U.S. Department of State
FY 2001 Country Commercial Guide: Pakistan

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CHAPTER 1: EXECUTIVE SUMMARY

Pakistan is at a turning point. The new government that took office in October 1999 has made the restructuring and documentation of the economy as the cornerstone of its economic revival plan. However, the revival plan broadly hinges on the implementation of badly needed reforms for uplift of the economy, including the rebuilding of investors' confidence, sweeping tax reforms by broadening the tax base, application of General Sales Tax (GST) at retail level, and agriculture tax reforms. If the government can consolidate the reforms, clamp down on corruption, and have the courage of its convictions, Pakistan still has a chance to succeed in the global economy.

Even though Pakistan's many investment obstacles will not be eradicated overnight, the country, with a population of approximately 140 million, will continue to offer a challenging market for U.S. exporters and investors. Although the economy grew by almost 5.0 percent in 1999, it has the potential to achieve higher growth levels if the government manages to reduce a cumbersome bureaucracy which continues to impede the privatization of public enterprises, and also impedes emergence of an entrepreneurial class capable of competing in the modern world.

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 semi-precious stone cutting, franchising, consumer goods, and environmental technologies. A major privatization effort in the telecommunication 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 government funds.

The United States remains the biggest trading partner of Pakistan. The U.S. is also the largest contributor of the foreign direct investment in Pakistan. In 1999, Pakistan imported more than $725 million worth of U.S. products, while Pakistan's exports to the U.S. amounted to $1.7 billion. Major imports from the U.S. were wheat, chemicals, fertilizers, machinery, and transport equipment.

Principal competitors of U.S. businesses in Pakistan are European, Japanese, and South Korean firms. Financing of goods and services is sometimes crucial for importers in Pakistan, and these countries often offer credit terms that could make it difficult for U.S. suppliers to compete. Pakistanis also note that U.S. goods are 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.

Potential investors in Pakistan face many of the same challenges that exist in other developing economies, such as inconsistent, sometimes contradictory policies and backtracking on promised privatization of public sector entities.

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.

CHAPTER 2: 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, the government has 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. These efforts have enjoyed generous support from the IMF, in the form of an Enhanced Structural Adjustment Facility approved in January 1999, which was later stalled due to non-fulfillment of some its conditionalities, especially regarding imposition of the General Sales Tax (GST) at retail level.

The new Government has prioritized the oil and gas sector, small and medium sized enterprises, information technology and agriculture as major areas of focus and is negotiating for Poverty Reduction and Growth Facility with the IMF.

Various problems have kept Pakistan's progress below its potential. Floods, drought and pestilence hurt agricultural output in the early 1990s. Domestic political instability throughout the Bhutto administration and sporadic ethnic and sectarian violence under the caretakers and the government of Nawaz Sharif and the long-drawn dispute between the government and Independent Power Producers 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; 4.3 percent in 1997-98; and 3.1 percent in 1998-99. GDP growth is expected to improve to 4.5 percent against a target of 5.0 percent during 1999-2000, which is still inadequate to make a dent in reducing poverty and unemployment. Recent annual consumer inflation of 6-7 percent has been moderated to match historically modest single-digit rates. In 1999-2000, consumer inflation is projected at 3.4 percent. Fiscal slippages have led to difficulties and delays in IMF programs. New investment inflows, both portfolio and direct, at an all-time high in 1995-96, have continued to drop substantially.

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 poverty alleviation strategy. This plan comprises the initiation of small infrastructure projects in the poorest and low income urban and rural areas, a food stamp program and the establishment of micro credit bank.

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 and is projected to grow by 4.5 percent during 1999-2000.

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 1999-2000 were estimated by the Ministry of Finance as follows:

Commodity Sector	51.0 % of which:
Agriculture	25.9
Manufacturing	16.8
Construction	3.5
Electricity & Gas Distribution	4.3
Mining	0.5
Services sector	49.0 % of which:

Wholesale and Retail Trade	14.9
Transport, Storage & Communication	10.1
Public Administration & Defense	6.3
Ownership of Dwellings	6.0
Finance and Insurance	2.5
Other Services	9.3

- Agriculture

Agriculture is the dominant sector of Pakistan's economy and accounts for around 24 percent of GDP, half the employed labor force, and a large share of foreign exchange earnings. Agricultural production also provides basic inputs for key industries, including textiles and sugar. During FY 1999/2000, agriculture growth rebounded to 5.4 percent due to bumper cotton and wheat production.

Pakistan depends on one of the world's largest irrigation systems to support production. There are two principal seasons. Cotton, rice and sugarcane are produced during the "kharif" season, which lasts from May to November. Wheat is the major "rabi" crop, which extends from November to April. Minor crops include pulses, potatoes, onion, chilies, and garlic.

Pakistan is a net importer of agricultural commodities. Annual imports total about $2 billion and include wheat, edible oils, pulses and consumer foods.

Wheat - Pakistan's MY 2000/2001 wheat crop is forecast at a record 19.3 million metric tons (MMT), compared to 17.8 MMT produced during the previous year. This increase is due largely to favorable weather and a 25-percent increase in the procurement price to about $135 per ton. About 85 percent of the crop is irrigated. White wheat is the sole type of wheat produced and the main type imported..

Despite the record production, Pakistan will continue to be a major wheat importer. The government is the sole importer following the decision to ban private imports in June 1999 to conserve foreign exchange. The government has imported an average of 2 .4 million annually over the past five years to augment domestic supplies and regulate prices. The United States and Australia are the major suppliers. Demand for wheat is increasing from Pakistan's rapidly growing population as well as from cross-border trade with Afghanistan. Demand for hard wheat also is expected to increase as the milling and baking industries diversify their product lines.

Cotton - Pakistan is the world's fourth largest producer and consumer of cotton and the economy depends primarily on cotton and textile exports as a major source of foreign exchange and employment. Textile exports have rebounded following the end of the Asian financial crisis and the industry is considering increased investment in value-added production.

Pakistan's MY 1999/2000 cotton production increased to 1.78 MMT, following a disappointing harvest the previous year. The government recently actively intervened in the market to boost prices and encourage production. Pakistan may either import or exports relatively small quantities of cotton. Imported cotton consists largely of U.S. Pima as well as SJV-equivalent cotton, which is not produced locally. The United States, Central Asia, and Australia are major suppliers of cotton to the Pakistani market.

Rice - MY 1999/2000 rice production was a record 4.8 MMT. Pakistan is a major rice exporter and annually exports about 2 MMT or about 10 percent of world trade. About 75 percent of exports are IRRI rice and the remainder is Pakistan's famous fragrant Basmati rice. Rice is Pakistan's second leading source of export earnings. Private traders handle all exports. Pakistan's main competitors are Thailand and Vietnam for IRRI-type rice and India in the Basmati rice trade.

Sugar - Pakistan is forecast to import as much as 500,000 MT of sugar during MY 1999/2000, following exports of about 500,000 MT the previous year. The reasons for the turn around is the sharp decline in sugar cane production, due both to declining returns and lower sugar recovery levels. MY 1999/2000 sugar production is forecast at 2.6 MMT. The duty on imported sugar is 45 percent. China and Thailand are expected to be the main suppliers. Production is forecast to recover and no imports are expected in MY 2000/2001, depending on the availability to adequate irrigation supplies and the monsoon.

Tobacco **-** MY2000 total tobacco production is forecast to decrease 2 percent to 101,600 metric tons (MT) due to decreases in both area and yield. Market observers expect farmers will reduce oriental production sharply and switch to other varieties, following problems disposing of last year's bumper oriental crop.

Tobacco is grown mainly in the North West Frontier Province (NWFP) and Punjab and is an important cash crop. Flue-cured and burley tobaccos are used primarily in higher-quality cigarettes. Oriental varieties (known locally as White Patta) are used in low-quality cigarettes and for chewing tobacco. Dark air-cured varieties are used mainly for filler, while light air-cured varieties are used primarily for traditional Pakistani tobacco products. Yields in Pakistan are about twice those for neighboring countries largely due to the extension services provided by the industry. Quality, however, is improving only slowly due to problems related to climate and soil. Farmers have started inter-cropping tobacco with vegetables and sugarcane to increase returns.

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 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 5 percent of total cultivated area; these include oilseeds (sunflower, soybean, and safflower) chilies, pulses, potatoes, and onions.

Oil Seeds - Domestic oilseed production accounts for about 25 percent of Pakistan total edible oil needs. As a result, Pakistan spends more than $1 billion annually in scarce foreign exchange to import edible oils, while its oilseed processing industry operates at less than 25% of capacity due to an inadequate supply of oilseeds. For MY 2000/01 total oilseed production is forecast to decrease 10 percent to 3.6 MMT, due largely to a forecast decreases in cotton and sunflower production.

