties, exporters should request detailed instructions from the Pakistani importer prior to shipping.

H. Advertising and Trade Promotion

Pakistan has over a dozen major advertising agencies, some with foreign affiliation. Advertising agency commissions are usually 15 percent of the cost of the advertisement. Information concerning advertising agencies may be obtained from the Pakistan Advertising Association, 232 Hotel Metropole, Abdullah Haroon Road, Karachi.

Television and newspapers are the most widely used method of advertising. Other advertising vehicles include radio, billboards, periodicals and trade journals, direct response advertising, and slides and commercial film shorts in movie theaters. Some companies have now begun to advertise on the Internet as there are presently more than 50,000 Pakistanis with Internet access.

Pakistan has over 115 daily newspapers. The Daily Jang, published in Urdu, is the single largest newspaper, with an estimated national circulation of almost 750,000. Combined circulation for the roughly 13 English-language newspapers is approximately 200,000. The principal English-language daily newspapers are Dawn (published in Karachi, Lahore), The News (Islamabad, Lahore, Karachi), The Nation (Lahore), The Frontier Post (Peshawar), Financial Post (Karachi) and The Business Recorder (Karachi). Although the English-language press reaches only a small fraction of the population, it is influential in political, business, academic, and professional circles. The two major English-language general magazines are the monthlies, The Herald and Newsline. The principal English-language weekly economic magazine is the Pakistan & Gulf Economist, published in Karachi, and there is also a widely read English weekly Friday Times published from Lahore. The Dawn, The News, The Nation, and the Business Recorder are now also available on the Internet.

Almost all broadcasting outlets in Pakistan are government-owned and operated, but accept private advertising. Television is broadcast in color on three channels, using the PAL system. English language programs are broadcast for about two hours a day on the larger Pakistan Television Corporation (PTV) and for eight to ten hours a day on the Shalimar Television Network (STN). In addition, more than 15 channels, mostly of Indian origin, are received through satellite. These channels provide stiff competition to the PTV and STN in terms of advertising revenue. The current spot rate of a 30-second commercial on the PTV network is $680 and $460 on the STN.

Satellite television broadcasts have made rapid inroads in Pakistan and it is estimated that more than 200,000 dish antennas are presently installed in the country. More than 15 channels are received through satellites reaching about 3 million viewers. Unauthorized Cable TV operators have started to provide service in densely populated neighborhoods of Karachi, Lahore and Rawalpindi.

Radio broadcasting time lasts approximately 17 hours a day. The standard advertising rate on the Radio Pakistan network for commercial firms and products is approximately $75 for a 30-second spot. The government has recently allowed a private company to operate an FM broadcast service. The FM-100 is Pakistan's first FM stereo music channel, available round the clock, in Karachi, Islamabad and Lahore. The license granted by the government does not permit them to do news and current affairs programs.

Pakistan currently allows trade advertising material other than commercial catalogues to enter duty-free, but levies a 12.5 percent sales tax on those items. Samples may be admitted duty free only if they are representative parts of a complete shipment or are unsuitable for sale. The duties applicable to commercial shipments apply to samples having a commercial value.

Trade Shows - The textile and leather industries and the Computer Society of Pakistan hold annual events for export promotion purposes and for the local industry, respectively. U.S. Department of Commerce-sponsored catalogue/product shows and seminars can be useful vehicles for generating sales leads and for locating suitable agents and distributors. Trade and seminar missions can also provide valuable first-hand insights into the Pakistani market, as well as serving to introduce U.S. equipment and technology. Trade missions can educate government and other end-users about product availability, technical characteristics, quality, and price, and can establish contacts with key organizations to promote product awareness.

U.S. firms should also consider participation in regional events (focusing on either South Asia or the Middle East) in order to reach potential Pakistani purchasers, agents, and distributors.

I. Pricing Products

Product pricing is often difficult for new entrants to the Pakistan market, principally due to the country's complex tax structure. Foreign companies represented by a local agent, distributor, licensee, or other intermediary generally work closely with their local affiliates in determining prices.

Relatively high shelf prices frequently include a substantial tax component, which can add nearly 50 percent to the retailer's purchase price. High prices for imported consumer items have created a large market for goods coming into Pakistan through the "informal channel." Large quantities of goods are brought in by expatriate Pakistanis and professional couriers from the Gulf region in their personal baggage. In some segments of the market, goods brought through this channel have market shares ranging from 50 to 95 percent.

As an illustration of the scale and complexity of various taxes and duties imposed on imported consumer items, marketers of products build into their final sales price the following factors: landing charges (approximately 1.0 percent of initial price); customs duty; sales tax; bank charges; insurance, and the recently introduced general sales tax. The Government has recently done away with the "Octroi" tax (a municipal toll tax).

Pricing of non-consumer items is based on different parameters. Most foreign companies in this market segment are also represented by agent/distributors and give their local affiliates significant latitude in pricing decisions. Agents often opt for higher sales turnover by reducing their margins, allowing them to generate more revenue through a higher volume of sales. In other cases, local agent/distributors may add up to 30 percent to the list price as their commission, depending on the nature of the product. For duty and tariff purposes, they quote the principal's list prices only. On average, retailers mark up imported machinery and equipment 10 to 15 percent and imported general merchandise 20 to 30 percent.

Many local agent/distributors now quote their prices in U.S. dollars because of the frequent depreciation of the Pakistani rupee.

J. Sales Service/Customer Support

In Pakistan, the end-user generally requires comprehensive and reliable after-sales support on all durable and non-consumer items, accompanied by good documentation and instructions for product installation, operation, and repair. Many purchasers choose a complete turnkey package, which often includes employee training.

Foreign sellers generally require local agent/distributors to maintain a certain minimum inventory of spare parts. Most agents provide a warranty and "free maintenance" for one year, building the cost of maintenance into their overall price.

It is a common practice for end-users to demand a guarantee that the supplier will respond to questions or rectify faults in the equipment within a specified period of time. The time period may vary from a few hours to several days, depending on the nature of the product and the fault in the equipment.

K. Selling to the Government

Pakistani government agencies and public sector companies allow only exclusive agents to submit bids for tenders as an assurance that they receive only one quotation from each supplier. Many firms (especially Japanese) add a clause on direct negotiation which allows them to deal directly with the end-user, should the firm believe that the agent may have difficulty in concluding a sale. On such sales, the commission payable to the agent, if any, is determined by the principals and is based on the proportion of services rendered by the agent.

Pakistani law does not prohibit payment of commissions on commercial procurement of large amounts of military equipment. However, the Directorate General Defense Purchase (DGDP) requires that the foreign principal provide the following: ex-factory value of items supplied; FOB value of these items; and percentage or amount of commission/or any other fee for services provided by the local agent. Commercial procurement of small to medium amounts of military equipment is generally made through local agents of overseas manufacturers and suppliers.

L. Protecting Your Product from IPR Infringement

The laws in Pakistan generally provide for protection of intellectual property rights (IPR). Nevertheless, intellectual property piracy in Pakistan remains widespread. Recently, the government has undertaken the task of rewriting legislation in the areas of copyrights, patents, and trademarks. Recently, several U.S. companies (e.g. book publishers, video film producers, and computer software companies) have complained that Pakistan's copyright law enforcement is ineffective and that penalties for violation are extremely weak. The U.S. Pakistan Treaty of Friendship, Commerce and Navigation guarantees national treatment for patent, trademark and industrial property rights.

Pakistan is a member of the World Intellectual Property Organization (WIPO), the Universal Copyright Convention, and the Bern Copyright Union, but not of the Paris Convention for the Protection of Industrial Property. The United States and Pakistan have held a series of official discussions on intellectual property protection aimed at strengthening the rights of U.S. companies and individuals, and to ensure that Pakistan complies with its TRIPS commitment.

M. Need for a Local Attorney

For multinational corporations considering capital or industrial investments in Pakistan, local legal counsel may provide useful insights into the local laws and business environment, identification of the appropriate business structure (such as a liaison office, a branch office or a wholly-owned subsidiary), and advice and assistance in drafting appropriate agreements and complying with local regulatory requirements.

After the decision to invest has been made, local legal assistance may be required to obtain operating licenses, incorporate legal entities, comply with appropriate corporate formalities, obtain work permits for expatriate personnel, and negotiate employment contracts for local staff. For ongoing operations, local counsel can update investing firms on statutory and regulatory developments and provide day-to-day advice on matters such as tax compliance and protection of intellectual property rights.

All consular posts in Pakistan maintain a list of attorneys in their Consular District. U.S. firms needing a referral may contact the Consular Section at the U.S. Embassy or the relevant U.S. Consulate for assistance.

N. Performing Due Diligence/Checking Bona fides of Banks, Agents, Customers

The U.S. Department of Commerce offers various services such as the Agent Distributor Search (ADS), and the International Company Profile (ICP). Both the services help locate potential business partners, as well as provide limited available background information on Pakistani firms, including their financial standing, business reputation, areas of interest, and current business activities.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

This Section lists 14 sub-sectors in the non-agricultural sector, and 8 in the agricultural sector. The non-agricultural sub-sectors are grouped in three ranks beginning with the most promising (Rank I). The agricultural sub-sectors are listed in descending order of importance. Data are in millions of U.S. dollars, unless otherwise noted.

A. Best Prospects for Non-Agricultural Goods and Services

Industrial Export Prospects

I. Title: Pollution Control Equipment
Rank of Sector: (I)
Name of Sector: Pollution Control Equipment
ITA Industry Code: POL

II. Comments: Although the demand for pollution prevention and control equipment slowed somewhat last year due mainly for two reasons: 1) lack of implementation of Environment Protection Agency (EPA) regulations on industry; and 2) slower economic and industrial growth as well as a drop in exports of the two main users of pollution control equipment, the leather and textile industries, the market for pollution prevention and control equipment has the potential to grow at about 10 percent annually as a result of legislation and demand for eco-labelling from foreign buyers of Pakistan products (leather and textiles).

Good prospects exist for supply of equipment for: (i) leather tanneries: primary treatment plants for individual units as well as combined secondary effluent treatment plants for clusters of units; (ii) textile mills: primary and combined treatment plants for wastewater; (iii) chemical industry: water pollution from pesticides and insecticides; (iv) fertilizer industry: water pollution. Government and municipal authorities are also looking at ways to control motor vehicle pollution and at solid waste management.

There is a preference for used equipment and plants; importers also require after-sales service. The main competitors to U.S. products are the Netherlands, Japan, and South Korea.

III. Data Table:

USD MILLIONS	1997	1998	1999
A. Total market size	22.6	18.5	18.6
B. Total local production	0.0	0.5	1.0
C. Total exports	-	-	-
D. Total imports	22.6	18.0	17.6
E. Total imports from U.S.	1.2	1.5	1.6
Exchange rate (rupees/$)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan Fiscal Years (PFY), July-June.

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I. Title: Agricultural Chemicals
Rank of Sector: (I)
Name of Sector: Agricultural Chemicals
ITA Industry Code: AGC

II. Comments: Agriculture is the backbone of Pakistan's economy. Agricultural production is the single major contributor to the Gross Domestic Product (GDP). Forty percent of Pakistan's total area of 197 million acres is cultivable land and produces a wide variety of crops including cotton, rice, wheat, sugarcane and tobacco. Improved government policies and support have spurred agricultural production during the past ten years. The U.S. is a leading supplier of Di-Ammonium Phosphate (DAP) and also has a major share of the market for Malathion. The average import market for agricultural chemicals is about U.S. $212 million which is expected to grow by 10 percent in view of the greater emphasis on raising agricultural production. Other major suppliers of insecticides are Germany, Switzerland, France, and the Netherlands.

Most promising subsectors and estimated market size for 2000 are: Di-Ammonium Phosphate ($102 million); Pesticides, Herbicides, and Fungicides ($80 million).

III. Data Table:

USD MILLIONS	1997	1998	1999
A. Total market size	704.5	666.2	661.2
B. Total local production	474.0	462.2	466.2
C. Total exports	1.5	2.0	2.0
D. Total imports	232.0	206.7	197.0
E. Total imports from U.S.	104.2	99.7	99.7
Exchange rate (rupees/$)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan Fiscal Years (PFY), July-June.

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I. Title: Industrial Chemicals
Rank of Sector: (I)
Name of Sector: Industrial Chemicals
ITA Industry Code: ICH

II. Comments: Pakistan's market for Industrial Chemicals is expanding gradually, offering good sales opportunities for U.S. exporters. For FY-1998 the total market is estimated at about U.S. $1,012.6 million, including imports estimated at U.S. $890.5 million. Local production of chemicals largely is confined to soda ash, caustic soda, sulfuric and hydrochloric acid, sodium bicarbonate, liquid chlorine, aluminum sulfate, carbon black, acetone and acetic acid. Although imports account for most of the market, local production is expected to increase as new plants come on stream in the next two-three years. U.S. share of imports has averaged between 8 and 10 percent during the last several years. Major competitors are Switzerland, the UK, Germany, China, and Japan.

Most promising subsectors and estimated market size for 2000 are: Organic Chemicals ($130 million); Inorganic Chemicals ($70 million); Dyeing, Tanning, and Coloring materials ($105 million); Oils, Perfumes, and Flavors ($30 million); Resins and Plastic Materials ($240 million).

III. Data Table:

USD MILLIONS	1997	1998	1999
A. Total market size	1,060.2	1,012.6	1,013.8
B. Total local production	155.6	155.1	155.5
C. Total exports	33.5	32.5	32.5
D. Total imports	938.1	890.5	890.8
E. Total imports from U.S.	68.0	64.5	64.5
Exchange rate (rupees/$)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan

Fiscal Years (PFY), July-June.

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I. Title: Telecommunications Equipment
Rank of Sector: (I)
Name of Sector: Telecommunications Equipment
ITA Industry Code: TEL

II. Comments: The telecommunications sector has significant potential for growth. The private sector now actively participates in its expansion and development, supplying cellular telephones, paging services, and card-operated telephones. Despite strong competition from foreign suppliers (Siemens of Germany, Alcatel of France, and Ericsson of Sweden), all of whom have had a strong presence in Pakistan for several years, U.S. firms can increase their market share as Pakistan invests in fiber optics, digital switching systems, and data-communications networks. The anticipated privatization of the Pakistan Telecommunication Company Limited (PTCL) will offer additional opportunities.

Most promising subsectors and estimated market size for 2000 are: Telephone Sets ($16 million); Telephone Switching Apparatus ($45 million); Parts for Telecommunications Equipment ($120 million); Electric Telephone Cables ($75 million).

III. Data Table:

	USD MILLIONS	1997	1998	1999
A.	Total market size	241.5	250.2	267.8
B.	Total local production	67.4	68.2	68.8
C.	Total exports	0.5	1.0	1.5
D.	Total imports	174.6	183.0	200.5
E.	Total imports from U.S.	5.5	5.8	6.5
	Exchange rate (rupees/$)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan Fiscal Years (PFY), July-June.

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I. Title: Electrical Power Systems
Rank of Sector: (II)
Name of Sector: Electrical Power Systems
ITA Industry Code: ELP

II. Comments: Electrical power in Pakistan has been supplied by the two public sector utilities, the Water and Power Development Authority (WAPDA), and the Karachi Electric Supply Corporation (KESC). The chronic shortage of power led many industrial units to install their own more reliable and less expensive power generation facilities. An estimated 1,000-MW of industrial demand is now met by stand-alone generators. Government policies encouraged the establishment of independent power plants (IPPs) in recent years, and seven IPPs of a combined installed generation capacity of

4,024-MW now supply power to the national grid. Another eight IPPs of a combined total generation capacity of 1,879-MW are expected to be commissioned by the end of PFY-2000. Both WAPDA and KESC are scheduled for privatization. WAPDA's eight electricity boards have already been corporatized, its thermal units converted into three separate power generation companies, and its transmission and grid network corporatized into a single entity. After the privatization of its thermal generation units, its role in the power sector will be confined to the development of hydel power resources. KESC is scheduled for privatization by the end of September 1999 through the sale of 51 percent of its equity to a strategic investor. It is unlikely that this target will be met.

The privatization of the two public utilities can be expected to result in the purchase of equipment and materials for replacement, modernization and expansion of the existing thermal plants and for transmission and distribution networks. The IPPs will offer opportunities for both power generation equipment and spares. The domestic industry produces a wide variety of electrical power equipment, but production decreased due both to the current downturn in the economy, as well as to WAPDA and KESC's financial constraints. Imports continued to supply the major portion of the country's demand, but declined by over 44 percent as most of the upcoming IPPs had imported the bulk of their machinery and equipment requirements during the previous two years. The U.S. share decreased owing to sanctions imposed on Pakistan for conducting nuclear tests; and because several upcoming IPPs sourced their purchases from other countries. The total market is expected to expand by approximately 21 percent in PFY-2000 owing to larger budgets for both WAPDA and KESC. Most promising sectors for PFY-2000 are: power generation equipment (USD 511 million); power transmission equipment (USD 219.6 million); and power distribution equipment, including equipment for rural electrification: (USD 110.5 million).

III. DATA TABLE

USD MILLIONS	1997	1998	1999
A. Total market size	1,484.2	1,003.8	601.2
B. Total local production	464.6	306.1	215.8
C. Total exports	1.7	1.6	3.0
D. Total imports	1,021.3	698.7	388.4
E. Total imports from U.S	72.5	132.6	44.8
Exchange rate (rupees/USD)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan Fiscal Years (PFY), July-June

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I. Title: Plastic Materials and Resins
Rank of Sector: (II)
Name of Sector: Plastic Materials and Resins
ITA Industry Code: PMR

II. Comments: Pakistan offers a good and expanding market for plastic materials and resins. With little domestic production, Pakistan depends largely on imported raw materials to produce a wide variety of plastic products for consumer and industrial uses.

Imports of plastic materials and resins in both primary and non-primary forms have grown by more than 10 percent annually during the last several years. Some domestic manufacturing facilities are in the planning stages, but until these plans come on stream Pakistan will continue to depend largely on imported raw materials.

The United States, with a market share of about 15 percent in 1998, is one of the leading suppliers. Saudi Arabia and Germany are its major competitors. Other suppliers include Japan, the U.K., Belgium, South Korea, Singapore, the Netherlands, Italy, China and France.

Most promising subsectors and estimated market size for 2000 are: Polyethylene, gravity less than 0.94 ($18 million); Polyethylene, gravity above 0.94 ($20 million); Polypropylene ($35 million); Polystyrene ($9 million); Polyvinyl Chloride (PVC) ($35 million); Polyesters in primary form ($10 million); Silicones in Primary forms ($5 million).

III. Data Table:

USD MILLIONS	1997	1998	1999
A. Total market size	209.5	200.5	201.0
B. Total local production	5.5	5.8	6.2
C. Total exports	0.5	1.0	1.0
D. Total imports	204.5	195.7	195.8
E. Total imports from U.S.	21.7	22.1	22.5
Exchange rate (rupees/$)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan Fiscal Years (PFY), July-June.

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I. Title: Iron and Steel
Rank of Sector: (II)
Name of Sector: Iron and Steel
ITA Industry Code: IRN

II. Comments: Pakistan is a promising market for iron and steel products. The main sources of basic materials are Pakistan Steel Mills (PSM), a large, state-owned manufacturing facility; the ship-breaking industry on the Sindh-Balochistan coastline; and imports. Recently, an indigenous tin-plate manufacturing plant has been established which has now commenced production. PSM and other manufacturers produce pig iron, hot and cold rolled products, ingots, galvanized items and tinned plates. Hot rolled, cold rolled, galvanized sheets and tinned plate combined form 47 percent of the total market, while wire rods, bars, and formed sections form the remaining 53 percent of the market. Due to expected rise in domestic production with the proposed expansion of Pakistan Steel and new tin plate factory, imports of finished steel products is expected to increase very slowly in the next three years. Scrap steel, which is used by small foundries for producing rods and angles etc., is also popular in Pakistan. Major foreign suppliers are the United States, Germany, U.K., France, Japan, China, Netherlands and Belgium.

Most promising sub-sectors and estimated market size for FY 2000 are: pig iron and ferro-alloys ($60 million), ingots ($120 million), flat-rolled products ($78 million), coated flat-rolled products ($90 million), flat-rolled products of alloy steel ($55 million), iron and steel tubes and pipes ($40 million), stainless steel sheets ($8 million), Iron and steel bars, rods and angles ($17 million), iron and steel wire ($12 million).

III. Data Table:

	USD MILLIONS	1997	1998	1999
A.	Total market size	1,355.4	1,288.0	1,336.0
B.	Total local production	938.0	875.0	920.0
C.	Total exports	2.6	1.8	2.0
D.	Total imports	420.0	415.0	418.0
E.	Total imports from U.S.	30.7	27.0	29.0
	Exchange rate (rupees/$)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan Fiscal Years (PFY), July-June.

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I. Title: Drugs and Pharmaceutical
Rank of Sector: (II)
Name of Sector: Drugs and Pharmaceutical
ITA Industry Code: DRG

II. Comments: There are over 400 licensed pharmaceutical companies in Pakistan, including 35 multinationals who have over 60 percent of the market share. Approximately one-third of Pakistan's total consumption of pharmaceutical is imported. Imports of finished drugs are expected to increase. There is good market potential for antibiotics, vaccines, therapeutic medicines, analgesics, tranquilizers, hormones, blood pressure control drugs, anti-ulcerants, drugs for the treatment of cardiac conditions, cancer, psychiatric drugs, contraceptives and birth control prescriptions.

Government policy categorizes drugs into essential and non-essential categories. Essential drugs can be imported freely but their prices are fixed by the government. The prices of non-essential drugs are not fixed. At present, nearly ninety percent of the drugs imported are non-essential.

Though local production of drugs increased in recent years, the pharmaceutical industry is faced with high taxes and tariffs. Higher costs, compounded by devaluation of the rupee, has affected market growth and is reflected in the figures listed below. Major suppliers include the United States, the U.K,, Germany, Switzerland, Japan, Holland and France:

III. Data Table:

	USD MILLIONS	1997	1998	1999
A.	Total market size	916.2	990.4	1,066.4
B.	Total local production	694.2	831.1	906.9
C.	Total exports	25.0	18.0	18.0

D.	Total imports	247.0	177.3	177.5
E.	Total imports from U.S.	15.5	16.8	17.5
	Exchange rate (rupees/$)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan Fiscal Years (PFY), July-June.

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I. Title: Oil and Gasfield Machinery and Supplies
Rank of Sector: (II)
Name of Sector: Oil and Gasfield Machinery and Supplies
ITA Industry Code: OGM

II. Comments: Oil and gas account for over 80 percent of the total commercial energy supply in the country. Average oil production during July 98 to March 99 was 56,606 bpd. The production of natural gas during the same period was 1,806 mmcfd. The government attaches high priority to the energy sector. A new petroleum policy announced in October 1997 offers attractive incentives to upstream and downstream petroleum industries to develop an indigenous base in exploration and production. It is expected that the market for oil and gas field machinery and supplies will grow by an average annual increase of 15 percent for the next three years. The total import market during FY-1998 is about U.S. $126.1 million. Imports from the United States are estimated at U.S. $42.5 million. The major competitors are Australia, Japan, Singapore and China. Several U.S. companies are actively involved in oil and gas exploration in Pakistan.

Most promising subsectors and estimated market size for 2000 are: Oil Recovery and Process Equipment ($55 million); Drilling Equipment for Oil & Gas ($25 million); Separation plant: Oil & Gas ($17 million); Pipeline Equipment ($10 million); Pipeline Corrosion Control ($5 million); Pipeline Construction Equipment ($5 million).

III. Data Table:

	USD MILLIONS	1997	1998	1999
A.	Total market size	141.0	141.0	147.5
B.	Total local production	21.0	21.2	21.2
C.	Total exports	0.0	0.0	0.0
D.	Total imports	120.0	126.1	131.8
E.	Total imports from U.S.	40.0	42.5	43.5
	Exchange rate (rupees/$)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan Fiscal Years (PFY), July-June.

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I. Title: Pumps, Valves, and Compressors
Rank of Sector: (II)
Name of Sector: Pumps, Valves, and Compressors
ITA Industry Code: PVC

II. Comments: The U.S. is one of the leading suppliers of imported pumps, valves, and compressors. Others are Japan, China, Germany, France, the U.K., and Italy. In the long term growth in industrial activity and investment should continue to result in increased demand for pumps, valves, and compressors.

Most promising subsectors and estimated market size for 2000 are: Centrifugal Pumps ($12.0 million); Rotary Positive Displacement Pumps ($8 million); Vacuum Pumps ($5 million); Parts for Pumps ($5 million); Compressors for Refrigeration Equipment ($17.5 million); Air Pumps, Other Compressors ($10 million); Parts for Compressors ($5 million); Pressure-reducing Valves ($2.5 million); Check Valves ($5 million); Taps, Cocks, Other Valves ($8 million).

III. Data Table:

	USD MILLIONS	1997	1998	1999
A.	Total market size	104.0	101.0	110.5
B.	Total local production	42.5	44.5	51.2
C.	Total exports	0.5	1.5	1.0
D.	Total imports	62.0	57.5	60.3
E.	Total imports from U.S.	15.0	15.5	15.5
	Exchange rate (rupees/$)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan Fiscal Years (PFY), July-June.

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I. Title: Computers and Peripherals
Rank of Sector: (III)
Name of Sector: Computers and Peripherals
ITA Industry Code: CPT

II. Comments: With virtually no domestic production, Pakistan offers a highly promising and rapidly expanding market for computers and related equipment. Growth in the personal computer (PC) market is expected to continue very strongly. Major U.S. brands are already in the market and others are being introduced despite strong competition from Singapore, Japan, South Korea, Taiwan, and Hong Kong brands.

The GOP encourages use of computer technology in both public and private institutions and organizations, and has recently removed the 10 percent duty on personal computers and CD ROMs. The current trade policy also allows import of used personal computers (less than 3 years old). However, the market for higher-end systems (above 2,000 MTOPS) will be constrained by stringent export controls imposed by the U.S. Government in light of Pakistan's recent nuclear tests. The Government of Pakistan is also planning to establish 3 software technology parks (STP) in the country. Most of the equipment for these STPs will be imported. With the introduction and growth of internet and e-mail facilities in major cities, the demand for personal computers is expected rise rapidly within the next 3-years.

Most promising subsectors and estimated market size for 2000 are: Analog-hybrid Data Processing Machines ($8 million); Monitors ($17 million), Digital Data Processing Machines ($40 million); Printers ($10 million); Off-line Data Processing Equipment ($20 million);

Parts ($15 million).

III. Data Table:

	USD MILLIONS	1997	1998	1999
A.	Total market size	78.5	85.0	110.0
B.	Total local production	0.0	0.0	0.0
C.	Total exports	0.0	0.0	0.0
D.	Total imports	78.50	85.00	110.0
E.	Total imports from U.S.	20.00	25.00	30.0
	Exchange rate (rupees/$)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan Fiscal Years (PFY), July-June.

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I. Title: Transportation Equipment and Parts
Rank of Sector: (III)
Name of Sector: Transportation Equipment and Parts
ITA Industry Code: TRN

II. Comments: Good prospects exist for lease-cum-sales of aircraft (new and used), including engines, and parts; mass transit equipment and public transportation vehicles. The national flag carrier, Pakistan International Airlines (PIA) plans to upgrade its fleet, but is seriously constrained by lack of funds, and may opt for buying used aircraft or lease new aircraft. The three private sector carriers plan to expand their operations on domestic and international routes, and are in the market for used passenger and cargo aircraft. The rapid growth of inter-city bus services in Punjab province may offer U.S. bus manufacturers an opportunity to introduce their products in Pakistan.

Most promising subsectors and estimated market size for 2000 are: Aircraft and Parts ($300 million); Buses and their Chassis with Engines ($400 million); Trucks, Trailers, and Engines ($410 million); Ships and Boats ($150 million); Railway Vehicles ($70 million).