The new military government has highlighted development of the oilseed sector as a priority. Oilseed imports, mainly canola, have surged in response to improved crushing margins following the government's decision to raise tariffs on meal and oil and lower tariffs on oilseeds. Decision-makers increasingly realize that a viable processing industry, using both imported and domestic oilseeds, is a necessary condition for expanding oilseed production. Continued large imports of palm oil not only drain scarce foreign exchange but reduce margins and constitute the major disincentive to local oilseed production. Soybean imports continue to suffer from anomalies in both the tariff and tax structure, which makes importation of soybeans relatively less attractive. Even so, market observers expect demand for soybean meal from the poultry industry eventually will lead to commercial imports while the government works to make its tariffs and taxes more uniform. Pakistan's poultry industry consumes about 200,000 tons of soybean meal annually.

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 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 1999/00, total fish production was 620,000 MT, of which 440,000 MT consisted of marine species and the remainder were fresh water species. 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 40 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 1999, the livestock population increased to 120 million heads. 1999 production was as follows: Beef - 970,000 MT, Mutton - 640,000 MT, and Poultry - 190,000 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.

Poultry - Poultry production provides an increasingly popular low-cost source of protein. Modern poultry production is constrained by high mortality, high incidence of disease, poor quality of chicks and poor quality feed, combined with an inadequate marketing system. Frozen poultry have only recently been introduced.

Forestry - Forests cover an area of 4.2 million hectares or about 5 percent of the total area of Pakistan. One-third of the forest area 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. Pakistan imports an estimated $150 million of wood products annually to meet the requirements of a growing population and rising standards of living. The GOP has restricted cutting to protect remaining resources and has lowered duties to encourage imports.

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 FY 1998/99, Pakistan spent Pak Rupees 40.5 billion (US$800 million approximately) on import of edible oils.

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 17.0 percent of GDP.

Cotton textile production is the single most important industry, accounting for about 19 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 1999-00. 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 1999-00 was 17.0 percent, about the same as 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 - – Textiles is Pakistan's primary industry, and in PFY-99 accounted for 8.5 percent of the Gross Domestic Product, 31 percent of total investment, 27 percent of industrial value addition, 38 percent of industrial employment, and 62 percent of total exports. Cotton is the basic raw material for Pakistan's textile industry, which today has an installed capacity of 8,358,000 spindles, 150,000 rotors, 17,000 air jet and shuttleless looms and approximately 200,000 to 250,000 auto and power looms. The knitwear industry is comprised of approximately 3,000 units, with a total of 7,800 knitting machines in the organized sector, and an estimated 17,000 to 22,000 knitting machines in the unorganized sector. The garment industry is comprised of approximately 4,000 units in the organized and unorganized sectors, with an estimated 250,000 industrial and 650,000 domestic sewing machines. Knitwear has been Pakistan's largest single segment of garment exports. During PFY-99, this sector earned USD 746 million from exports, showing an increase of 7.18 percent over the previous year. Exports are expected to reach USD 850 million (or to increase by nearly 14 percent) during the current fiscal year. About 80 percent of the country's textile industry's consumption is based on cotton and the remaining

20 percent on man-made fibers, particularly polyester, acrylic and viscose. The country produces approximately 7 million bales (each bale weighing 480 lbs.) of cotton annually, and this production satisfies over 95 percent of the textile industry's cotton requirements. Long staple and extra long staple cotton is imported to meet the demand for finer cottons. The demand for blended fabrics in increasing in the domestic market. Polyester staple fiber and polyester filament yarn are manufactured locally, but acrylic and viscose staple fibers are imported. In PFY-99 Pakistan produced 1.54 billion kgs. of yarn, the organized sector 380.47 million square meters of cloth, and the unorganized sector, comprised of power, auto and shuttleless looms, 3,618.53 million square meters of cloth. The country has a capacity to also produce 750 million pieces of woven garments as well as knitwear, towels, tarpaulin and canvas. As a rule, large firms concentrate on spinning and weaving, leaving garment manufacturing to highly fragmented small to medium-scale producers. The industry, particularly its spinning and weaving sectors, have been under pressure for the last 7-8 years owing to the lower production and higher prices for domestically-produced cotton, increased competition in the international market, financial mismanagement within the industry, rising global demand for value-added textiles as well as the increase in production capacity in some of the developing countries.

Pakistan's textile sector must move to higher value-added production to meet challenges and opportunities beyond 2005, when quotas are removed and tariff barriers lowered under the WTO. Various government incentives and an improved cotton crop have improved the outlook for the textile industry. Yarn exports have increased as domestic prices of cotton have become favorable and because the worldwide recession is ending. The GOP's new 5-year textile policy is expected to greatly encourage investment in value-added manufacturing. Investments of approximately Rs. 300 billion (USD 60 million) are expected in the textile industry, including major investments in the spinning, weaving, knitting, processing and synthetic fiber manufacturing sectors.

Pakistan's woolen industry has 118 units with 157,321 spindles and 764 looms. Only 94 mills with 99,413 spindles and 544 looms are operational. The spinning sector, which is considered saturated, uses imported synthetic fibers and raw wool to manufacture yarn. The weaving sector is comprised of a number of mills in the unorganized sector and five composite mills, and is not expected to grow over the next 2-3 years.

Pakistan also has 11 jute mills with an installed capacity of 38,151 spindles and 1,223 looms. The industry's main products are jute sacks and hessian cloth. The industry produced 85,200 metric tons of jute products in 1998-99. Its production from July 1, 1999 to April 30, 2000 was 66,252 metric tons.

Processed Foods – Food and its allied products industry is considered Pakistan's largest industry and is believed to account for approximately 27 percent of its value-added production and 16 percent of the total employment by the manufacturing sector. Major sub-sectors of Pakistan's food industry are cooking oils and hydrogenated vegetable oils, sugar, flour, tea, dairy products, beverages, biscuits, breads and confectionery, snack foods, processed chicken, and jams, jellies, squashes, sauces, pickles, spices and some cereals and canned foods. The fish, meat and fruit and vegetable sectors remain underdeveloped, partly for lack of adequate infrastructure, including storage and transportation facilities. A small quantity of processed foods is imported to feed a few supermarkets catering to the country's elite. The vast agricultural resources and the country's geographic location make Pakistan an ideal country for investment in the food sector. Several foreign firms have entered the market and established their own presence as manufacturers, or established joint ventures with local partners. The fastest growing sectors are beverages, including carbonated soft drinks and juice and juice-flavored drinks, poultry and edible oils.

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. Production in the last financial year was 76% of the capacity. For the current year –July 1999-June 2000 it was 83 percent, though in the second quarter the production October-December '99 went up to 91 percent of the capacity. Production in the third quarter reached record production of 100 percent capacity utilization during March 2000. The third quarter of the current financial year is the best ever quarter in the 18years of steel production at works.

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 had 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 1999, they had a total annual capacity of 4,651.6 thousand tons. In 1999-2000 the production of fertilizer has increased by 10.5% to 3,664 thousand tons compared to 3,046.6 thousand tons during 1998-99. There is no domestic production of potassic fertilizers.

Cement - Pakistan has 25 operating cement units, of which 21 units having capacity of 14,440 thousand tons are in the private sector and 4 units with capacity of 1,831 thousand tons are in public sector. The total annual capacity of the industry is 13,029 thousand tons. Cement production is recorded at 7.0 million tons during July-March 1999-2000 as compared to 6.9 million tons in 1998-99, a marginal increase of 1.3 percent. 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 1999-2000 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 Industry - Leather is one of the major foreign exchange earners for Pakistan, having an annual growth rate of 25 percent. The leather and leather products industry is labor-intensive (directly employing more than 200,000 workers) and there are over 500 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 manufacturing 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.

Pharmaceutical - There are around 25 multinational manufacturers of pharmaceutical products in Pakistan (of which twelve are U.S. firms) and they command over three-quarters of the domestic market. The number of multinationals has decreased in the past one year due to mergers of some multinationals in Pakistan.