III. Data Table:

	USD MILLIONS	1997	1998	1999
A.	Total market size	2,194.3	2,036.3	2,027.0
B.	Total local production	1,416.2	1,300.7	1,301.1
C.	Total exports	7.5	7.6	7.5
D.	Total imports	785.6	743.2	743.4
E.	Total imports from U.S.	108.6	110.0	110.0
	Exchange rate (rupees/$)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan Fiscal Years (PFY), July-June.

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I. Title: Paper and Paperboard
A. Rank of Sector: (III)

B. Name of Sector: Paper and Paperboard
C. ITA Code: PAP

II. Comments: There is no real decline in market size. Lower dollar amounts are reflective of lower international prices resulting from the Far East crisis and Pakistan's economic downturn. Cheaper imports earlier forced Pakistan's paper industry to reduce undue profits, but rising prices have now improved the industry's feasibility. Prices are expected to rise further as a result of the country's adoption of a single, market-based unified exchange system.

Local production meets the bulk of the country's requirements for waste paper, writing, printing, coated and uncoated paper, fluted paper, coated and uncoated board, and 27-28 percent of the requirements for sack kraft. Specialty papers production is limited to toilet and tissue paper. Chief competitors are South Korea, Indonesia and Thailand for coated board; Sweden, New Zealand and the United States for sack kraft; and Saudi Arabia, Kuwait, Belgium, Austria and Germany for specialty papers.

The U.S. share of the import market increased overall by 42 percent due to increased exports of newsprint and waste paper. Its share of the import market for newsprint increased to 35 to 40 percent and of waste paper to 21 percent, but its share of the wood pulp market remained at 45 percent. All newsprint is imported. Competitors are Russia and New Zealand. About 20-25 percent of the waste paper imported is used as a substitute for wood pulp. Chief competitors for waste paper are Singapore, Saudi Arabia, the Middle East and Hong Kong. Imports of softwood pulp, which meet the bulk of the country's total pulp requirements, declined by 10-15 percent as local manufacturers successfully reduced the ratio of softwood pulp to wheat straw in manufacture. Major competitors are Portugal, Indonesia, S. Korea and Sweden. The most promising sub-sectors for U.S. exports are softwood pulp and waste paper. In dollar terms, the U.S. share of the softwood pulp market is expected to increase by 10 percent; and of the waste paper market by 15-20 percent. The newsprint market is expected to shrink by 20-25 percent because poorer quality writing and printing paper is replacing newsprint. The U.S. share of newsprint exports to Pakistan is expected to decline correspondingly.

III. Data Table

	USD MILLIONS	1997	1998	1999
A.	Total market size	319.3	277.6	277.6
B.	Total local production	182.0	156.6	156.6
C.	Total exports	0.0	0.0	0.0
D.	Total imports	137.3	121.0	121.0
E.	Total imports from U.S.	15.5	20.8	20.8

	Exchange rate (Rupees/$)	43.2	50.2	55.2

N.B. The above statistics are unofficial estimates for Pakistan Fiscal Year (PFS), July-June.

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I. Title: Security & Safety Equipment
Rank of Sector: (III)
Name of Sector: Security & Safety Equipment
ITA Industry Code: SEC

II. Comments: The market for security and safety equipment is growing steadily. Greater awareness about the range and reliability of security equipment is encouraging banks, corporations and industrial units to protect personnel and premises. The annual growth rate in this sector is about eight to ten percent. Good prospects exist for baggage x-ray units, identification devices, hand-held and walk-through-metal detectors, intrusion devices/burglar alarms, chemical/bomb detectors, close circuit TV. Major competitors are Germany, the Netherlands, Japan, Korea and Taiwan.

Good sales potential exists also for industrial safety equipment and clothing, fire-fighting equipment and alarm systems.

III. Data Table:

	USD MILLIONS	1997	1998	1999
A.	Total market size	22.5	21.8	21.7
B.	Total local production	2.5	3.0	3.0
C.	Total exports	0.0	0.0	0.0
D.	Total imports	20.0	18.8	18.7
E.	Total imports from U.S.	4.0	3.2	3.2
	Exchange rate (rupees/$)	43.2	50.2	55.2

Note: The above statistics are unofficial estimates for Pakistan Fiscal Years (PFY), July-June.

B. Best Prospects for Agricultural Products

BEST PROSPECT SECTORS FOR U.S. EXPORTERS TO PAKISTAN
(US $ MILLIONS, UNLESS OTHERWISE NOTED)

This Appendix lists 8 sub-sectors in the agricultural sector, and 14 in the industrial sector. The agricultural sub-sectors are listed in descending order of importance. The industrial sub-sectors are grouped into three ranks, beginning with the most promising (Rank I). Data are in millions of U.S. dollars, unless otherwise noted.

I. Agricultural Export Prospects

A Rank: Agriculture (I)

B Name of Sector: **Wheat**

C ITA or PSD Code:0410000

		1996/97	1997/98	1998/99
D	Total market size	2497	3515	2744

E	Total local production	2012	2812	2344
F	Total exports	0	0	0
G	Total imports	485	703	400
H	Total imports from U.S.	370	383	150
I	Exchange rate (rupees/$)	39.0	43.2	50.2

Comments: Pakistan is expected to remain a major wheat market in future. MY1998/99 imports are estimated at $400 million. The United States share is at $150 million-lowest in recent years. The private sector is taking advantage of the availability of the highly subsidized wheat from the EU and Turkish wheat. These subsidized sales affect the U.S sales.

The United States traditionally has been the primary supplier to the Pakistani market due to the quality and reliability of its wheat supply as well as to the important partnership it maintains with Pakistan. Australian wheat, however, recently has made significant inroads into this market following recent large Australian harvests through the use of predatory pricing, cheap freight and credit, and other non-market tactics. Canada is an occasional supplier.

Wheat imports are required to supplement the domestic supplies to maintain an acceptable level of GOP reserves and to cope with rising domestic requirements. The primary suppliers of wheat to Pakistan are the U.S. and Australia.

A. Rank: Agriculture (2)
B. Name of Sector: **Cotton**
C. ITA or PS&D Code: 2631000

		1996/97	1997/98	1998/99
D.	Total market size	2551	2210	1956
E.	Total local production	2431	2260	1776
F.	Total exports	32	125	2
G.	Total imports	120	75	180
H.	Total imports from U.S.	24	21	13
I.	Exchange rate (rupees/$)	39	43.2	50.2

Comments: Pakistan’s 1998/99 cotton production was affected by unfavorable harvest weather and extensive pest damage. MY1998/99 imports are estimated at 500,000 (480lb) bales. This year import of ELS and LS cotton is estimated between 35,000-40,000 bales. The demand for Pima and ELS cotton is growing because of growth in demand for better quality summer clothing, for which ELS cotton is required. As of June 10, 1999 Pakistan has purchased 26,800 bales from U.S. of Pima cotton and 2,300 bales of upland cotton. Of these purchases, 20,200 bales have been shipped and another 8,900 bales are estimated to arrive by July 31, 1999. All cotton imported must be fumigated at export locations. Pakistan's large textile industry and the country's economic dependence upon that industry require that cotton supplies be assured through imports if domestic production is insufficient. Significant imports are expected only if domestic cotton production falls short of local requirements. However, textile industry has reported a continuous growth in the demand for Pima/ELS cotton due to increase in requirement for domestic and export market of the better grade products.

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A. Rank Agriculture (3)
B. Name of Sector: **Soybeans**
C. ITA PS&D Code: 0005

		1996/97	1997/98	1998/99
D.	Total Market Size	13.6	0.6	0.6
E.	Total Local Production:	0.6	0.6	0.6
G.	Total Imports	13.0	0 0	0 0
H.	Total Imports from U.S.	13.0	0 0	0 0
I.	Exchange rate (rupees/$)	39.0	43.2	50.2

Comments: Pakistan has emerged as a potential market for U.S. soybeans. The total crushing capacity of the industry of the solvent plants in Pakistan is about 1.6 MMT. Cotton is the main source of oil seeds for the industry. Unfortunately, cottonseed meets the requirements of the industry for only 4-5 months. For the remaining period, the GOP has been making efforts to increase the production of sunflower and canola seeds. It will take several years to gauge the tangible results. At present, the capacity utilization of the industry is 15-20 percent. There are only 2 units operating at more than 50 percent of the capacity.

Recently, the GOP has increased the duty on oil as well as soybean meal imports. These measures have made the import and crushing of imported beans and other oilseeds economical. Resultantly, some of the solvent units have imported substantial quantities of canola seed and sunflower seed from EU and Australia. At this point of time they are not happy with these imports because they have been facing difficulty in the disposal of meal. Under such circumstances, these units have been convinced to import and crush beans. It is a best opportunity to capture this market by providing concessional beans under a Private Sector PL-480 Program. This activity would create a permanent demand for U.S. beans and could avoid any competition.

Past experience showed that a public sector PL-480 Program in Pakistan, because of the inefficiencies of the GOP officials did not prove a success. Although the individual solvent extractors have been approaching us with a request of a larger PL-480 program. Post has been discussing the modalities of a Private Sector PL-480 Program with the various solvent units. The real essence of the program and the objectives of USDA is to run a private sector program for a viable commercial import program in future.

A. Rank: Agriculture (4)
B. Name of Sector: **Consumer Food Products**

Consumer Food Products

Pakistan has emerged as a large market for the consumer ready food products in the last five years. Imports of consumer-ready or value added food products are officially reported at $60 million in 1997/98 (July/June). There is a growth of 10 percent in rupee term comparable with devaluation in 1997/98. A 10 percent devaluation of the local currency and inflationary pressure affected the imports of consumer food products in 1997/98. There is a whole range of grocery items imported from different countries. Milk and milk products, including baby milk and food account for a major part of the total imports of consumer-ready food products during 1997/98. Processed fruits, food for infants, sugar and chocolate confectionery, juices, nuts, nursery products and other consumer-oriented products are imported in small quantities. The use of these foods is growing among the middle income groups in urban areas. Of these, imports from U.S. were of US$1.4 million only and are primarily for the use of diplomats. The U.S. market share is small because of limited know-how of the products and reported slow response of the U.S. suppliers. The official imports data are generally under invoiced to about 75-85 percent of the C&F price. Which translates into market size of about US$240-400 million. Despite annual devaluation of around 10 percent, import of food products has been growing.

The coordinated efforts of the FAS/USDA office in Pakistan with the trade has generated imports of snack foods and processed fruit from U.S. This trade is estimated to grow rapidly in coming years. Official value of imports in the first 6 months of the 1998/99 was $29 million compared with the $31 million imports in the corresponding period of last year.

Imports of alcoholic beverages are not allowed for religious reasons. There is no restriction on the import of red meat and its products, and butter oil. All other consumer-ready food products can be imported under the free list. Commercial imports of consumer-ready food products are charged a maximum of 35% import duty and 15% sales tax.

Importers visit suppliers in U.A.E. and Europe to consolidate container loads of available products for prompt shipment for which, generally spot payments are made. The organized import with future delivery has not been the general practice in this market so far. However, trade is fully aware of establishing irrevocable L/C for import.

A.Rank: Agriculture (5)
B.Name of Sector: **Livestock and By-Products: Tallow and Grease**
C.ITA or PS&D Code: 4113200

	1996/97	1997/98	1998/99
D.Total market size	19.81	32.70	35.80
E.Total local production	0.81	0.70	0.80
F.Total exports	0	0	0
G.Total imports	19.0	32.0	35.0
H.Total imports from U.S.	0	1.2	6
I.Exchange rate (Rupees/$)	39.0	43.2	50.2

Comments: Pakistan is a large market for imported inedible tallow (animal fats) because it has an extensive soap-making industry and has a shortage of animal by-products rendered from domestic slaughtering. Domestic tallow production is virtually nil, and animal fats are almost all consumed with cooked meat. The compound-feed industry presently uses very little animal fat, foregoing an excellent energy source for poultry feed. The shortage of animal fats and dependence on imports are expected to continue. During 1998/99, Pakistan's tallow imports were estimated at US $35 million. Australia, New Zealand, Austria, Malaysia, Singapore and Kuwait were among the major suppliers. Presently, imported inedible tallow is subject to import duty of 35 percent and sales tax of 15 percent.

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A. Rank: Agriculture (6)
B. Name of Sector: **Hides & Skins, Bovine**
C. ITA or PS&D Code: 2111102

		1996/97	1997/98	1998/99
D.	Total market size	461.0	465.0	515.0
E.	Total local Production	440.0	450.0	500.0
F.	Total exports	0.2	0.0	0
G.	Total imports	21.0	15.0	15.0
H.	Total imports from U.S	0.5	0.1	0.0
I.	Exchange rate (rupees/$).	39.0	43.2	50.2

Comments: In Pakistan market size for hides, skin and leather is increasing. Pakistan imports fine quality leather. The U.S. share of hides and skins exports to Pakistan is very nominal. However, there is a market opportunity in Pakistan depending on timely response from suppliers with competitive prices.

A. Rank: Agriculture (7)
B. Name of Sector: **Feed Grains**
C. ITA or PS&D Code: 0440000

		1996/97	1997/98	1998/99
D.	Total market size	316	338	350
E.	Total local production	316	338	350
F.	Total exports	0	0	0
G.	Total imports	0	0	0
H.	Total imports from U.S.	0	0	0
I.	Exchange rate (Rs/$)	39	43.2	50.2

Comments: Independent studies of the livestock sector and Pakistan's future animal feed needs have predicted that, as poultry and beef consumption increases, Pakistan will face a critical feed supply deficit and will need to import feed grains. In the next several years, Pakistan may be forced to begin feed grain imports to maintain its current level of per capita meat consumption. As of July 1, 1998, the GOP has eliminated the sales tax on import of feed grains and has lowered the import duty to 10 percent. It has been anticipated that small parcels of U.S. corn will be transshipped from Dubai, U.A.E. Analysts are confident of large commercial imports on realization of the benefits of increasing corn ratio in animal feed. The use of imported corn in small parcels will also help to eliminate the quality concerns like moisture level and aflatoxin.