Electronics and Electrical Goods Industry: The electronics and electrical goods industry is basically a consumer product industry, involved in the manufacturing of electric light bulbs, tubes, air conditioners, fans, refrigerators, freezers, television sets, radios, and other electrical appliances. Pakistan is currently facing the challenge to curtail the smuggling of electronic goods into the country via Afghanistan. The northern areas (Punjab & NWFP) are especially affected by the influx of these smuggled products. Pakistan does not produce picture tubes, deflection yokes etc. which are some of the vital components for a number of electrical goods that are being assembled and manufactured locally. Hence there is a huge demand for spare parts and various accessories, which are presently being imported. According to available data, the market potential of TV (Color) is 500,000 per year. In 1999/2000 total TV manufactured were 288,834 sets thus generating a revenue of $ 9.6 million as compared to previous year 1998/99 when 224,286 sets were manufactured, thus generating revenue of $6.75 million.

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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.

Energy: Pakistan's primary energy supply mix during the period July 1998 to June 1999 consisted of oil (42.8 percent), natural gas (38.6 percent), hydel 12.8 percent), coal (5.2 percent), liquid petroleum gas (0.4 percent) and nuclear (0.2 percent). The average crude oil production during this period was 54,755 bpd. The production of natural gas during the same period was 2,041 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 1998 to June 1999, the largest electricity consumption was by the industrial and transport sectors (34.4 percent each), followed by domestic (22.1 percent), commercial (3.2 percent), agriculture (3.0 percent) and other government (2.9 percent). Pakistan's commercial energy demand is estimated to double over the next 10 years and despite recent gas discoveries, the energy shortfall is expected to increase.

A series of new petroleum policies announced in late 1991, September 1993, February 1994 and again in May 1997, have helped boost investment in the oil and gas sector. Six gas discoveries have been made since the announcement of the newest policy. 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 install 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. Subsequent tariff increases forced many industries to establish their own internal power plants. The installation of these plants whose combined capacity is estimated to be between 800 and 1,000 MW and the stagnation of industry resulted in a decrease in power demand.

Current Situation and Future Planning - Pakistan's electricity is supplied by two large state-owned utilities, the Water and Power Development Authority (WAPDA) and the Karachi Electric Supply Corporation (KESC). 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 1,756-MW, all of it thermal. KESC's present capability is limited to 1,400-MW, but it is required to meet a demand of 1,799-MW. It therefore purchases power from two IPPs, WAPDA, Pakistan Steel Mills and the Karachi Nuclear Power Plant. In addition, eleven private sector plants of a total installed generation capacity of 4,578 -MW supply power to WAPDA. The 137-MW Karachi Nuclear Power Plant, non-operational since January 1999, is reported to have recommenced operations around December 1999.

Future increases in power generation from thermal sources will be from two IPPs in CY-2000 which will have a total installed generation capacity of 821-MW; and from four IPPs in CY-2002 or CY 2003, which will have a total installed generation capacity of 146-MW. These plants will therefore increase the total installed generation capacity of IPPs to 5,790-MW. The increase in hydel power generation will be chiefly from the 1,450-MW Ghazi Barotha Hydel Power Project, whose first 290-MW unit is scheduled to come on line in 2002. The remaining 4 units will come on line the following year. The other increases in hydel power generation will be from the 184-MW Chashma Hydel Power Project, expected to be in commercial production by June 2001. Increases in nuclear power will be from the 325-MW Chashma Nuclear Power Plant, scheduled to commence generating power by mid-2000. There are no other new power projects scheduled for completion during Pakistan's 9th 5-year Plan (July 1, 1998 to June 30, 2003).

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. Plans for building the controversial 3,600-MW Kalabagh Hydropower Project on the River Indus downstream of the Tarbela Dam are held in abeyance. In 1998, the GOP announced a new Policy for Private Independent Power Projects, which encourages the use of indigenous resources for power generation. The policy is designed to bring on line private sector generation to meet the power deficit beyond PFY-2003. Five hydel projects of a combined power generation capacity of over 1,200-MW are scheduled to be on line to meet the power demand in PFY-2005 and beyond. Four of these projects are to be located in Pakistan's Northwest Frontier Province and the fifth in Azad Kashmir. Until then, the existing power generation facilities as well as those in the pipeline are expected to meet demand, which is estimated to have an annual growth rate of 2 to 3 percent.

Thermal Power - WAPDA has 5,120-MW of installed thermal generating capacity. Most of this capacity comes from two large complexes: Guddu (1,655-MW of steam and combined cycle units), and Jamshoro (880-MW of oil-fired units). Its third large thermal unit was Kot Addu (1,638-MW) has been partly privatized and its management handed over to the investor. KESC's installed generating capacity is concentrated in the six-unit Bin Qasim Power Station (1,260-MW).

Government management of the power sector has been considered very poor, line losses huge, and corruption and over employment rampant. In late 1998 the Pakistan Army was called in to improve WAPDA's financial status, control power theft and recover outstanding dues. Army's efforts have resulted in an overall reduction of 10 percent in systems losses. In late May 1999 the Pakistan Army was also handed control of KESC, ostensibly for a period of six months, in order to reduce power losses, ensure uninterrupted power supply and improve the recovery of dues. Despite these efforts, KESC's losses rose from 34.62 percent in PFY-98 to 38.64 percent in PFY-99. KESC has now targeted 30 percent losses for PFY-2000.

The GOP plans to restructure and privatize the thermal power generation, transmission and distribution functions of both WAPDA and KESC. As part of this initiative, WAPDA's eight electricity boards has been restructured into eight distinct corporate entities; its thermal power units converted into three separate power generation companies; its transmission and grid station network incorporated into a single entity; and a holding concern, the Pakistan Electric Power Company (PEPCO) created to coordinate their activities and to manage their transition from a bureaucratic structure to a corporate structure, and thus become commercially profitable entities. Licensing applications for each of the twelve entities have been filed with the National Electric Power Company (NEPRA). NEPRA has already programmed three of these entities for public hearing in the near future. These entities will subsequently operate independently. WAPDA's shareholding is to be transferred to the Government of Pakistan, who will offer all but the National Transmission and Dispatch Company for privatization. PEPCO is currently in discussion with its lenders over the modalities, terms and commercial aspects of a USD 500 million World Bank Power Sector Adjustment Loan and a USD 750 million World Bank and Asian Development Bank jointly-financed Adaptive Power Loan. The latter loan is to be utilized to make investments to rehabilitate the existing system and make new investments in the distribution and transmission sectors.

The Faisalabad Electricity Supply Company and KESC are to be privatized within a year. The privatization of the remaining entities is to be completed a year later. Once the two utilities have been privatized, further investments in power generation facilities will become market driven and of no concern to the GOP.

Nuclear Power – In PFY-99 approximately 0.2 percent of Pakistan's total generation of electricity was nuclear. The Karachi Nuclear Power Plant (KANUPP), which has a gross generating capacity of 137-MW, was constructed in the early 1970s with Canadian technology. The plant, which has a life span of 30 years, recently underwent a major overhaul. Operations recommenced around December 1999, with the plant supplying 70-MW of electricity to KESC. A second nuclear plant of a gross generating capacity of 325-MW is under construction with Chinese technical assistance at Chashma, Punjab province. The plant is scheduled for commissioned by the end of CY-2000.

Demand for Electricity - WAPDA's customer base has expanded from 10.22 million in PFY98 to 10.8 million in PFY-99. By March 2000, the base had reached a figure of 11.4 million. The average annual compound growth rate over the previous year is therefore 5.68 percent. KESC presently has 1.59 million customers. Electricity is still, however, available to less than half of the population. By March 31, 2000 WAPDA had electrified a total of 68,046 villages. WAPDA's program for PFY-2000 envisaged the electrification of 4,097 villages, but only 863 have been completed and another 200 are likely to be completed owing to the non-availability of funding from the GOP. WAPDA's plans call for the electrification of a total of 15,500 villages during the next five years, that is, from July 1, 2000 to June 30, 2005. It will require Rs.26 billion for this purpose.

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 1999/2000. 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 Company Ltd., (OGDCL) is involved in exploration of oil and natural gas.

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 (185 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 1998-99, 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.

Coal: Pakistan's coal reserves received a substantial boost from the discovery (with USAID assistance) 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. Presently, about 91% of total coal production is being utilized for brick burning and 9% 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.

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

The Government of Pakistan has followed a liberal monetary policy during 1999-2000 in order to provide cheap credit to the sagging industrial sector. In this regard, it has reduced the interest rates on treasury bills that act as a benchmark for the lending rates of banks. The demand for credit, however, has not come forth from the private sector. Although domestic credit expansion was higher this year due to large borrowing by the government sector, conversion of non-resident foreign currency accounts into rupees and an increase in liquid reserves, actual growth in money supply has remained stagnant due to low credit demand from the private sector.