A. Rank Agriculture: (8)
B. Name of Sector: **NonFat Dry Milk**

C. ITA PS&D Code:

	1996/97	1997/98	1998/99
D. Total Market Size	46	51	52
E. Total local Production	30	31	32
F. Total exports	0	0	0
G. Total imports	16	20	20
H. Total imports from U.S.	0	0	0
I. Exchange rate (rupees/$)	39.0	43.2	50.2

Comments: Pakistan imports about 8,000-10,000 metric tons of nonfat dry milk every year, the bulk of which is provided by Eastern Europe and E.U. countries. A market opportunity is emerging. U.S. nonfat dry milk exports are becoming competitive in Pakistan’s price-conscious market. Pakistan has established different Import Tariff Prices (ITP) for a number of qualities of dry milk powder based on the origins. There is a wide gap between the ITPs for Eastern Europe and other origins. All imports are in the private sector. They are importing off-grade as well as to ADMI standard specifications from Lithuania, Poland and other countries. The Government of Pakistan has reduced the maximum tariff from 45 to 35 percent. Dairy products, if imported in bulk,go from 25 to 10 percent. A timely response on trade inquiries from U.S. suppliers can help to capture this growing market.

C. Significant Investment Opportunities

The Pakistan Board of Investment (BOI) encourages investment in the following industries: Telecommunication and electronics, fertilizers, pharmaceuticals, mining, hotel and tourism, agro-processing, information technology.

Since 1992, the GOP has taken various measures to liberalize the economy in order to attract greater foreign investment. Some of the salient features of GOP's new liberalization measures include:

- statutory provisions have been introduced to protect against any form of expropriation.

- there are no limits on the equity share held by foreign nationals in local companies, and there are no special requirements for entering into a joint venture in Pakistan.

- The GOP allows free movement and exchange of foreign currencies.

- There are no restrictions on borrowing by foreign entities provided that the government guarantees are not sought.

- Foreign nationals have free access to Pakistan's capital markets and there are no restrictions on the repatriation of principal, dividends and profits.

VI. TRADE REGULATIONS AND STANDARDS

A. Trade Barriers

Pakistan has traditionally maintained a complex system of indirect taxes in the trade sector. High basic tariffs, additional surcharges, a variety of excise taxes and sales tax with different applicability on domestic and foreign goods combined to distort prices in domestic markets. The tariffs, which were established for both protectionist motives and revenue raising, had become generally counter-productive. Many tariff rates were too high and stimulated smuggling and corruption. Revenue collections are also undermined by many exemptions and concessions. The GOP has since liberalized its trade regime, reduced tariff levels, and streamlined procedures for imports and exports.

Pakistan uses the Harmonized System to classify and describe goods. Customs duties are levied on ad valorem basis. Maximum tariff rates were reduced from 92 percent to 70 percent in June 1994, and from 70 percent to 65 percent in June 1995. The GOP, encouraged by the World Bank and the IMF, had decided to lower the maximum tariff rate in a phased manner, but had delayed implementation of this decision. However, PM Nawaz Sharif announced drastic cuts in the tariff structure as part of his March 28, 1997 economic revival package. The maximum tariff rate was reduced to 45 percent from 65 percent.

Other than customs duty, the government charges sales tax (12.5 percent) on the duty paid value of a variety of goods produced in or imported into the country. Customs duty and other charges are payable in Pakistani currency.

Export subsidies - Pakistan seeks to encourage exports through rebates of import duties, sales taxes, and income taxes, as well as through concessional export financing.

B. Customs Valuation

Valuation - The GOP has canceled its controversial pre-shipment inspection (PSI) valuation system in March 1997 and have reverted to Import Trade Price (ITP) based valuation system. The Import Trade Price manual is updated periodically to facilitate the valuation process.

Customs Clearance and Warehousing - Ample public and bonded warehouse facilities, most of which are owned by the port trust organizations, exist for the storage of goods. Pakistan has no free-port facilities, but regulations permit similar privileges while goods are warehoused. Goods must be landed within the period specified on the bill of lading or within 15 days after entry of the vessel into port. Once the goods have entered and duties have been assessed, the importer must clear them for consumption (by paying the duties) or warehouse them.

C. Import Licenses

All importing firms in the private sector must register as importers with the Government of Pakistan's Export Promotion Bureau and must have valid registration at the time of importing.
The GOP permits imports from all countries except Israel or

goods originating in Israel. However, in the case of loans, credits or US PL-480, imports shall be made subject to availability from the specified source only. Importers must also:

- Obtain special authorization of the Ministry of Commerce for importing items from the "negative/restricted" list;

- Ensure that correct Harmonized Schedule code number of every imported item is mentioned in the import documents;

- Ensure that the supplier of cigarettes and cigars prints warning "Smoking is injurious to health" in both Urdu and English on every packet.

Imports from India are a special case. Only items on a list issued by the Ministry of Commerce may be imported; that list includes 581 individual items, classified by Harmonized System numbers. Pakistan's official imports from India in 1995-96 totaled $94 million, from $64 million the year before.

D. Export Controls

Export of goods from Pakistan is allowed generally. However, export of some items is banned/restricted or is subject to certain conditions for reasons of short supply and to ensure their availability in the home market. (E.g., export of live animals and meat shall be in accordance with the procedure notified by the Export Promotion Bureau from time to time.) Other items banned/restricted for export purpose include: arms, edible oils, hides and skins, timber, milk and milk products, and antiques. The customs authorities will, however, inspect outbound baggage to ensure that no banned/restricted item is taken out of the country as accompanied personal baggage.

E. Import/Export Documentation Requirements

The following documents are required for imports and exports: bills of lading; invoices; packing lists; certificates of origin; copies of letters of credit; and insurance certificates.

F. Temporary Goods Entry Requirements

GOP import regulations permit temporary import of legally importable items by foreign companies (e.g. as commercial samples) provided that a bank guarantee or indemnity bond equivalent to the value of the item is provided to the Customs authorities to ensure that the items will be re-exported. Applicable import fees must be paid, but will be refunded on re-export. Similarly, domestic industrial firms may import items for test, trial, and re-export, subject only to the payment of a refundable import fee.

G. Labeling, Marking Requirements

Pakistan has no uniform or universal system of imposing labeling and marking requirements on products. However, individual industries or sectors are subject to the regulations of specific bodies. For example, the Ministry of Health sets requirements for the pharmaceutical industry.

H. Prohibited Imports

Pakistan controls certain imports through the negative list. Goods not on the negative list may be freely imported. The negative list is made up of (a) items banned for religious, security or luxury consumption reasons; (b) capital and consumer goods banned to protect domestic industry; and (c) intermediate goods used in producing protected goods. A restricted/conditional list includes items that may be imported only, for example, by certain parties (the government or other specified users) or by certain special arrangements (such as imports against credit). Major items on the negative list are listed above in "Trade Barriers".

I. Standards/ISO 9000 Usage

The Pakistan Standards Institution (PSI) is the national standards body. The various activities of PSI include preparation and implementation of standards, introduction of standards inspections systems, collaboration with international organizations such as the International Standards Organization (ISO), and dissemination of information on standardization and quality control. PSI has so far established about 4,000 national standards for agriculture and food, chemicals, civil and mechanical engineering, electronics, weights and measures, and textile products.

The GOP's Export Promotion Bureau has led a successful campaign to provide free advisory service covering planning, documentation, interpretation into local environment, implementation and certification processes for ISO 9000. In the last three years, 30 Pakistani companies have obtained ISO 9000 certification and about 200 more are at different stages of implementing ISO standards.

J. Free Trade Zones/Warehouses

With a view to promoting foreign investment and a greater export surplus for the country, the GOP established a free trade zone at Karachi in 1980. The Karachi Export Processing Zone (KEPZ) Authority has so far sanctioned over 170 industrial units with foreign equity. However, about 90 units are in production and the rest are at different stages of development. The KEPZ has fully-developed infrastructure facilities and offers the following incentives to investors:

- Salary of foreign personnel is exempted from income tax for five years from the date of arrival in Pakistan;

- Import of machinery, spares, and raw materials is free from all federal and provincial taxes;

- The right to export from the KEPZ to Pakistan;

- No tax on capital gains;

- Unrestricted repatriation of capital, profits, and dividends allowed;

- Exemption from certain Pakistani labor laws.

K. Special Import Provisions

Only an insignificant portion of total imports are subject to quantitative restrictions (QRs) under the negative list. The "negative" list consists of items whose import is prohibited on religious, health, or national security grounds. Items on the "negative" list include: translations of the Holy Koran without Arabic text; goods bearing words or inscriptions of a religious connotation; obscene pictures, writings, or inscriptions; horror comics; obscene, subversive and anti-Islamic literature; products and by-products of pigs, hogs, boars, or swine; fireworks; tanks and armored vehicles; artillery weapons; revolvers and pistols of prohibited bores; parlor games; gambling equipment; sculptures, worked ivory, and antiques exceeding one hundred years in age.

The GOP also maintains certain export prohibitions and export licensing requirements. The GOP has imposed certain procedures for the export of "essential" commodities. These include live animals, beef and mutton, animal fat, milk and milk products, timber, ferrous and non-ferrous metal, antiquities, and "human skeletons". Commodities exportable only through public sector agencies include petroleum products, coke, caustic soda, and rock salt. In addition, all foreign exchange earned through exports is presently surrendered to the State Bank of Pakistan.

L. Membership in Free Trade Arrangements

Pakistan is a member of the World Trade Organization (WTO). Pakistan is not a member of any free trade arrangement, but is party to two arrangements which are seeking progress toward regional trade liberalization. The Economic Cooperation Organization (ECO), whose founding members are Pakistan, Turkey, and Iran, grants a 10 percent tariff preference on statutory rates for some goods. (ECO membership was expanded to 10 in 1993, when Afghanistan, Azerbaijan, and the five formerly Soviet Muslim republics of central Asia were admitted.)

The South Asian Association for Regional Cooperation (SAARC) is
comprised of India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, and the Maldive Islands. SAARC has proposed a South Asian Preferential Trading Agreement (SAPTA), which became operational after ratification by member countries in November 1994. Because the SAPTA provides for product-by-product negotiation, and because several members have similar production structures, therefore, SAPTA is not likely to have a large immediate impact on regional trade flows. Pakistan's leading regional trading partners are, Bangladesh (its former eastern wing), India and Sri Lanka.

Pakistan is also a member (along with Indian and Nepal) of the

Asian Clearing Union, which was founded in 1976 and aims at facilitating multilateral payments through the use of currencies of participating countries in regional transactions in order to expand intra-regional trade and save convertible foreign exchange.

VII. INVESTMENT CLIMATE

A. Openness to Foreign Investment

The Government of Pakistan is open to foreign investment and offers a package of incentives to attract foreign investors.

Considering the openness of the investment regime, foreign investment activity to date has been relatively modest and in 1998-99 registered a substantial drop in new FDI. Possible reasons for this include inadequate infrastructure, lack of ideal foreign investment environment, perceptions of political instability, prevalent war hysteria including the nuclear threats between Pakistan and the neighboring India, law and order difficulties, policy inconsistencies, and resistance to the new policies by some elements of the bureaucracy who have not yet fully adjusted to the new, open economic environment.

Besides law and order problem, there is a need for continuity in economic policies, legal protection to foreign investment and upholding the sanctity of Agreements. Pakistan needs to follow procedures that instill confidence in foreign investors that contractual obligations are honored. A succession of investment promotion agencies, recently the Pakistan Investment Board and its successor, the Board of Investment (BOI), have lacked the bureaucratic authority or the continuity of leadership needed to implement its policies.

As part of an integrated investment promotion strategy, the GOP undertook during 1990 a comprehensive program of radical economic reforms including liberalization, privatization and deregulation to bring the economy into a fully market-oriented system. This was aimed at capturing the potential of the private sector in all areas of economic activity. The privatization process has been redesigned to make it more transparent. Power generation, telecommunication, highway construction, port development and operations, the oil and gas, services/infrastructure, social and agriculture sectors, have now been opened to foreign investment.

Pakistan's legal framework and economic strategy do not discriminate against potential foreign investors, but enforcement of contracts can be difficult given the inefficiency of the court system. Foreign investment is generally subject to the same rules as domestic investment, with the exception of certain sensitive areas such as defense production, banking, and broadcasting.

There is little apparent denial of national treatment for foreign firms. There is also no evidence of statutory derogation of national treatment. In fact, the Foreign Private Investment (Promotion and Protection) Act, 1976, specifically provides that foreign investment shall not be subject to more taxation on income than investment made in similar circumstances by Pakistani citizens. In practice, the issue of extension of national treatment is tested on a case-by-case basis, but apart from sensitive industries, national treatment appears to be the norm. However, the new Investment Policy provides equal investment opportunities for both domestic and foreign investors.

In new policy (announced April 1999) foreign investment on repatriable basis has now been allowed in manufacturing, infrastructure, hotel/tourism, agriculture, services, and social sectors.

Key features of Pakistan's investment climate include the following:

- Relaxation of foreign exchange controls, and a general policy of permitting foreign investors to participate in local projects on a 100 percent equity basis.

- Allowing of foreign companies incorporated in Pakistan to undertake export and import trade.

- Provision of full safeguards to protect foreign investment;

- Withdrawal of work permit restrictions on expatriate managers and technical personnel working in an industrial undertaking and easing of remittance restrictions.

- Abolition of the ceiling on payments of royalties and technical fees.

- Elimination of the requirement of obtaining a "No Objection Certificate" (NOC) from the appropriate provincial government, except for areas which are classified as negative areas (for reasons of environmental degradation, over-congestion, etc.).

- No requirement of government approval to set up an industry in any field, place and size, except for the following industries:

- Arms and ammunition
- High explosives
- Radio-active substances
- Security printing, currency and mint.

(Establishment of new units for the manufacture of alcohol, except industrial alcohol, is banned).

The Government of Pakistan is committed to providing full protection to foreign investment. The principal statutory vehicles for such safeguards are the Foreign Private Investment (Promotion and Protection) Act, 1976 and Economic Reforms Act of 1992.

Institutional Promotion of Investment - One hurdle to investment in Pakistan had been a bewildering series of approvals, permits, and licenses required from various levels of government in order to launch a project. Successive institutional entities have attempted to ease that process for prospective investors by functioning as a "one-window" interface between the investors and the relevant Pakistani authorities, and the situation is improving with special efforts by BOI.

Incentives for Investment - To keep Pakistan competitive in international market, exemptions or relief from import duties has been allowed on imported plant and machinery which is not manufactured locally. Tax relief in shape of first year allowance has been provided for category (A): value added or export industries, category (B): Hi-tech, category (C): Priority industries and category (D): Agro-based industries as well as other new industries. Tax relief has also been provided for expansion and balancing, modernization and replacement (BMR), in existing industries.

B. Right to Private Ownership and Establishment

Foreign and domestic private entities are free to establish and own business enterprises in virtually all sectors of the economy, with the exception of certain sensitive areas such as defense production, etc. Private entities are similarly free to acquire and dispose of their interests in business enterprises.

The issue of private competition with public enterprises is complicated by the fact that many of the entities that remain in the public sector are chronic loss-makers. The GOP has not adopted visibly unfair competitive practices in these public-private matchups, but the situation varies from industry to industry, and the privatization of the state-owned entities especially in industrial sector is top of the agenda.

Two state-owned banks, Allied Bank Limited (ABL) and the Muslim Commercial Bank (MCB) have been successfully privatized and are performing well. The privatization process has been slowed down during this year; however, political priority/inclination is for the privatization of the state-owned enterprises. The previous state monopolies such as civil aviation has now been opened up for private competition. Now three privately owned airlines are competing with the national carrier, PIA on national and international routes. The privatization of telecommunication giant, PTCL, a profit making government enterprise along with state-owned banks (Habib Bank Limited and United Bank Limited) may be privatized in next two years. The lucrative niche business of mobile phones having three international phone companies (Instaphone, Mobilink and Paktel) in the field is now being matched up by the PTCL. The other lucrative units such as Heavy Mechanical Complex, Taxila; Karachi Shipyard and Engineering Works; power generating units and power distribution components of WAPDA and KESC are being offered for privatization. However, the Government is gradually moving out of productive activities through a privatization program. It has largely succeeded in divesting such activities as cement production and vegetable oil refining and has begun the process of privatizing thermal power production, railways, telecommunications, remaining state-owned commercial banks and natural gas.

C. Protection of Property Rights

Pakistan's legal system protects and facilitates the acquisition and disposition of property rights.

Intellectual Property Rights - Pakistan is a member of the Universal Copyright and Bern Conventions. The copyright office is a department of the Ministry of Education. Copyright on a registered design is initially granted for a five-year period and may be extended for two additional five-year periods. Registration of patents and designs is administered by the Patents Office, a department of the Ministry of Industries. Patents are granted for up to 16 years from the date of application and may generally be extended for a five-year period and, under some circumstances, for an additional five years. Legal remedies such as injunctions are available in cases of patent infringement. Trade marks are registered under the Trade Marks Act, 1940, through the Trade Mark Registry, a department in the Ministry of Commerce. Trade marks are registered for seven years from the date of application and the registration may be renewed for an additional fifteen years.

The Office of the U.S. Trade Representative has Pakistan on the Special Section 301 Watch List under the Trade Act of 1988 because of inadequate intellectual property rights protection. Areas of specific concern include video piracy, unauthorized reproduction of U.S. printed works, and textile design piracy. Tens of thousands of video outlets in Pakistan deal almost exclusively in pirated products - and do so quite openly. U.S. pharmaceutical firms in particular have criticized Pakistan's patent law for providing process rather than product patent protection. Other firms have noted the absence of provisions for registering service marks. A more general complaint has been that, even where Pakistan's laws appear to provide adequate protection, enforcement is slow, sporadic, and ineffective.

The U.S. and Pakistan opened discussions some years ago on a comprehensive bilateral intellectual property rights agreement proposed by the United States, with the U.S. arguing that an IPR agreement would improve the investment climate in Pakistan. But, these talks stalled in 1995 and Pakistan remains reluctant to resume the dialogue. However, the three GOP ministries involved in this issue are revising the IPR legislation according to TRIMS Agreement.

D. Adequacy of Laws and Regulations Governing Commercial Transactions

The GOP subscribes to principles of international competitive bidding, but political influence on procurement decisions is common, and these decisions are not always made on the basis of price and technical quality alone. The sanctity of contracts also has been a major issue for some companies dealing with the government.

E. Foreign Trade Zones/Free Ports

Development of National Industrial Zones - A composite scheme of National Industrial Zones engulfing industrial estates, Free Industrial Zones, Free Trade Zones and Export-Oriented Units (EOU) and Estates for small and medium industries within areas of its boundary has been launched to promote exports. Also, establishement of export oriented units will be allowed to be set up all over the country. National Industrial Zones will be developed through private sector (domestic or foreign) under investor, developer and promoter (IDP) concept. However, parameters of the EOU have not been announced till now.

A single National Industrial Zone Authority (NIZA) will be set up with statutory powers to carry out the responsibility of the management of the NIZ. NIZA will extend one window facility to give permissions incorporating all required clearance of various departments and arrange utility and other related services for the investors to undertake industrial projects within the zone. A draft legislation for NIZA has been prepared by the BOI in technical assistance with UNCTAD, and is expected to become an Act within a year.

Free Industrial Zones will be multi-product zones where a variety of export products can be manufactured, traded, exported or re-exported.

Free Trade Zones will serve as an effective instrument to boost export trading. Private bonded warehouses will be permitted to be set up in the Zones to meet the requirements of the industrial units in the Free Industrial Zones or other EOUs in the country.

An Export Oriented Unit (EOU) is an industrial unit which exports its entire production excluding permitted level of Domestic Tariff Area sales and reject.

According to new Investment Policy, the incentives for free Industrial Zones, free Trade Zones and Export Oriented Units will be as follows:

(a) Local DFIs/Banks may be allowed project financing in Zone.
(b) Sale upto 20% of exports may be allowed to Domestic Tariff Area subject to payment of duties and taxes.
(c) Export of waste and defective items be allowed to tariff area are as also to bonded manufacturing units.
(d) Exporters of a zone may be treated at par with tariff area counterparts for freight subsidy on certain items.
(e) Inter-unit transfer of finished goods among exporting units may be allowed.
(f) Import duty and provincial tax exemption on imported machinery and raw materials.
(g) Duty free import of two vehicles for the projects located in NIZs.

The GOP also established an Export Processing Zone (EPZ) in Karachi, in 1989, where special fiscal and institutional incentives, are available to encourage the establishment of exclusively export-oriented industries. The Government has established two new EPZs -- in Sialkot and Rawalpindi. The incentives are as follows:

- Complete exemption from all federal, provincial and municipal taxes, any foreign exchange control and insurance regulations as applicable in Pakistan up to the year 2000.

- income accruing outside Pakistan exempted from tax;

- the losses, if any, on an industrial unit set-up in the Zone may be carried forward indefinitely;

- import of equipment machinery and materials (including components, spare parts and packing material) for enterprises set-up in the Zone is exempted from all federal and provincial taxes and duties including customs, excise, sales tax and municipal taxes;

- "One Window" service and simplified procedures - import permits and export authorizations are issued by the Export Processing Zone Authority (EPZA).

F. Performance Requirements/Incentives

Government policies strongly favor investment proposals in the engineering/capital goods manufacturing sector that have large export or value addition and local content components, but amounts are negotiable. The local content policy, known as the deletion policy, requires that all investments based on local assembly of imported parts, and that wish to enjoy favorable tax rates accorded to new investments, have a deletion program to raise local content. The Ministry of Industries monitors the deletion schedule closely and must approve any deviation.

Some projects that have been sanctioned and are operating in Pakistan have had considerable difficulty meeting their deletion program timetables, which often prove too tight for investors to organize a system of dependable, quality-conscious local suppliers. Relatively high duties discourage the import of automotives and other finished products, although the Government is reducing duties across the board to force the Pakistani economy to become more internationally competitive.

The Government's investment policy provides that all incentives, concessions, and facilities provided to domestic investors for industrial investment are also available to foreign investors without discrimination. A number of concessions, such as exemption from customs duties, sales tax concessions and a tax exemption on investment, as well as guaranteed repatriation facilities, have been introduced to accelerate industrial development in the country.

G. Transparency of the Regulatory System

Enforcement of the competition law in Pakistan is under the jurisdiction of the Monopoly Control Authority, an independent regulatory authority which lacks enforcement muscle. The Authority had its heyday during the populist period of Z.A. Bhutto in the 1970s, but even then it was notable more for its good research than its enforcement efforts. Pakistan formerly had a relatively high degree of industrial concentration, with widespread licensing procedures restricting entry and serving as vehicles for creating monopolies and oligopolies. The end of the licensing regimes, the decline in bureaucratic controls, and the liberalizing trend of the last five years have reduced industrial concentration by bringing down barriers to entry. Certain industries remain relatively concentrated, but for industry-specific rather than systemic reasons.

In a bid to deal effectively with environmental degradation, the Government of Pakistan, on December 6, 1997, has promulgated a major Environmental Act entitled "Pakistan Environmental Protection Act, 1997" which provides a comprehensive legal framework for addressing environmental problems including prevention and control of pollution, management of the health impact of climatic changes; import of chemicals and other toxic substances; management, handling and transportation of hazardous substances; and management of industrial, municipal, and agricultural wastes as well as promotion of sustainable development.

The Pakistan Environmental Protection Agency (PEPA) is responsible for enforcing the laws related to the protection of the environment. PEPA, a relatively new agency still developing its professional staff, is responsible for national environmental policy, development and implementation of environmental standards, and monitoring compliance with those standards. To date, PEPA has developed standards for municipal and liquid industrial effluent and waste, industrial gaseous emissions, motor vehicle exhaust and noise and air pollutants.

Public sector projects that are likely to adversely affect the environment are required to file with PEPA a detailed Environmental Impact Statement when the project is in the planning stage; other projects may be required to file short descriptions of their effects on the environment. Potential investors should contact PEPA at an early stage of the planning process to ensure compliance with environmental standards. The review process for Environmental Impact Statements should take 90 days and may lead to approval, rejection, or request for modification. Each province also has its own environmental protection agency; provincial Directorates of Industry may refer a project to the provincial agency when there are concerns about environmental impact.

The Securities Exchange Commission and the Registrar of Companies share responsibility for outside regulation of securities markets. They and the members of the exchanges have cooperated in streamlining processes for registration and listing of securities. The equity market is regulated by the Securities and Exchange Ordinance 1969 and the Securities and Exchange Rules 1981. The Companies Ordinance 1984 regulates stock exchanges by setting out the provisions under which listed companies must operate.

H. Labor

Estimated on the basis of existing population of 134.0 and its annual growth at 2.3 percent, the total labor force is estimated at 38.6 million as of January 1, 1999. The unemployment rate is estimated at about 6.1 percent during 1999.

I. Efficiency of Capital Markets and Portfolio Investment

The pattern of capital market development in Pakistan has been similar to several Asian markets. Bond market development has lagged as elsewhere in the region. However, the equity market in Pakistan has registered phenomenal growth in terms of size of the market and institutional development, but the fixed income securities market has not developed as quickly. At around 15 percent of GDP, Pakistan's savings rate is one of the lowest among developing Asian economies. The bond market in Pakistan covers debt and debt like securities issued by the government, statutory corporations and corporate entities. The market for bonds of statutory corporations and corporate entities is at an early stage of development.

The capital market reform package introduced new measures to encourage the development of capital markets in Pakistan. The financial institutions reforms have paved the way for the banks to operate on professional lines under the supervision of the State Bank of Pakistan, which is now an autonomous body.

There are three stock exchanges in Pakistan -Karachi, Lahore and Islamabad. At present the Karachi stock exchange has about 780 listed companies with trading volume increasing from 1.1 million shares a day in 1990, to about 95 million at present. Lahore and Islamabad stock exchanges are substantially smaller than Karachi.

In a major move to attract foreign portfolio investment the GOP in its new investment policy 1997 has announced a liberalized economic reforms package introducing new measures to encourage the development of capital markets in Pakistan. The package, among other incentives, extends a capital gains exemption for three years, exempts bonus shares from income tax, exempts foreigners for payment of tax for investing in Fixed Income Securities and removes the turnover tax on shares.

J. Conversion and Transfer Policies

Pakistan has a liberal foreign exchange regime with few restrictions on holding foreign exchange and bringing it in or out of the country. There are no limits on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, or payments for imported inputs.

The average delay period currently in effect for remitting investment returns such as dividends, return on capital, interest and principal on private foreign debt, lease payments, royalties and management fees through normal, legal channels is only a week to ten days. The delay for remittances by shipping companies is approximately one to three weeks and airlines generally experience delays of one to two months. It is also possible to remit funds through a legal parallel market by using Foreign Exchange Bearer Certificates (FEBCs), which may be purchased in the secondary market.

K. Expropriation and Compensation

Direct foreign investments are protected against expropriation by the Foreign Private Investment (Promotion and Protection) Act of 1976 and by an investment and guarantee agreement. The Government's record with respect to expropriation of foreign investment has generally been good. Although a number of nationalization of private concerns took place between 1972 and 1975 under the populist government of the late Prime Minister Zulfikar Ali Bhutto, they primarily affected domestic Pakistani companies. The current government of Prime Minister Muhammad Nawaz Sharif (and its predecessors since 1988) have credibly emphasized the great importance of the inflow of direct foreign investment and pledged to facilitate such investment. This implicit pro-foreign investment consensus among recent governments and the two major political parties makes nationalization or expropriations an extremely unlikely course in the foreseeable future.

L. Dispute Settlement

Legal System - Pakistan's legal system is based on British law, with a more recent overlay of Islamic law. The 1956 Constitution established Islamic principles to serve as a guide to state authorities. Article 198 provides that no law shall be repugnant to Islam. Statutes are a mixture of laws carried over from British rule and updating amendments and laws enacted since Partition.