Despite an aggressive loan recovery drive by the military government that has led to the recovery of $325.62 million, the major public sector banks and the development finance institutions continue to hold large number of defaulted loans. A Corporate and Industrial Restructuring Corporation has been established to take over the bad loans of the banking sector and to revive sick industries. It is expected that, with the taking over of bad loans by the Corporation, the banks' balance sheets will improve significantly and make them lucrative for privatization.

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. Prudential regulations have occasionally been relaxed in ad hoc 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. The size of the fiscal deficit turned out to be higher than reported for 1998-99, primarily on the basis of higher expenditures. The reason for this appears to be a systemic failure that includes weak budgeting and poor reporting and accounting procedures. In light of these factors, the revised fiscal deficit target for 1999-2000 is 5.4 percent of GDP.

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 present government appears serious about the documentation of the economy and consequent broadening of the tax base that is expected to generate additional tax revenue of $1.93 billion for the next fiscal year. According to World Bank survey, the undocumented economy in Pakistan is 71 percent of GDP. In order to document the economy the Government of Pakistan has started a tax survey of industrial, residential and commercial areas in thirteen major cities and plans to extend it to the whole country.

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. 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. 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 plans to spend 90 percent of privatization proceeds for debt retirement and 10 percent for poverty alleviation. An upcoming privatization law is expected to introduce transparency and give legal protection to the contracts. A focused privatization policy has been developed by the present regime that is based on sector reforms and transaction restructuring prior to strategic sale, public offers and strategic sales, and an effective communication program. A Gas Regulatory Authority Ordinance has been promulgated and its chairman and members have been selected, and a communication strategy for privatization is being developed with World Bank assistance. The government has laid out a timeframe for privatization of various organizations in the financial, oil and gas, power, industrial and telecommunication sectors and the privatization process is to be completed by June 30, 2002. In most cases, the GOP aims to find "strategic investors" to buy up to 26 percent of these firms and gain management control. The privatization process is a very complex undertaking, since new regimes for regulation of private sector entities in these sectors are still being established. 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 Payment 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. The rupee fell significantly against the dollar as the result of unification in May 1999; since then it has been stable. The stability of the exchange rate since its unification has resulted from low relative inflation rates, adequate levels of foreign exchange reserves, orderly payments of all foreign obligations, lower dollarization of domestic savings and depressed private demand.

The liquid reserves of Pakistan have remained stable above US$1.4 billion during 1999-2000. They are able to finance two months of imports for Pakistan. The accretion of liquid reserves has taken place due to outright purchases from the kerb market.

- Foreign Trade

The country's trade performance showed some improvement during FY1999-2000 over FY 1998-1999. The trade deficit at the end of first nine months (July-March) of 1999-2000 stood at $1.471 billion, down by 3 percent over the same period of the previous year. Exports were up 9.8 percent while imports increased 10.9 percent.

In 1998-99, Pakistan's foreign trade decreased 8.5 percent over the previous year. However, a sharper fall in exports, increased the trade deficit to $2.085 billion. Exports for 1998-99 totaled $7.528 billion compared to $8.434 billion in 1997-98. Imports in 1998-1999 were $9.613 billion versus $10.3 billion in the previous year.

An export growth of 9.8 percent in 1999-2000 was mainly due to higher exports of textiles, rice, raw cotton, and fish and fish preparation. In 1998-99, the following countries were the largest recipients of Pakistani exports: the U.S. (21.8 percent); the UK (6.6 percent); Germany (6.6 percent); Japan (3.5 percent); Hong Kong (7.1 percent); United Arab Emirates (5.4 percent); France (3.2 percent); The Netherlands (3.1 percent).

Imports, at $8.33 billion during the first nine months (July-April) of 1999-2000, increased 10.9 percent over the previous year mainly due to higher imports of petroleum and petroleum products, chemicals and metal products. In 1998-99, the following countries were the major sources of Pakistan's imports: the U.S. (7.7 percent); Japan (8.3 percent); Malaysia (6.7 percent); Germany (4.1 percent); Kuwait (5.9 percent); UK (4.3 percent); Saudi Arabia (6.8 percent); China (4.2 percent).

- 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.

The fall in workers' remittances has been a source of concern for policy makers. The sharp and unprecedented increase in the kerb premium in the first quarter of FY1999 forced official remitters to move to the "Hundi" system, an unofficial albeit reliable means of remittance. Despite normalization of the kerb premium following unification of the exchange rate in May 1999, official remittances have not returned to the pre-May 1998 levels.

The inflows under resident foreign currency accounts have also fallen drastically after the freezing of foreign currency accounts in May 1998. Although this fall has put an upward pressure on Pakistan's current account deficit, this is not the source of hard currency that the State Bank of Pakistan is trying to encourage. The State Bank prefers to purchase dollars from the kerb market in order to cushion the current account instead of relying on resident foreign currency accounts.

External Sector: No new inflows of foreign assistance have come forth from the international financial institutions during the financial year 1999-2000. In fact, Pakistan experienced net outflows to IFIs during this period, as these are preferred creditors. Negotiations with the International Monetary Fund are, however, expected for a new Poverty Reduction and Growth Facility in order to replace the suspended ESAF program.

E. Infrastructure Situation

Ports - Pakistan has two significant seaports – The Karachi Port (KPT) and Port Mohammed bin Qasim - and two proposed sites for future facilities - Gwadar and Pasni, both on Balochistan's Makran Coast. Karachi is the main port, handling the majority of all dry and liquid cargo. During FY1999-00, Karachi Port handled 18.004 million tons of cargo, an increase of 2.4 percent from the preceding year. In contrast, Port Qasim during the same period handled 9.5 million tons of cargo, showing an increase of 19 percent over the corresponding period last year.

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 Wharves. 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 that the GOP hopes to stabilize and reverse. Railways carry 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 90 percent of Pakistan's freight and passenger traffic travels by road. By March 2000 Pakistan had 249,959 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. The National Highway Council headed by the Prime Minister approves plans, policies and budget of the NHA. Presently, the NHA accounts for 4 percent of the road network and 63 percent of the road traffic in the country. The total length of roads under the NHA is 7,620 kilometers.

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, work on upgradation of critical reaches on N-35 and replacement of old steel bridges by permanent concrete bridges 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 July 2000, four private carriers are operating on local and international routes. Three private airlines, namely Aero Asia, Shaheen Air International and Bhoja Air are operating on local and international routes, while the fourth private sector airline, Safe Air International is operating on domestic routes only. The national carrier, PIA, has a fleet of 48 planes (eleven Boeing 747s, ten Airbus 300s, six Airbus 310s, seven Boeing 737s, twelve Fokker-27s, two DeHavilland Twin Otters). PIA serves 35 domestic and 37 international destinations.

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 January 2001. In addition, there is one radio paging company; seven cardphone licensees; seventy telex, facsimile and PABX service providers; two manufacturers of large digital exchanges; 60 ISPs, and more than twenty data network operators in the private sector.

CHAPTER 3: POLITICAL ENVIRONMENT

A. Nature of Political Relationship with the United States

Pakistan and the United States have had bilateral diplomatic relations since Pakistan's creation 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 test in May 1998 resulted in the imposition of U.S. economic sanctions which have recently been relaxed (primarily to enable multilateral support for basic human need applications). However, following the October 1999 military coup, additional sanctions were imposed on Pakistan under Section 508 of the Foreign Appropriations Act. The United States has traditionally been Pakistan's leading trading partner and largest source of private foreign capital, but tariff disputes relating to independent power projects may affect future inflows of U.S. investment into Pakistan.

President Clinton visited Pakistan briefly in March 2000 and addressed the nation in a live broadcast. Anti-American sentiment runs high in some quarters as the clergy and the media, particularly the Urdu press, thrive on anti-Americanism. Yet the lure of America is quite strong. The American Embassy in Islamabad attracts more visa applicants than any other diplomatic mission.

B. Major Political Issues Affecting Business Climate

In 1988 Pakistan began moving toward a two-party system, dominated by the Pakistan Muslim League (PML) and the Pakistan People's Party (PPP). Both parties 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, had a positive impact on the business climate. Alternating administrations between the PML and the PPP during the decade following the restoration of democratic government was difficult, however, with a corrosive impact on political stability.