The tiers of civil and criminal courts begin at the tehsil (sub-district) level and range up to the Supreme Court. The Supreme Court, based in Islamabad hears: appeals from the four provincial High Courts and the Federal Shariat Court (i.e. Islamic)

Court; references from the federal government; and cases involving disputes between provinces or between provinces and the federal government. Each province has a High Court (the Islamabad Capital Territory falls within the jurisdiction of the Punjab High Court at Lahore). The High Courts hear appeals from judgments and orders of the District Courts (for civil cases) and Sessions Courts (for criminal cases) and have original jurisdiction in certain other matters. District and Sessions judges sit at the district level; often the same individual sits as both a district and sessions judge, depending on whether the matter at hand is civil or criminal. There are also a number of special courts and tribunals to deal with specific types of cases (Customs, Banking, Environmental, Labor, etc.).

All of Pakistan's constitutions have provided that all laws should conform to the injunctions of Islam, but there was little focused effort on this subject until General Zia ul-Haq made Islamization of Pakistan's laws a priority. In 1979, Zia reactivated the Council of Islamic Ideology (CII), which vets legislation for compatibility with Islam, and codified the four Hadood Ordinances in an attempt to make the Penal Code more Islamic.

Pakistan established an Ombudsman in 1983 to deal with public complaints against the Federal Government. The Ombudsman is a non-partisan individual appointed by the President for a four-year non-renewable term and may not be removed for any reason. The ombudsman's purpose is to deal with cases of mal-administration and to enforce some bureaucratic accountability.

Commercial law follows British and British Indian precedents. The Contract Act is, in effect, a codification of the English law of contract; Pakistan adopted the Indian Companies Act of 1913 at independence and has built on it since. Pakistan does have a concept of bankruptcy law, again using the British model. Bankruptcy petitions involve corporations and businesses; personal bankruptcy is not currently a widespread concept. In general, the court appoints a liquidator to sell off and account for the property of the bankrupt.

Security Interests in Property - The establishment of a market-oriented housing finance system in Pakistan's private sector is in its infancy. Until 1993, private firms were not permitted to lend for housing, and the sole source of formal sector housing loans was a highly-subsidized public lender, House Building Finance Corp. (HBFC). Recent regulatory reforms have led to the establishment of a legal framework for licensing and regulating private housing lenders. At present, two private housing companies are operating in a regulated environment and offering a variety of loan instruments. In order to mobilize funds, private housing companies may issue certificates of investment. Corporate Law Authority is responsible for licensing and regulating new companies in the housing finance sector.

Membership in ICSID/Domestic Arbitration Statute - Pakistan is a member of the International Center for the Settlement of Investment Disputes (ICSID). The Center provides facilities for conciliation and arbitration of investment disputes between contracting states and nationals of other states under a Convention for the settlement of investment disputes. The Pakistan Arbitration Act, 1940, also provides a mechanism for the arbitration of commercial disputes under which the parties either jointly appoint a single arbitrator or each appoint an arbitrator who join a neutral arbitrator on a three-person panel.

Pakistan became a member of the Multilateral Investment Guarantee Agency (MIGA), an arm of the World Bank, in April 1992, and MIGA's first local initiative was to provide coverage for several banking projects.

GOP record on Investment Disputes - There have been no significant recent investment disputes involving U.S. investors or contractors.

M. Bilateral Investment Agreements

Pakistan has bilateral investment treaties with the Peoples

Republic of China, France, Germany, the Republic of Korea, Kuwait, the Netherlands, Romania, Sweden, U.K., Spain, Portugal, Turkmenistan, Tajikistan, Kyrghistan, Kazakhistan, Turkey, Kuwait, Malaysia and Singapore. A draft proposal for a Business Development Forum to facilitate business development between the United States and Pakistan was initiated in 1996, but has not yet been finalized so far.

N. OPIC and other Investment Insurance Programs

With the removal of U.S. economic sanctions against Pakistan, the Overseas Private Investment Corporation (OPIC) is now allowed to offer coverage to Pakistan; however, given the country's current financial ratings, OPIC has yet to extend its coverage to Pakistan.

O. Capital Outflow Policy

Pakistan has no restrictions on capital outflow. Those seeking to transfer funds out of the country need only comply with the procedures administered by the State Bank. This liberalized approach to capital outflow is part of Pakistan's effort to integrate itself into global capital markets. Although specific statistics are not available, there is very little outgoing foreign direct investment (FDI). Pakistan experienced some capital flight in September/October 1996 and again in May 1998, just before the government imposed a freeze on the foreign Currency Accounts (FCA’s) but flows have stabilized since then.

P. Major Foreign Investors

The United States is the top ranking direct foreign investor in Pakistan. According to the GOP Ministry of Finance, cumulative direct foreign investment from the U.S. now totals $1,248.6 million. The American Business Council, whose membership is drawn from major U.S. firms, has over sixty members. After dropping off somewhat in 1992-93, probably as a result of the political uncertainty which gripped the country during much of that year, investment from the U.S. has been on the upswing. However, foreign investment has again dropped substantially since October 1996, and in FY 98-99 will probably be only 50 percent of the amount in FY 95-96.

VIII. TRADE AND PROJECT FINANCING

A. Brief Description of Banking System

Financial reforms introduced in 1990 have liberalized Pakistan's banking sector, which had long been dominated by state-owned banks, and private banks are gradually playing a more significant role. In December 1990, the GOP announced plans to privatize state-owned banks and to allow the establishment of private domestic banks. So far the government has privatized two formerly nationalized banks, Allied Bank Limited and Muslim Commercial Bank. The GOP has also announced its plans to privatize Habib Bank, the country's largest commercial bank in terms of assets.

There are 25 Pakistani commercial banks, with over 8,000 branches nationwide. These banks account for about 78 percent of total commercial bank assets.

Twenty one foreign commercial banks--of which three are American--with 81 branches, also do business in Pakistan. Foreign banks are permitted to engage in a full range of banking activities. Foreign banks are subject to higher withholding taxes than Pakistani banks, but this gap is gradually being closed. Most foreign banks may not establish more than four branches, though at least one exception has been granted to this general rule. Otherwise foreign banks are accorded essentially the same treatment as Pakistani banks.

Bank Assets - U.S. Presence - The three U.S. banks operating in Pakistan--Citibank, American Express Bank, and Bank of America--accounted for seven percent of all commercial bank assets in 1994. All three U.S. commercial banks currently operating in the retail market (and almost all other foreign banks in Pakistan) are branches rather than wholly-owned subsidiaries. (Although there is no requirement that foreign banks operate as branches, the wholly-owned subsidiary format would require them to offer shares for sale to the public at prices below the true market value). Citibank is the largest foreign bank operating in Pakistan. The U.S. banks have, in general, been selective in their choice of customers, and as a result have what most observers would agree is a quality client base. Like all other commercial banks in Pakistan, their major activity is business lending; the U.S. banks have a relatively high percentage of multinational corporations as clients. Citibank, however, also pioneered the development of consumer banking in Pakistan and in 1993 became the first commercial bank to offer a comprehensive program for automobile loans and individual mortgages.

Commercial banks are engaged predominantly in corporate lending, with the state-owned and newly privatized banks involved in various forms of concessionary lending. The commercial banks are the main sources of short - and medium-term credit for domestic investment.

Consumer banking in Pakistan is largely undeveloped. There is no tradition of lending to small individual consumers, and purchases of automobiles, housing, and consumer goods are generally made on a cash basis. Foreign banks generally have sufficient lucrative business in the corporate sector to absorb their limited credit reserves. High interest rates combine with high start-up costs to discourage initiatives in the consumer sector.

The State Bank of Pakistan, the central bank, controls the money supply and credit, supervises the operations of banks, administers the country's international reserves, and acts as banker to the federal and provincial governments.

The GOP has pursued a policy of prescribing target levels of lending to certain sectors of the economy, to ensure that priority sectors receive adequate credit. The credit targets apply only to state-owned banks. The GOP has also mandated a program of concessionary credit to the private sector through state-owned commercial banks. It provides concessionary credit for export finance, locally manufactured machinery, and agricultural production loans to small farmers. The export finance scheme is available to all commercial banks. However, private banks generally make little use of this program and lending under the export finance scheme is dominated by the state-owned and newly privatized banks.

According to the State Bank of Pakistan, the total volume of overdue loans from the commercial banks as well as non-banking financial institutions (NBFI) was Rs. 146 billion (US$2.8 billion at mid-1998 exchange rate) at the end of June 1998. The highest ratio of default to total loan portfolio was in NBFI’s (24.2%) followed by domestic banks (19.7%) and foreign banks (5.2%). With few defaults, the foreign banks, including U.S. banks have enjoyed profitable operations.

There is no system of deposit insurance in Pakistan, although the State Bank and the Pakistan Banking Council have considered instituting such a system. Foreign banks have reacted cautiously to proposals to establish a system of deposit insurance, because they fear having, in effect, to subsidize the state-owned and newly-privatized banks that hold far weaker portfolios.

In 1979, Pakistan began a program of bringing its financial sector into conformity with Islamic economic principles by taking steps to eliminate interest. The two cornerstones of this policy are the use of the "mark up" system in bank lending and "profit and loss sharing" (PLS) for bank depositors. These two systems are now used for all rupee accounts in commercial banks; foreign currency accounts are still based on interest-bearing precepts.

Under the mark up system, the lending institution in effect purchases a share of the borrower's assets, with an agreement to sell back the assets when the loan falls due, at a fixed price, including the "mark up". If the borrower is unable to pay when the loan falls due, the loan can be "rolled over", by extending a new loan for the amount of the original loan plus the previously agreed mark up amount. One shortcoming of this system is that non-performing loans can be "rolled over" indefinitely, so that a bank's balance sheet may not accurately reflect the viability of its outstanding loans.

Under the profit and loss sharing system, banks declare a return on deposits periodically, based on the profits actually earned on PLS deposits. Because banks could theoretically suffer a loss, this means that depositors' principal as well as return are both at risk under the PLS system. In practice, banks announce expected PLS rates in advance, so depositors have a good estimate of their rate of return before making a deposit.

Commercial banks face considerable competition in attracting deposits from individuals or small investors; the GOP's national saving scheme offers attractive rates of return (in the 16 to 18 percent range) on small accounts, which banks find difficult to match. The corporate bond market is still in its infancy in Pakistan; if this form of financial instrument becomes better developed, banks may also face more difficulties in attracting deposits from businesses. With increasing competition from more efficient private banks, portfolios with a significant volume of bad loans, and the prospect of lowered mark up ceilings, the state-owned banks will face particular difficulties in attracting new deposits.

Other financial institutions operate in specialized areas. For example, the Agricultural Development Bank of Pakistan (ADBP) provides credit facilities to farmers and cottage industries in rural areas. The Industrial Development Bank of Pakistan (IDB) provides loans to small and medium-sized industrial enterprises in the private sector. The Investment Corporation of Pakistan (ICP) was established to encourage and broaden the base of investments and to develop the capital market. The Pakistan Industrial Credit and Investment Corporation Limited (PICIC) is concerned with financing new industries and providing funds for the modernization of existing industries in the private sector.

B. Foreign Exchange Controls Affecting Trading

Pakistan's exchange rate policy has shifted from a managed float to a market-based, exchange rate system and the system of official exchange rate is abolished. From May 19, 1999 Floating Interbank Rate will apply to all foreign exchange receipts and payments.

In recent years, the GOP has significantly liberalized foreign exchange controls. Individuals and firms in Pakistan may now hold foreign currency bank accounts and may freely import and export currency. Foreign firms (other than banks) with investments in Pakistan may remit profits and capital without prior SBP approval.

The government in 1994 made the Pakistan rupee fully convertible for current account transactions. However, exporters must still sell their foreign exchange earnings to the State Bank of Pakistan.

C. General Availability of Financing

Pakistan's banking sector offers a full range of services, including foreign trade and working capital financing, term finance facilities, and retail banking. Letters of credit can be routed through the local banks having overseas networks (foreign exchange transactions are conducted by the bank with overseas affiliates). Since credit targets are controlled by the central bank, it sometimes is desirable to work with several banks in order to satisfy borrowing requirements. All borrowing from the commercial banks is, in theory, conducted on a secured basis, since unsecured borrowing is not permitted.

In addition to the commercial banks, Pakistan has about 16 specialized banks and development financial institutions. The National Development Finance Corporation (NFDC), the Pakistan Industrial Credit & Investment Corporation (PICIC) are the leading development finance institutions (DFIs) providing medium and long-term loans in both rupees and foreign currency to the industrial sector. Their services include participation in equity through ownership of shares and debentures, underwriting public issues of shares and securities, assisting Pakistani investors to obtain foreign investment, assisting foreign investors to locate suitable investment opportunities in Pakistan, and providing technical and managerial advice and assistance.

There also are about 12 investment banks, about 50 modaraba companies (see description below), and over 30 leasing firms, all of which have filled a major gap in the country's financial services sector through the provision of a wide range of investment banking services. Through affiliation with major international financial institutions, investment banks, in particular, have been able to transfer financial expertise and technology to the local markets.

The specialized banks include Saudi Pak Investment Company, Pak Kuwait Investment Company and Pak Libya Holding Company, all of which are joint ventures providing term financing and equity support facilities.

In addition, there are the National Investment Trust (NIT), an open-ended mutual fund, and the Investment Corporation of Pakistan (ICP). Both are large investors in the stock market and provide financing for major projects.

Foreign investors may also utilize the stock market to raise capital. There are over 780 companies listed on the Karachi Stock Exchange.

Islamic Modes of Financing - Some of the Islamic modes of financing available to both domestic and foreign investors (in accordance with regulatory requirements) are:

Working Capital Finance - "Morabaha": Under Morabaha the banks provide working capital finance which may be drawn (by checks) and credited on a daily basis with the facility of an overdraft account.

The pricing (of debit balances) is calculated on a daily basis at a rate agreed between the borrower and the bank according to financial market conditions. Essentially, the bank and borrower effect a sale and purchase (in respect of the assets which form the bank's security), and the difference between the purchase and sale price establishes the mark up.

"Musharika" is another form of working capital finance by way of a "partnership" between the borrower and lender based on a profit and loss sharing agreement. Working capital finance may also be provided through discount of bills of exchange.