In 1997, Nawaz Sharif was elected Prime Minister for a second time with a substantial majority, but on October 12, 1999, his government was removed in a bloodless military coup. The Chief of Army Staff, General Pervez Musharraf, took over as "Chief Executive" and suspended the constitution. Tensions between General Musharraf and Prime Minister Sharif had grown following Pakistan's early 1999 incursion across the Line of Control into Kargil in Indian-held Kashmir and Sharif's subsequent decision to withdraw in July 1999. Upon assuming power, Musharraf set an ambitious reform agenda - which included fighting corruption, devolving power to the local level, and fighting sectarianism - and appointed civilian cabinets at the federal and provincial levels. The military maintains the predominant force in Pakistani decision making, however, Musharraf has had only limited success in implementing his policies thus far. In May 2000, the Supreme Court validated the coup but gave General Musharraf three years from October 12 to return to a civilian government. Musharraf has said that he would respect this timeframe. Tensions with India, corruption, religious sectarianism, and political uncertainty are among the many challenges this government faces.

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. The military government has vowed to weed out the culture of corruption. Also, important business organizations, including the Federation of Pakistan Chambers of Commerce & Industry (FPCCI), have made curbing corruption a principal plank of their policy agendas.

C. Political System

Democracy has not yet taken root in Pakistan. The military has intervened several times in Pakistan's history, and the military is an important political player even when it is not in power. The latest military intervention took place on October 12, 1999, and elected institutions were suspended.

Under the suspended constitution, 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 President is the head of state. An Electoral College consisting of the National Assembly, the Senate, and the provincial assemblies chooses him. The constitution requires that the President be a Muslim and provides for a five-year term. For all practical purposes, the Prime Minister has to be a Muslim as well. The wording of the oath takes it for granted that the Prime Minister, too, will be a Muslim. 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. (Since October 12, 1999, provinces have only governors, no assemblies and chief ministers).

The 217-member National Assembly is elected for a five-year term and the 87-member Senate for six-year term. The 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. About 90% of Pakistan's paper-reading public reads Urdu papers and magazines, which are not noted for their objectivity, fairness or accuracy. The electronic media are strictly controlled by the state and are notorious for their acerbic propaganda against the domestic political opposition and India.

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, Pakistan 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. Kashmir continues to be the biggest obsession of the Pakistani establishment and the media.

Pakistan initially consisted of two parts, 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 Zulfikar 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 martial 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 the Chief of Army Staff, General Ziaul Haq, who became President in 1978. Bhutto was hanged in April 1979. Under Zia, the Government of Pakistan became increasingly Islamised and benefited from supporting mujahideen efforts to counter the Soviet invasion of Afghanistan. Non-party elections were held in 1988 to 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 Ghulain 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 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, Rafiq Tarar. This was followed by the removal of Chief Justice Sajjad Ali Shah, an act that damaged the prestige and independence of the judiciary.

Schedule for Elections: The most recent elections to the national and provincial assemblies took place in February 1997. The general election was 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. However, the coup of October 1999 has called the future schedule for elections into question. Technically speaking, the assemblies and the senate have been suspended, not dissolved. There is, however, little chance of their revival.

Major Political Parties: The two largest political parties are the Nawaz Sharif group of the Pakistan Muslim League (PML-N), led by former Prime Minister Nawaz Sharif, and the Pakistan People's 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. Both parties stand discredited because their rule was marked by corruption, mismanagement and bad governance. (Some cynics say that the army is the biggest political party in Pakistan).

There are several other smaller, but significant, parties. The Muttahidda Qaumi Movement (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 the most organized Islamist political party. It has a formidable street power but very little electoral following. The Jamiat Ulema-i-Islam(JUI) of Maulana Fazlur Rahman has some following among the Pathans of the NWFP and Baluchistan.

CHAPTER 4: MARKETING U.S. PRODUCTS AND SERVICES

A. Distribution and Sales Channels

There are approximately 200,000 retail outlets in Pakistan, of which nearly 50,000 are located in the major cities. About 75,000 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	75,000+

A sole proprietor usually owns stores in the latter three categories. 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. A similar supermarket with foreign affiliation has been established in Karachi. 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 that 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. With the exception of one small shopping mall in Karachi, there are as yet no large shopping malls or big 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 has closed down, 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. Less 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 background 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, five 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. In Pakistan, all imported food items, particularly meat items must be certifiably "Halal", (slaughtered in accordance with proper Islamic ritual).

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 Sheraton, Best Western, Pizza Hut, Kentucky Fried Chicken, TGI Friday, Subway, McDonald's, Dunkin Donuts, Alphagraphics 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 that will be required. Importers, depending on the specific circumstances as insurance certificates and packing lists, also may request other documents. 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 135,000 Pakistanis with Internet access.

Pakistan has over 120 daily newspapers. The Daily Jang, published in Urdu, is the single largest newspaper, with a claimed national circulation of almost 750,000 (estimated: 400,000). Combined circulation for the roughly 11 English-language newspapers is approximately 200,000. The principal English-language daily newspapers are Dawn (published in Karachi and Lahore), The News (Islamabad, Lahore, and Karachi), The Nation (Lahore), The Frontier Post (Peshawar), 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. Several special interest magazines such as Spider (Internet), Computerworld (Computer & IT) and Mobile Communications are steadily gaining prominence. The Dawn, The News, The Nation, The Frontier Post and the Business Recorder are now also available on the Internet.

Almost all broadcasting outlets in Pakistan are government-owned and operated, but run on 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 PTV's Channel 3 (formerly the Shalimar Television Network). In addition, more than 24 channels (about 15 of them of Indian origin), are received through satellite. These channels provide stiff competition to the PTV and STN in terms of advertising revenue. Several Pakistani businesses place advertisements on Indian channels.

Cable Television: Cable television has been available in Pakistan for more than five years, but none of the operators with the exception of Shaheen Pay TV were licensed. Recently, the Pakistan Telecommunication Authority has regularized this sector and has issued more than 2,000 licenses to prospective operators. It is expected that within a couple of years the audience for cable TV will go up to 500,000.

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 24 channels are received through satellites reaching about 3.5 million viewers..

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 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 15.0 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." Expatriate Pakistanis and professional couriers bring in large quantities of goods 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.

CHAPTER 5: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

This Section lists sub-sectors in the non-agricultural sector, as well as the agricultural sector. 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: During the past few years, the awareness of environmental problems has increased considerably. Due to increased awareness and need, environmental technology is emerging as a new and promising industrial sector in Pakistan. This development has been accentuated by pressures from provincial Environmental Protection Agencies (EPA), requirements set by importers and customers, as well from foreign institutions engaged in the financing of new projects.

The Government of Pakistan (GOP) is endeavoring for the protection of environment through the Pakistan Environmental Protection Act, 1997. The GOP has reinforced NEQS with effect from January 1, 2000 for municipal and liquid industrial effluent, industrial gaseous emissions, motor vehicle exhaust and noise. Since, the Government of Pakistan (GOP) is paying more attention to the control of environmental pollution, it is now mandatory for all new and existing industrial projects to install wastewater treatment plants and pollution control equipment.

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	1997/98	1998/99	1999/00
A. Total market size	18.5	18.6	19.0
B. Total local production	0.5	1.0	1.0
C. Total exports	-	-	-
D. Total imports	18.0	17.6	18.0
E. Total imports from U.S.	1.5	1.6	1.6
Exchange rate (rupees/$)	43.2	50.2	51.8

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

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 for FY-1999 is about U.S. $195 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 2001 are: Di-Ammonium Phosphate ($102 million); Pesticides, Herbicides, and Fungicides ($80 million).

III. Data Table:

USD MILLIONS	1997/98	1998/99	1999/00
A. Total market size	676.4	655.2	704.1
B. Total local production	474.0	462.2	496.4
C. Total exports	1.5	2.0	2.0
D. Total imports	203.9	195.0	209.7
E. Total imports from U.S.	105.5	99.7	99.7
Exchange rate (rupees/$)	43.2	50.2	51.8

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

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-1999 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 2001 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	1997/98	1998/99	1999/00
A.	Total market size	1,068.6	1,012.6	1,079.4
B.	Total local production	164.0	155.1	165.5
C.	Total exports	33.5	32.5	34.6
D.	Total imports	938.1	890.5	948.5
E.	Total imports from U.S.	68.0	64.5	68.6
	Exchange rate (rupees/$)	43.2	50.2	51.8

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

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, Internet and data networks, 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 2001 are: Telephone Sets ($20 million); Telephone Switching Apparatus ($50 million); Parts for Telecommunications Equipment ($130 million); Electric Telephone Cables ($80 million).

III. Data Table:

	USD MILLIONS	1997/98	1998/99	1999/00
A.	Total market size	241.5	250.2	280.8
B.	Total local production	67.4	68.2	72.7
C.	Total exports	0.5	1.0	1.5
D.	Total imports	174.6	183.0	206.5
E.	Total imports from U.S.	5.5	5.8	8.5
	Exchange rate (rupees/$)	43.2	50.2	51.8

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

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

Comments: Pakistan's electricity 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 generation facilities. An estimated 800 to 1,000-MW of industrial demand is now met by stand-alone generators. Recent Government policies encouraged the establishment of independent power plants (IPPs), and 13 of a combined installed generation capacity of 4,830-MW supply power to either WAPDA or KESC. Another six of a total installed generation capacity of 967-MW are to be commissioned by the end of CY-2003. The 325-MW Chashma Nuclear Power Plant has now been connected to the national grid. Future increases in hydel power generation capacity will be from the 184-MW Chashma Hydel Power plant in 2001; and the 1,450-MW Ghazi-Barotha Hydel Power Project, whose first 290-MW unit will come on line in 2002.

WAPDA and KESC are both scheduled for privatization. WAPDA's corporatization has reached an advanced stage. Once its thermal generation units are privatized, its role in the power sector will be confined to the development of hydel power resources. KESC's privatization is being conducted on a priority basis. Fifty-one percent of its equity will be sold to a strategic investor who will also be handed management control. Privatization will result in investment in equipment and materials for existing thermal plants and for transmission and distribution networks. IPPs will offer opportunities for the sale of power generation equipment and spares.

Domestic production decreased due to lower domestic demand, but exports increased as manufacturers targeted foreign markets for sales. Imports declined by nearly 82 percent, both as most of the upcoming IPPs had already completed their purchases and as financial constraints restricted purchases by the public utilities. The total market is expected to expand by approximately 86.5 percent in PFY-2001 owing to urgent need to rehabilitate existing power plants and to increase and augment the existing transmission and distribution networks. Most promising sectors for PFY-2001 are: power generation equipment (USD 25 million); power transmission equipment (USD 200 million); and power distribution equipment, including equipment for rural electrification: (USD 200 million).

USD MILLIONS	1997/98	1998/99	1999/00
A. Total market size	1,003.5	601.5	228.0
B. Total local production	306.0	216.0	165.0
C. Total exports	1.5	3.0	7.0
D. Total imports	699.0	388.5	70.0
E. Total imports from U.S	132.5	45.0	10.0
Exchange rate (rupees/USD)	43.2	50.2	51.8

Note: The above statistics are unofficial estimates.

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 1999, 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 2001 are: Polyethylene, gravity less than 0.94 ($18 million); Polyethylene, gravity above 0.94 ($20 million); Polypropylene ($35 million); Polystyrene ($9 million); Polyesters in primary form ($10 million); Silicones in Primary forms ($5 million).

III. Data Table:

USD MILLIONS	1997/98	1998/99	1999/00
A. Total market size	202.5	200.5	214.0
B. Total local production	15.5	22.2	22.5
C. Total exports	0.5	1.0	1.0
D. Total imports	187.5	179.3	192.5
E. Total imports from U.S.	22.3	22.1	24.6
Exchange rate (rupees/$)	43.2	50.2	51.84

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

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 1999 to March 2000 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-1999 is about U.S. $126.1 million. Imports from the United States are estimated at U.S. $30.3 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 2001 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	1997/98	1998/99	1999/00
A.	Total market size	149.50	147.30	162.90
B.	Total local production	22.00	21.20	22.57
C.	Total exports	0.00	0.00	0.00
D.	Total imports	127.50	126.10	140.34
E.	Total imports from U.S.	32.00	30.30	32.30

Exchange rate (rupees/$)	43.20	50.20	51.8

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

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 2001 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	1997/98	1998/99	1999/00
A.	Total market size	116.5	110.5	117.7
B.	Total local production	54.5	51.2	54.5
C.	Total exports	1.5	1.0	1.0
D.	Total imports	63.5	60.3	64.2
E.	Total imports from U.S.	16.5	15.5	16.5
	Exchange rate (rupees/$)	43.2	50.2	51.8

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

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

II. Comments: There are over 100 importers and 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 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	1997/98	1998/99	1999/00
A. Total market size	990.4	1,066.4	1,175.2
B. Total local production	831.1	906.9	999.4
C. Total exports	18.0	18.0	19.8
D. Total imports	177.3	177.5	195.6
E. Total imports from U.S.	16.8	17.5	19.3
Exchange rate (rupees/$)	43.2	50.2	51.8

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

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 will shortly introduce its new Information Technology (IT) Policy, which will introduce a program for rapid expansion in providing training faciliites for IT manpower. The GOP 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. In addition, the Government is making great efforts to document the economy and maintain an electronic database on the country's demographics.

Most promising subsectors and estimated market size for 2000 are: Analog-hybrid Data Processing Machines ($8 million); Monitors ($17 million), Digital Data Processing Machines ($45 million); Printers ($13 million); Off-line Data Processing Equipment ($25 million); Parts ($25 million).

III. Data Table:

	USD MILLIONS	1997/98	1998/99	1999/00
A.	Total market size	85.0	110.0	140.0
B.	Total local production	0.0	0.0	0.0
C.	Total exports	0.0	0.0	0.0
D.	Total imports	85.0	110.0	140.0
E.	Total imports from U.S.	20.0	25.0	30.0
	Exchange rate (rupees/$)	43.2	50.2	51.8

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

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 four 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 ($350 million); Buses and their Chassis with Engines ($450 million); Trucks, Trailers, and Engines ($400 million); Ships and Boats ($160 million); Railway Vehicles ($75 million).

III. Data Table:

USD MILLIONS	1997/98	1998/99	1999/00
A. Total market size	1,979.6	1,697.8	1,829.4
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	570.9	404.7	535.8
E. Total imports from U.S.	50.4	57.6	63.5
Exchange rate (rupees/$)	43.2	50.2	51.8

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

Best prospects for Agricultural Exports:

The following sub-sectors, listed in descending order of priority, are judged best prospects in the agricultural sector

– Wheat

– Soybeans

– Feed Grains

– Cotton

– Consumer Foods

- Planting Seeds

- Livestock by Products

AGRICULTURAL EXPORT PROSPECTS

A. Rank: Agriculture (I)
B. Name of Sector: Wheat 1/
C. ITA or PSD Code: 0410000

	1997/98	1998/99	1999/00
D. Total market size	21.6	20.1	21.8
E. Total local production	18.7	17.8	19.3
F. Total Exports	0	0	0
G. Total Imports	2.9	2.2	2.5
H. Total Imports from the U.S.	1.1	0.5	1.5

1/Million metric tons

Comments: Pakistan is expected to remain a major wheat market for the foreseeable future. MY2000/01 imports are estimated at 2.5 MMT. 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. White wheat is the only class of wheat the government imports. Demand for hard wheat also is expected to increase as the milling and baking industries diversify their product lines.

A. Rank Agriculture (2)

B. Name of Sector: Soybeans 1/
C. ITA PS&D Code: 0005

		1997/98	1998/99	1999/00
D.	Total Market Size	7,000	7,000	26,000
E.	Total Local Production:	7,000	7,000	1,000
G.	Total Imports	0	0	25,000
H.	Total Imports from U.S.	0	0	25,000

1/ Metric tons.

Comments: Pakistan imports 75 percent of its vegetable oil requirements even though its solvent extraction industry operates at less than 25 percent capacity. In order to capture the value added of local processing and save scarce foreign exchange, the government recently raised duties on meal on oil while it lowered duties on oilseeds. Thus far, the industry has imported about 400,000 metric tons of oilseeds, mainly canola, to take advantage of this opportunity. Soybean imports, however, lag because of an anomaly in the tariff and tax code, which act as disincentives to soybean imports. The government and the solvent extraction industry currently are working to address this situation. Even in the absence of tariff and tax changes, industry sources expect imports of soybeans will occur in the near future to provide needed protein meal for Pakistan's poultry industry, which consumes an estimated 200,000 tons of soybean meal annually.

A. Rank: Agriculture (3)
B. Name of Sector: Feed Grains 1/
C. ITA or PS&D Code: 0440000

		1997/98	1997/98	1999/00
D.	Total market size	2.1	2.2	1.9
E.	Total local production	2.1	2.2	1.9
F.	Total exports	0	0	0
G.	Total imports	0	0	0
H.	Total imports from U.S.	0	0	0

1/ Million metric tons.

Comments: Corn is the main feed grain produced in Pakistan. Production, however, is inadequate to meet industrial and feed demand. Although corn generally is in short supply, importation has not been feasible due to tariffs and taxes which make imported corn more expensive than wheat, which is subsidized. As a result, Pakistan has not imported significant amounts of corn or other feed grains in the past.