Term Financing - Term financing is available through a mechanism known as a Term Finance Certificate (TFC). TFCs are typically used to meet the medium and long-term financing requirements of new projects when the borrower actually sells his project assets to the financing institution. Each certificate represents a definite sum of money, and is transferable in the same way as a bond.

The borrower's purchase consideration is a fixed installment of payment over the financing period represented by the TFCs. The rate of return to the financial institution is derived from the marked-up amount of the resale price to the borrower. The mark up rate is determined in accordance with financial market conditions, and is agreed between the bank and the borrower when the facility is negotiated.

Modaraba - A "Modaraba" is similar to a closed-end mutual fund with certificates listed on the stock market. It is managed by a modaraba management company which must subscribe to, and maintain at least 10 percent of the modaraba. The concept is that the "manager" and the subscribers to the modaraba's certificates pool their respective resources of skill and capital in profitable partnership. The manager receives a fee amounting to 10 percent of net profits of the modaraba together with reimbursement of costs. The remaining profit is allocated pro rata to all certificate holders including the manager in his capacity as a subscriber.

Modarabas may be general purpose (for various forms of financing activity) or for a specific purpose (floated as a source of finance for a specified type of activity or project). Of the 50-some modarabas floated to date, several are engaged in leasing.

D. How to Finance Exports/Methods of Payment

Pakistan has a modest export financing scheme, managed by the State Bank and channeled through commercial banks. It provides special credit facilities to certain exporters who have irrevocable proof of orders.
The preferred means of payment for imports into Pakistan are against a confirmed irrevocable Letter of Credit (L/C).

E. Availability of Project Financing

Project financing by the public sector in Pakistan is generally through a combination of local currency and foreign exchange credits provided by various donors such as the International Bank for Reconstruction & Development (IBRD), the Asian Development Bank (ABD), and other multilateral sources. Government loans and grants are also used to finance various projects. Each public sector agency and corporation has an annual budget and foreign exchange allocation. Most purchases are by international tender according to the rules of the loan-giving agency or type of credit.

Since 1967, the United States has won $2.6 billion in overall procurement. In 1995, the U.S. won $333 million in procurement contracts and consulting services. This represents 9.36 percent of overall procurement from donor member countries. The U.S. has consistently ranked first in consulting services awards, capturing about 20 percent of total awards every year.

Interested parties should contact the U.S. Liaison to the

Asian Development Bank; Fax: (632) 890-9713.

In its project financing role, the International Finance Corporation (IFC), a member of the World Bank Group, both provides loans and makes equity investments. Unlike most multilateral institutions, the IFC does not accept government guarantees for its financing; it attempts to price its finance and service in line with the market, shares full project risks with its partners, and seeks profitable returns. IFC is very active in Pakistan. In the last three years the volume of financing approved by the IFC for its own account for projects in Pakistan has nearly tripled.

F. Types of Projects Receiving Financing Support

Most funding is for government-sponsored and supported infrastructure development projects, such as power generation and communications, as well as projects in the environmental and social sectors.

The Asian Development Bank, headquartered in Manila, is an international financial development institution owned by 56 member countries of which the United States and Japan are the largest shareholders. The Bank lent $5.5 billion in 1995 to promote economic and social progress in its developing member countries. The energy sector received the largest share of lending, followed by social infrastructure, transport and communications, agriculture and agro-industry, finance, and industry and non-fuel minerals. The Bank's medium-term strategy focuses on poverty reduction, improving the status of women, population planning and environmental protection. The Bank has also assumed a new role as a catalyst for development. In implementing this policy, the Bank will leverage its own financial resources through co-financing and other techniques to attract additional private capital in funding the development needs of its member countries.

A commercial liaison office, which reports directly to the Office of Multilateral Development Banks at the Commerce Department in Washington, assists U.S. suppliers and consultants in winning contracts on projects and activities funded by the ADB. The office includes a Senior Commercial Officer and two (2) Commercial Specialists. One of the Specialists represents the United States-Asia Environmental Partnership (US-AEP) at the Bank. The Liaison works closely with the U.S. Executive Director who represents the United States on the Bank's Board of Directors.

G. List of Banks with Corresponding U.S. Banking Arrangements

All major nationalized, foreign, and newly established private banks have correspondent banking arrangements with major U.S. banks. Major foreign and domestic banks operating in Pakistan include:

PAKISTANI BANKS	FOREIGN BANKS
-- Allied Bank of Pakistan	-- ABN AMRO Bank N.V.
-- Askari Commercial Bank	-- American Express Bank

-- Bank Al Habib Limited	-- ANZ Grindlays Bank
-- Bolan Bank Limited	-- Bank of America
-- First Women Bank Limited	-- Credit Agricole Indosuez
-- Habib Bank Limited	-- Bank of Oman
-- Union Bank Ltd.	-- Citibank
-- Indus Bank Limited	-- Deutsche Bank A.G.
-- Faysal Bank Ltd.	-- Doha Bank Limited
-- Muslim Commercial Bank Ltd.	-- Emirates Bank Intl.
-- National Bank of Pakistan	-- Hong Kong & Shanghai Banking Corp.
-- Prime Commercial Bank Ltd.	-- Societe Generale
-- Soneri Bank Limited	-- Standard Chartered
-- United Bank Limited	-- Bank of Tokyo

IX. BUSINESS TRAVEL

A. Business Customs

In 1997, Pakistan reverted to weekly holiday on Sunday, with half working day on Fridays. Most government offices are open for public dealing from 9:00 a.m. to 3:00 p.m. on regular weekdays and 9:00 a.m. to 12:00 noon on Fridays. Private businesses and multinationals usually operate from 9:00 a.m. to 5:00 p.m. during weekdays; however, most international firms are closed on Saturdays and Sundays.

B. Travel Advisory and Visas

Travel Advisory - Demonstrations, rallies, and processions may occur on short notice and may make it advisable for foreigners to avoid particular regions or particular urban districts. Since a local situation can change rapidly, U.S. travelers should exercise caution, read the local English-language newspapers, and check with the consular sections of the U.S. Embassy or nearest U.S. consulate to ascertain whether there is any situation to which they should be alert.

Visas - All U.S. citizens are required to have a valid passport and Pakistani visa for entry into Pakistani. Visas are not available at airports on entry; they must be obtained at Pakistani missions abroad. In the United States, Pakistani visas may be obtained at the Embassy of Pakistan in Washington or at Pakistani Consulates in New York and Los Angeles; applications may be made by mail to the Pakistani Consulate in New York only.

Business visitors, however, may be granted a 30-day visa on arrival at airports in Pakistan, according to a recent policy announcement.

To obtain a Pakistani visa, an applicant must submit a completed visa application, a current passport photograph, a valid passport and proof of onward/return transportation. Applicants for business visas are required to submit a letter from their company. The period of validity may be extended for periods of up to 6 months by applying to the Ministry of Interior in Islamabad. (Note: Visitors are advised to confirm current procedures by contacting the appropriate Pakistani diplomatic or consular post covering their jurisdiction prior to undertaking travel.)

Visitors are allowed to import the following items free of duty: one camera and ten rolls of film; 200 cigarettes or 50 cigars or one-half kilogram of manufactured tobacco; one personal computer along with accessories; personal effects, such as cameras, typewriters, tape recorders, binoculars, may be admitted duty-free, provided they are accompanied by a document certifying that they will be re-exported on the owner's departure. The import of alcohol is strictly prohibited; if alcohol is found, it will be seized by customs officials. Export permits are not normally required, but any antiques purchased in Pakistan should be cleared with museum officials in Karachi or Lahore to ensure that their export is not prohibited.

U.S. citizens resident in, or visiting Pakistan, are encouraged to register with the U.S. Embassy in Islamabad or the U.S. Consulates in Karachi, Lahore, or Peshawar. Foreigners planning to remain in Pakistan for more than 30 days must register at the nearest district Foreigners' Registration Office.

Cholera, smallpox, and yellow fever immunizations are required for travelers arriving from infected areas. An AIDS (HIV)-free certificate is also required for travelers intending to stay in Pakistan for more than one year. Malaria prophylaxis is recommended by some physicians and various strains of hepatitis are prevalent in Pakistan. Travelers to Pakistan should check with their physician or the local office of the U.S. Public Health Service for information on any unusual circumstances that might necessitate additional protection. There are medical facilities in Karachi and Islamabad comparable in standard to those in the West, but good quality care is lacking in most other areas.

U.S. business travelers are encouraged to obtain a copy of the Key Officers of Foreign Service Posts: Guide for Business Representatives available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; Tel: (202) 512-1800; Fax: (202) 512-2250. Business travelers to Pakistan seeking appointments with U.S. Embassy Islamabad officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at 92-51-2080-2530, Fax at 92-51-823981, or email at jlb@isb.comsats.net.pk

C. Holidays

- List of Pakistani holidays for 2000:

Eid-ul Fitr	Jan 9, 10, 11*

Pakistan Day	March 23
Eid-ul-Azha	March 18, 19*
9th/10th of Muharram	April 16, 17*
Milad-An-Nabi	June 17*
Independence Day	August 14
Iqbal Day	November 9
Birthday of Quaid-i-Azam	December 25

* (Based on the Islamic lunar calendar and may differ in the event by one or two days from the expected dates.)

During the Islamic month of Ramazan (Ramadan), observant Muslims do not eat, drink, or smoke between sunrise and sunset. During this month, travel is more difficult, the pace of business activity slows (many offices close by mid-day), and it is therefore more difficult to accomplish business objectives. Ramazan begins 29 or 30 days before the feast of Eid-ul-Fitr.

D. Work Week

Since February 24, 1997, Pakistan has reverted to a six-day work week extending from Monday through Saturday. Weekly holiday has now been changed from Friday to Sunday, mainly to facilitate business community's liaison with the international the market place. Stores and offices remain closed on Sunday. The U.S. government facilities in Pakistan continue to maintain a five-day, Monday-through-Friday work week.

E. Business Infrastructure

Transportation - Karachi's Quaid-i-Azam International Airport, whose Jinnah Terminal opened in August 1992, is the principal international gateway to Pakistan, although Islamabad, Lahore, Peshawar, Faisalabad and Quetta also have a number of international flights. An airport departure tax and a foreign travel tax are levied on international passengers. (As of April 1999, the foreign travel tax is a flat 1500 rupees; the departure tax ranges from 400 to 600 rupees, depending on the class of travel); and in addition, there is a 20 percent Central Excise Duty on purchase of local air tickets and 1.5 percent Capital Value Tax on purchase of international tickets.

State-owned Pakistan International Airlines (PIA) is the main Pakistani carrier on international routes; Shaheen International, Aero-Asia and Bhoja Air have recently started flying to the Middle East and the Central Asian Republics. As of April 1999, the domestic market is shared by PIA and three small private sector carriers, Aero- Asia, Bhoja Air and Shaheen Air International. PIA and its domestic competitors serve 36 destinations in Pakistan. Karachi's Quaid-i-Azam International Airport is the country's main hub for international carriers, and there is also limited international service by several international carriers from Islamabad and Lahore. No U.S. carriers presently serve

Pakistan.

Pakistan's highway system is variable in quality. Although there are fast and comfortable luxury coaches on some routes, flying or private or hired cars would be the preferred mode of inter-city travel. Traffic drives on the left. Yellow taxis are available in most large and small population centers. With the exception of Karachi, taxi fares have to be negotiated. Car rentals are available in major cities; rental of cars with drivers is recommended. Private car ownership is recommended for long-term residents; visitors require an international driving license.

Language - The official language of Pakistan is Urdu. However, almost all Pakistanis involved in business and commerce of a certain scale have an adequate command of English.

Communications - Internal mail delivery is inexpensive and fairly reliable. Airmail letters take about six to eight days to reach Europe and about eight to ten days to reach the U.S. Delivery of private courier packages (i.e. DHL, Federal Express, TNT, UPS) is delayed due to customs clearance. This normally takes 2 or 3 days. Delivery times for sea freight are considerably longer and more variable.

Standard e-mail, telegram, facsimile, and telex services are available at post and telegraph offices, larger hotels and at privately owned Public Call Offices. Cellular phones are available for visiting businessmen and are at times more reliable for international communications than the local conventional telephones. Internet facility is currently available in all the major cities of Pakistan.

Lodging - There are international-standard hotels in the major cities of Pakistan. Four and five-star hotels in business centers include the Avari Towers, Sheraton, Pearl Continental, and the Marriott in Karachi; the Avari, Pearl Continental and Holiday Inn in Lahore; the Faisalabad Serena in Faisalabad; the Marriott, Holiday Inn and Best Western in Islamabad; the Pearl Continental in Rawalpindi; the Pearl Continental in Peshawar; and the Quetta Serena in Quetta. Quoted rates for Islamabad hotels in April 1999 ranged from 8,000 (plus 12.5 percent tax) rupees for a single, to 9,000 (plus 12.5 percent tax) rupees for a double; however various discounts may be available in competitive markets. The hotel rates in Karachi may be slightly lower than those of Islamabad. Under a recently announced government policy, foreign nationals are required to make all their hotel payments in foreign currency.

The general standard of rental housing is quite good. Most houses and apartments are rented unfurnished and have three or more bedrooms with attached baths. Leases typically are for two years and require one year's rent in advance. In mid-1999, the average rental for an unfurnished three-bedroom house in Karachi ranged from 40,000 to 60,000 rupees per month.

Utilities - Electric current in Pakistan is 220/240 volts AC. Two and three-prong plugs are in common use. Voltage fluctuations and power cuts are common; sensitive electric equipment, such as computers, televisions, and stereos, should be fitted with voltage regulators. Natural gas is used for cooking in larger cities. The water supply is erratic in parts of Karachi, requiring delivery by water tanker to residences in some areas. The Islamabad/Rawalpindi area also experiences serious water shortages.

Office Rental - Prevailing monthly rents for prime ground floor office space (mid-1999) are approximately 55 to 70 rupees per square foot in Karachi, 40 to 60 rupees in Lahore, and 40 to 45 rupees in Islamabad. Rents for office space above ground level become progressively lower. Tenants are generally responsible for utilities. It is common practice for a one or two-year lease to require a security deposit of one year's rent.