This year, however, the government raised the procurement price for wheat by 25 percent to about $135 and may reduce the subsidy, making imported corn a more attractive alternative. In addition, the government is considering lowering both the tariff and tax on imported corn. Market observers believe that the removal of price distortion on corn could result in imports of as much as 500,000 tons for the dairy operations around Karachi as well as for industrial users.

A. Rank: Agriculture (4)
B. Name of Sector: Cotton 1/
C. ITA or PS&D Code: 2631000

		1997/98	1998/99	1999/00
D.	Total market size	1,588	1,573	1,865
E.	Total local production	1,562	1,372	1,785
F.	Total exports	83	2	110
G.	Total imports	26	201	80
H.	Total imports from U.S.	12	9	15

1/ Thousand metric tons.

Comments: Pakistan produced a bumper crop of 1.78 MMT during MY 1999/2000. As a result imports currently are forecast to be minimal. That situation, however, could change later in the season depending on anticipated MY 2000/2001 production and concerns over irrigation supplies. Imported varieties consist mainly of U.S. Pima/ELS and SJV types to improve the quality of textiles produced for the high-end of the domestic market as well as for exports. All cotton imported must be fumigated at export locations.

A. Rank: Agriculture (5)
B. Name of Sector: Consumer Food Products

In the last five years, Pakistan has emerged as a large market for consumer foods. Pakistan annual imports an estimated $250 million worth of consumer foods and the sector is growing about 10 percent annually. Milk and milk products, infant food and formula, processed fruits, candy and confectionery items, juices, nuts, and condiments are among the more popular items. Demand for these items is growing, particularly among Pakistan's large middle income, urban population. Although the U.S. market share is small, U.S. exports have increased nearly 50 percent to $2 million over the past year as awareness the quality and variety of U.S. food products increases. Successfully introduction of a product often depends on the importers promotional efforts. Importers generally prefer exclusive distribution rights to protect their investment in promoting the product.

Imports of alcoholic beverages and pork and pork products are not allowed for religious reasons. There are no restrictions on meat and other animal products, except that it must be certified 'halal' The average duty of consumer foods is 35 percent with a 15 percent sales tax. Major suppliers include consolidators in the United Kingdom, Dubai and the Far East.

Rank Agriculture (6)
Name of Sector: Planting Seeds 1/
ITA or PS&D Code: 2925301

	1997/98	1998/99	1999/00
Total market size	4450	4675	4700
Total local production	450	475	500

Total exports	0	0	0
Total imports	4000	4200	4200
Total imports from U.S.	300	315	320

1/ Metric Tons.

1. Comments: Pakistan is a growing market for planting seeds, particularly flower and fruit seeds. Domestic production is only about 10 percent of the total requirements. Demand for U.S. seeds is increasing gradually because of awareness of quality seeds.

2. In addition, there is great demand and import of hybrid seeds of corn, sunflower, fodder and grass. The decreasing productivity of agricultural crops (Cotton) would create demand for Genetically Modified Seeds (GMO's) in this market.

A. Rank: Agriculture (7)
B. Name of Sector: Livestock By-Products: Tallow and Grease 1/
C. ITA or PS&D Code: 4113200

	1997/98	1998/99	1999/00
Total market size	178	215	245
Total local production	115	118	120
Total exports	0	0	0
Total imports	63	97	125
Total imports from U.S.	3	24	60

1/ Thousand metric tons.

Comments: The combination of a large soap industry and limited domestic tallow production makes Pakistan an important import market. The feed industry, which currently uses very little tallow, also is a potential market. The United States was a major tallow supplier in the past but more recently Australia and New Zealand have supplied the bulk of Pakistan's imports. There is a 35-percent tariff and a 15-percent sales tax on imported tallow.

C. Significant Investment Opportunities

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

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.

CHAPTER 6: TRADE REGULATIONS

A. Trade Barriers

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 and were finally reduced to 35 percent in March 1999.

Other than customs duty, the government charges sales tax (15.0 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 canceled its controversial pre-shipment inspection (PSI) valuation system in March 1997. In January 2000, the GOP began implementing a transactional valuation system where 99 percent of import valuation is based on invoices pursuant to the WTO's Customs Valuation Agreement.

Customs Clearance and Warehousing - Ample public and bonded warehouse facilities, mostly 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 Registration

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. Pakistan’s official imports from India in 1999-2000 totaled $84.4 million, down from $ 117.5 million the year before.

Import on consignment basis is generally to be allowed by the State Bank of Pakistan. The importer and the banks in addition to fulfillment of general requirements should ensure that the importer submits the contract registered with the State Bank of Pakistan for import on consignment basis.

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. Import/ Export Authorization

The Ministry of Commerce issues import and export authorization of banned items in respect of:

- Gas companies, oil exploration and production companies, their contractors and sub-contractors, refineries and mining companies. The authorization under this category is subject to the condition that an Indemnity Bond equal to the value of goods imported will be submitted to the custom authorities at the time of release of consignment.

- Goods imported by foreign construction companies or foreign contracting firms for various projects in Pakistan. The authorization under this category is subject to the condition that a100 percent bank guarantee equivalent to the value of items is submitted to the custom authorities at the time of release of consignment to ensure that the goods will be re-exported.

G. Imports under Loans and Credits

- Imports under Suppliers Credit and PAYE Scheme: Banks or Development Finance Institutions open letters of credit on the basis of a contract between the supplier and importer, duly registered with the State Bank of Pakistan.

- Project Loans: For the disbursement of project loans provided by international donor agencies, the State Bank of Pakistan designates a commercial bank or a DFI to disburse these loans.

H. 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.

Export of imported goods in their original and unprocessed form are not allowed except for parts obtained from ship breaking, scrapped battery cells, waste dental amalgam, waste exposed x-ray films, automotive vehicles over 20 years old and aircraft, provided export earnings are received in foreign exchange. Furthermore, exports of imported goods in their original form are allowed provided their re-export f.o.b. price is higher by at least 2.5 percent than their C&F price.

Re- export of old and second hand machinery is allowed, subject to the conditions that the machinery has been in use in Pakistan for more than five years, no refund of import levies and duty drawback shall be made, the machinery shall be subject to valuation and pre-shipment inspection by custom authorities and no bank loans are outstanding against this machinery.

Export-Cum-Import: The custom authorities allow export-cum-imports in case of repairs and replacement of imported items, subject to the conditions that the applicant will submit an indemnity bond assuring that the goods will be re-imported after repair and replacement. In cases of repairs involving remittance, the custom authorities allow re-import subject to production of a no objection certificate from the State Bank of Pakistan.

I. Refund of Import Fees against Exports

Exporters are eligible to claim a refund of import fees paid on imported raw materials used in the manufacturing of various export items. To claim an import fee refund, the eligible exporter will submit an application on the prescribed form along with the shipping invoice and a copy of shipping bill duly certified by Customs, the bill of lading and the airway bills and export proceeds realization certificate.

J. 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.

K. 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”.

L. 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.

M. 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.

N. Special Import Provisions

Only insignificant portions 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 through Authorized Dealers within the period of one week.

O. 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 Maldives. 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.

CHAPTER 7: INVESTMENT CLIMATE STATEMENT

A. Openness to Foreign Investment

The Government of Pakistan is open to foreign investment and offers a package of incentives to attract foreign investors. 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, and 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 allowing of full repatriation of capital, capital gains, dividend and profits.
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- 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 restrictions on foreign private loans, which do not involve any guarantee by the Government of Pakistan. Also there are no restrictions on the sources of foreign currency loans. Long-term loans can be arranged from banks, financial institutions, and parent companies of multinationals or suppliers credit.

- 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).

Unilateral Relief: A person resident in Pakistan is entitled to a credit for tax on any income earned abroad, if such income has already been subjected to tax outside Pakistan.

Agreements for Avoidance of Double Taxation: The Government of Pakistan has so far signed agreements to avoid double taxation with 37 countries, including the United States.

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.

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.

The following sectors have been prioritized for investment.

I Energy
-Oil and gas drilling and refining
-Power generation

II Communications
-Development of ports
-Ship building
-Telecommunication
-Rail and Road construction

III Agribusiness
-Processing, including dehydration, packing and preservation of fruits and vegetables.

IV Manufacturing
-Precision technology and heavy industry
-Chemicals including fertilizers
-Electronics
-Plastic based products including PVC items.

V. Software

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 off 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 mergers, but the situation varies from industry to industry, and the privatization of the state-owned entities especially in industrial sector is on 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 have now been opened up for private competition. Now one privately owned airline is 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) is also on the agenda 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 power generating units and power distribution components of WAPDA and KESC, gas distribution companies such as Sui Northern and Sui Southern, gas fields and petroleum companies such as Pakistan State Oil and Pakistan Petroleum Limited 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. 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.