Schools - Karachi, Islamabad, and Lahore have privately-run schools that follow the U.S. system of education. The Karachi American School and the International School of Islamabad offer a high-quality academic program through the 12th grade. The significantly smaller Lahore American School, which has a majority Pakistani student body, also offers K-12 classes. There is also a K-Grade 6 school in Peshawar.

Food and Drink - Pakistani food combines elements of Mughal Indian and Middle East cuisines and tends to be spicy. Specialties include kababs, tikka (barbecued spiced chicken, mutton, or beef), korma (meat curry), koftas (meatballs), and pulao (spicy fried rice). The staples are nan, chapati, and paratha (unleavened breads). Some Western dishes are available in major hotels and in restaurants in larger cities; the most common international restaurants are Chinese. Pizza Hut, Kentucky Fried Chicken, McDonald's, TGI Friday and Subway have opened a few outlets in Karachi and Lahore, and McDonald's plans to start operations in Karachi and Lahore. Alcohol is served only to non-Muslim tourists in their hotel rooms and is expensive.

F. Temporary Entry of Goods

All business travelers to Pakistan are allowed to bring temporary entry items including the following: currency, personal clothing and handbag/briefcase, jewelry not exceeding Rs. 100,000, watch and traveling clock, toilet goods in reasonable quantity, spectacles and other physical aids, electric iron, electric shaver, camera with maximum 5 rolls of film, standard movie/video camera, binoculars, portable musical instruments, portable tape recorder, portable computer, invalid chair in use, 200 cigarettes or 50 cigars or tobacco (half a pound), perfume and toilet water up to half a pint, confectionery and non-alcoholic beverages not exceeding Rs.10,000 in value, and gifts and souvenirs not exceeding Rs.50,000 in value.

The 1998-99 Trade Policy also allows import of 3 percent samples along with medicines containing new chemical formulations. This facility is valid for a period of three years from the date the medicine is registered with the Ministry of Health. This exemption does not apply to narcotics, psychotropic and other similar drugs.

Construction companies and contracting firms are allowed to import machinery on a temporary basis upon authorization from the Ministry of Commerce. Under the new policy, the period of temporary importation has been enhanced from the existing one year to three years.

X. ECONOMIC AND TRADE STATISTICS

A. Country Data

-Population - The Government of Pakistan (GOP) estimated that Pakistan's population was 134.5 million in July 1999, equating to a population density of about 169 people per square kilometer. It further estimated that this population was 32.5 percent urban and 67.5 percent rural. This estimate does not include approximately 1.5 million Afghan refugees living in Pakistan. The census conducted in 1998 reported a population of 130,588,000. At that time, 55.6 percent of the population lived in the Punjab, 23.0 percent in Sindh, 13.4 percent in the NWFP, 5.0 percent in Baluchistan, 2.4 percent in the Federally Administered Tribal Areas (FATA), and 0.6 percent in the Northern Areas and the federal capital of Islamabad.

-Population Growth Rate - The Government has estimated that Pakistan's current population growth rate is 2.3 percent annually.

-Religions - Pakistan's raison d'être was to be the homeland for Muslims living in British India. It is officially an "Islamic Republic", and 96.7 percent of Pakistanis were Muslim at the time of the 1998 census. The majority of Muslims are Sunni, but a minority, variously estimated at 15 to 25 percent, are Shia; Ismailis, an offshoot Shia group led by Prince Karim Aga Khan, are prominent in some northern areas. Shia-Sunni tensions have increased in recent years and there have been occasional clashes, particularly at the time of the Shia holy days of the 9th and 10th of the Islamic month of Muharram.

The 3.3 percent non-Muslim minority consisted of Christians (1.6 percent of the total population), Hindus (1.5 percent), and smaller numbers of Ahmadis (a once-Muslim sect denounced as heretical by other Muslims and now declared non-Muslim by law), Parsees, Sikhs, Buddhists, and others. The largest concentration of Christians is in the northeastern Punjab; most of the Hindus live in eastern Sindh, in and around the Thar Desert.

-Government System - Pakistan is a democratic Islamic republic with a federal parliamentary system of government. The system of government is described in detail in Section III (Political System).

-Languages - There are twenty or more spoken languages in Pakistan, most of them Indo-Aryan. The Constitution designates as the official language Urdu, which is not indigenous to the area and is the native language only of the mohajirs, immigrants who came from India at the time of Partition. Urdu developed in north-central India and is linguistically very close to Hindi. General Zia's government (1977-1988) sought to promote further the use of Urdu in education and government, but encountered resistance from ethnic groups wedded to their regional languages and from well-to-do parents seeking to educate their children in English to enhance their upward mobility. English is widely spoken among government officials and the middle and upper classes. Punjabi is the regional language with the greatest number of native speakers, followed by Sindhi, and Pushtu (also known variously as Pashtu, Pashto, and Pushto), which is spoken by tribal groups in the NWFP and parts of Baluchistan.

B. Domestic Economy

Year	1997/98	1998/99	1999/00(P)
GDP (current factor cost, in billions of $)	64.3	60.3	63.60
GDP Growth Rate (%)	4.3	3.1	5.0
GDP Per Capita ($)	483.0	483.0	480.0
Government Spending as a % of GDP	19.9	18.8	19.0
Inflation (% increase in Consumer Price Index)	7.8	6.1	6.0
Unemployment (% of work force)	6.1	6.1	6.5
Foreign Exchange Reserves (in millions of US$, June 30)	823.0	1,680.0	1,500.0
Average Foreign Exchange Rate (rupees per US $)	43.2	50.2	55.2
Debt Service as % of export earnings	56.3	55.1	46.7
U.S. Economic/Military Assistance	-	-	-

(P): Provisional
Source: State Bank of Pakistan Annual Report 1997-98. Pakistan Economic Survey 1998-99.

C. Trade

PAKISTAN TRADE DATA
(millions of US $, unless otherwise noted)

Category	1996/97	1997/98	1998/99
Total Pakistan Exports	8,096.0	8,420.0	6,307.0
Total Pakistan Imports	11,241.0	10,315.0	7,515.0
Trade Balance	-3,154.0	-1,895.0	-1,208.0
U.S Exports	1,426.0	1,137.0	533.0
(July - March)			
U.S. Imports	1,478.0	1,775.0	1,213.0
US % Share of Pak Imports	12.7	11.0	7.9

Source: State Bank of Pakistan Annual Report 1997/98; Pakistan Economic Survey, 1998/99. Note: FY 1998/99 trade data is for the first ten months (July-April).

D. Investment Statistics

Pakistan Trade Balance with Leading Trade Partners, 1997-98
(in millions of US $)

	Country	Exports	Imports	Balance
1.	U.S.	1,774.9	1,136.7	638.2
2.	Japan	363.1	793.3	430.2
3.	Germany	539.3	523.3	16.0
4.	U.K.	593.2	410.2	183.0

Source: State Bank of Pakistan Annual Report 1997/98

Principal U.S. Exports to Pakistan for PFY-1997-98
(in millions of US $)

Rank	Description	Value
1.	Machinery	308.3
2.	Wheat and meslim	703.1
3.	Fertilizer	111.3
4.	Iron and Steel Chemicals	89.2
5.	Transport equipment	54.6

Source: GOP's Ministry of Commerce

Principal U.S. Imports from Pakistan for Pakistan Fiscal Year 1998/99

Rank	Description	Value
1.	Textiles, articles of apparel, made-ups and accessories	1,046.0
2.	Carpets and floor coverings	83.7
3.	Sports goods	68.8
4.	Surgical instruments	55.2

Source: GOP's Ministry of Commerce

D. Investment Statistics

GOP statistics on foreign direct investment are set forth in the following table:

Inflow of Foreign Private Direct Investment in Pakistan
(in millions of US $)

Country	1994/5	1995/6	1996/7	1997/8	1998/9
USA	176.4	319.8	246.2	256.2	135.1
UK	38.7	331.7	240.1	135.3	76.6
UAE	46.8	52.8	19.2	54.9	4.9
Korea	40.8	31.5	7.3	5.9	4.6
Germany	17.6	26.0	17.6	24.0	18.7
France	13.5	14.0	10.2	4.9	6.7
Hong Kong	2.2	33.9	7.5	2.1	0.8
Italy	0.3	0.5	1.8	0.9	0.2
Japan	16.3	82.1	36.6	17.8	51.3
Arabia	0.9	26.9	-17.0	1.2	1.0
Canada	0.4	0.8	1.7	0.5	0.0
Holland	4.5	11.9	7.7	26.9	5.4
Others	84.0	169.8	67.5	106.0	21.3
Total	**442.4**	**1111.7**	**699.1**	**601.1**	**326.7**

Source: State Bank of Pakistan (1998/99 data is for the ten-month period July-April).

The United Kingdom is the second largest foreign investor in Pakistan after the U.S. with $854.4 million in foreign direct investment, followed by Japan ($233.8 million), Korea ($182.7 million), UAE ($131.2 million), and Germany ($113.0 million). Figures for Pakistani direct foreign investment abroad are unavailable.

XI. U.S. AND PAKISTAN CONTACTS

- U.S. Embassy Trade Related Contacts

1. In Pakistan

United States Embassy
Diplomatic Enclave, Ramna 5
Islamabad, Pakistan
Tel: 92-51-2080-2530
Fax: 92-51-823981
Amer M. Kayani, Commercial Counselor

U.S. Consulate-General - Karachi
8 Abdullah Haroon Road
Karachi, Sindh, Pakistan
Tel: 92-21-5685170
Fax: 92-21-5681749

U.S. Consulate General - Lahore
50 Empress Road
Lahore, Pakistan
Tel: 92-42-6365530-9
Fax: 92-42-6368901

U.S. Consulate - Peshawar

11 Hospital Road
Saddar
Peshawar, Pakistan
Tel: 92-91-279801-3
Fax: 92-91-276712
Principal Officer

2. In Washington

U.S. Foreign Commercial
Service/IO
U.S. Department of Commerce
Washington, D.C. 20230
Tel: (202) 482-4836; Fax: (202-482-5179)
Christina Sharkey, Desk Officer

Export-Import Bank of the United States
811 Vermont Avenue, N.W.
Washington, D.C. 20571
Tel: (202) 566-8885
Fax: (202) 566-7524
Vice President - Asia

U.S. Department of State
Pakistan Desk Officer
Pakistan, Afghanistan, Bangladesh Affairs Office of South Asian Affairs (SA/PAB)
2201 C Street, N.W.
Washington, D.C. 20520
Tel: (202) 647-7593
Fax: (202) 647-3001

Office of the U.S. Trade Representative
Winder Building
600 17th Street, N.W.
Washington, D.C. 20506
Tel: (202) 395-6813
Fax: (202) 395-3512
Director for Taiwan and South
Asian Affairs

U.S. Dept. of the Treasury
Office of Asian and Near East Nations
1500 Pennsylvania Ave. N.W.
Washington, D.C. 20220
Tel: (202) 622-0359

Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, D.C. 20527
Tel: (202) 336-8574

U.S. Department of Agriculture
USDA/ERS/ATAD/APR
Room # 608d
1301 New York, Ave. N.W.
Washington, D.C. 20005-4789
Tel: (202) 219-0610
Fax: (202) 219-0942

Export Credits
Program Development Division
Ag. Box # 1034
Foreign Agricultural Service
Washington, D.C. 20250-1034
Tel: (202) 720-6301
Fax: (202) 690-3077

Pakistan Embassy
2315 Massachusetts Ave. N.W.
Washington, D.C. 20008
Tel: (202) 939-6200
Fax: (202) 387-0484

- Bilateral Business Councils

American Business Council of
Pakistan
NIC Building (6th Floor)
Abbasi Shaheed Road
G.P.O. Box 1322
Karachi 74400
Tel: 92-21-5676436
Fax: 92-21-5660135

- Trade & Industry Associations

In the United States

U.S. Feed Grains Council
Dr. T. J. Vorachek
Regional Director
P.O. Box 5285
Dubai, United Arab Emirates
Tel: (9714) 243880/243879
Fax: (9714) 243882

U.S. Wheat Associates
Mr. Mark Samson
Vice President for Asia
541 Orchard Road # 15-02
Liat Towers
Singapore 238881
Tel: (065) 7374409 - 7374311
Fax: (065) 733-9359

American Soybean Association
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3rd floor, Yashwant Place
Chanatya Puri
New Delhi-110021, India
Mr. Virgil D. Miedema
Regional Director
Asia Sub-continent
Tel: 91-11-687-0600; fax: 91-11-687-9300

National Renderers Association
27e Kam Kin Mansion 123
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Fax: 92-21-5874332
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Pakistan Sports Goods Manufacturers &
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Pakistan Sugar Mills Association
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The Surgical Instruments Manufacturers
Association of Pakistan
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Muslim Commercial Bank
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American Express Bank Ltd.
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Banque Indosuez
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State Life Building 1
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Deutsche Bank AG
Unitowers
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Shaheen Commercial Complex
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XII. MARKET RESEARCH AND TRADE EVENTS

- Market Research

The Foreign Commercial Service in Pakistan schedules the following industry sector/sub-sector analyses (ISAs) for U.S. fiscal year 2000:

DNT - Dental Equipment
POL - Water & Wastewater Treatment Equipment
PCI - Process Control Equipment
INS - Insurance Services
ICH - Organic Industrial Chemicals
OGM - Oil and Gas Field Machinery and Equipment
TEL/TES - Television Cable Industry
AVS - Aviation Services
POL - Solid Waste Management & Recycling Equipment
TRA - Theme and Amusement Park
FPP - Fruit & Vegetable Processing Equipment
YAR - Yarn

Note: A complete list of market research is available on the NTDB.

- Trade Events Schedule

Following Post Initiated Promotion Events are proposed for Fiscal Year 2000 for Pakistan:

	Event	**Type**
-	Exhibit USA'2000 (April 2000 -- Islamabad)	Product/catalog exhibition
- -	Exhibit USA'2000 (August 2000 -- Karachi)	Product/catalog exhibition
-	Medical Equipment (November 1999 -- Karachi)	Catalog Show
-	Fabrics, Textile Machinery and Equipment (November 1999 -- Karachi)	Catalog Show