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, establishment 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 being processed for obtaining the government approval.

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 up to 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 and 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).

- 100 percent ownership rights
- 100 percent repatriation of capital
- 100 percent repatriation of profits
- No minimum or maximum limit for investment
- Relief from double taxation subject to bilateral agreements
- Units operating in Export Processing Zones are allowed to undertake sub-contracting for units of tariff area subject to payment of duties and taxes on value addition only.
- Units operating in Export Processing Zones are allowed to supply goods to Custom Manufacturing Bonds.

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 automotive 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. Competition Law is governed by the Monopolies and Restrictive Trade Practices Ordinance,1970. 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

The capital markets in Pakistan have a narrow base. The inadequacy of capital markets in providing long-term funds for business investment forced the business sector to rely heavily on credits from the financial institutions in the past, resulting in relatively high corporate gearing ratios. However, the capital markets are now being developed along modern lines with the assistance of Asian Development Bank, which has provided a loan of $250 million for this purpose. These reforms have resulted in the development of infrastructure in the stock exchanges of the country such as the introduction of a Central Depository System and Automated Trading System, which in turn has resulted in higher trading volumes. The government has permitted provident fund holders to invest 30 percent of their funds in stocks and listed corporate fixed income securities; this has resulted in increased liquidity for these instruments. The establishment of the Securities and Exchange Commission has improved the regulatory environment for stock exchanges, corporate bond market and the leasing sector.

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 14 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.

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 Zulfiqar Ali Bhutto, they primarily affected domestic Pakistani companies. The current government (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 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. The Securities and Exchange Commission 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 has 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, Kazakhstan, 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

Once the U.S. economic sanctions against Pakistan are removed, the Overseas Private Investment Corporation (OPIC) will be allowed to offer 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.

CHAPTER 8: 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 44 banks operating in the country of which 25, are domestic, while 19 are foreign banks. The 25 Pakistani commercial banks, have over 8,000 branches nationwide. These banks account for about 78 percent of total commercial bank assets.

Nineteen foreign commercial banks (of which two are American) with 85 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 – Until June 2000, 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 July 2000, Bank of America sold its local operation to the Union Bank. Presently, the remaining two U.S. commercial banks are 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. 143 billion (US$2.75 billion at mid-1999 exchange rate) at the end of June 1999. The highest ratio of default to total loan portfolio was in NBFI's (28.3%) followed by domestic banks (16.5%) and foreign banks (5.4%). 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 12 to 14 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 applies 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 through Authorized Dealers.

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 that 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 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

— Allied Bank of Pakistan

— Askari Commercial Bank

— Bank Al Habib Limited

— Bolan Bank Limited

— First Women Bank Limited

— Habib Bank Limited

— Union Bank Ltd.

— Indus Bank Limited

FOREIGN BANKS

— ABN AMRO Bank N.V.

— American Express Bank

— ANZ Grindlays Bank

— Gulf Commercial Bank

— Credit Agricole Indosuez

— Bank of Oman

— Citibank

— 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

CHAPTER 9: 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 - 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.

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 (Laptop/notebook) along with accessories; personal effects, such as cameras, typewriters, tape recorders, binoculars, may also be admitted duty-free. Owner may be asked to certify that these goods will be re-exported upon his or her departure. The import of alcohol is strictly prohibited; if alcohol is found, customs officials will seize it. 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. Some physicians recommend malaria prophylaxis and advise that 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, Lahore 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 or Fax at 92-51-823981.

C. Holidays

- List of Pakistani holidays for 2001:

Eid-ul Fitr	Dec 27, 28, 29 (2000)*
Pakistan Day	March 23
Eid-ul-Azha	March 7, 8*
9th/10th of Muharram	April 5, 6, *
Milad-An-Nabi	June 6*
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 workweek 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. Generally, most offices and many stores remain closed on Sundays. The U.S. government facilities in Pakistan continue to maintain a five-day, Monday-through-Friday workweek.

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 July 2000, the foreign travel tax is a flat Rs. 1,500; 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 July 2000, the domestic market is shared by PIA and four small private sector carriers, namely Aero-Asia, Bhoja Air Safe 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 using 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, and Avis has franchise outlets in Karachi, Lahore and Islamabad. 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 July 2000 ranged from US$195 (plus 15 percent tax) for a single, to $215 (plus 15 percent tax) for a double room; 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 July 2000, 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 during summer months.

Office Rental - Prevailing monthly rents for prime ground floor office space (mid-2000) are approximately 55 to 70 rupees per square foot in Karachi, 40 to 60 rupees in Lahore, and 45 to 65 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 International School of Islamabad offers a high-quality academic program through the 12th grade. The Karachi International School and the significantly smaller Lahore American School, both with a majority Pakistani student body, also offer 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 cuisine 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. Alcohol is served only to non-Muslim tourists in their hotel rooms and is expensive.

The 1998-1999 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.

CHAPTER 10: ECONOMIC AND TRADE STATISTICS

A. Country Data

-Population - The Government of Pakistan (GOP) estimated that Pakistan's population was 137.5 million in June 2000, equating to a population density of about 164 people per square kilometer. It is further estimated that this population is 32.9 percent urban and 66.9 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 Balochistan, 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 2.2 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 an Islamic Republic. The system of government is described in detail in Chapter 3 (Political environment).

-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 Balochistan.

B. Domestic Economy

Year	1997/98	1998/99	1999/00(P)
GDP (current factor cost, in billions of $)	64.3	57.94	56.48
GDP Growth Rate (%)	4.3	3.1	4.5
GDP Per Capita ($)	483	430	410
Government Spending as a % of GDP	19.9	22.4	22.2
Inflation (% increase in Consumer Price Index)	7.8	5.74	3.40
Unemployment (% of work force)	6.1	6.1	6.1
Foreign Exchange Reserves (in millions of US$, June 30)	823	1,680	1,500
Average Foreign Exchange Rate (rupees per US $)	43.2	46.79	51.73
Foreign Debt Service	27.3	19.7	16.8

as % of export earnings

U.S. Economic/Military Assistance - - -

(P): Provisional
Sources: State Bank of Pakistan Annual Report 1998-99 and Pakistan Economic Survey 1999-2000.

C. Trade

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

Category	1996/97	1997/98	1998/99	1999/00
Total Pakistan Exports	8,096.0	8,434.0	7.528	5.753
Total Pakistan Imports	11,241.0	10,301	9.613	7.224
Trade Balance	-3,154.0	-1,867	-2.085	-1.471
U.S Exports	1,426	1,134	766	472
U.S. Imports	1,478	1,774	1,818	1,495
US % Share of Pak Imports	12.7	11.0	10.17	6.53

Source: State Bank of Pakistan Annual Report 1998/99; Pakistan Economic Survey, 1999/2000. Note: FY 1999-2000 trade data is for the first nine months (July-March).

Pakistan's Trade Balance with Leading Trade Partners, 1998-99
(in millions of US $)

Country	Exports	Imports	Balance
USA	1,696.8	726.9	969.9
JAPAN	271.6	782.7	-511.1
GERMANY	513.6	391.8	121.8
U.K.	616.0	410.8	105.2

Source: State Bank of Pakistan Annual Report, 1998-99

Principal US Exports to Pakistan for FY 1998-99
(In million US$)

RANK	DESCRIPTION	VALUE
1.	Machinery	171.7
2.	Wheat and meslim	142.8
3.	Fertilizer	129.7
4.	Chemicals	63.3

5.	Transport Equipment	57.6
6.	Iron and Steel	28.4
7	Medicines & Pharmaceutical Products	15.7

Source: GOP's Ministry of Commerce

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

RANK	DESCRIPTION	VALUE
1.	Textiles, articles of apparel, made-ups and accessories	1,291.7
2.	Carpet and floor coverings	85.3
3.	Sports goods	54.7
4.	Synthetic fabrics	46.8
5.	Surgical Instruments	41.3
6.	Fish and fish preparation	11.0
7.	Cutlery	10.5

Source: GOP's Ministry of Commerce

E. 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	1997/98	1998/99	1999/00
USA	256.2	135.1	133.6
UK	135.3	76.7	156.7
UAE	54.9	4.9	3.8
GERMANY	24.0	18.7	6.6
FRANCE	4.9	6.7	1.5
JAPAN	17.8	51.3	15.9
SAUDI ARABIA	1.2	1.0	26.4
NETHERLAND	26.9	5.4	2.5

Source: State Bank of Pakistan (1999/2000 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 $979.0 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.

CHAPTER 11: U.S. AND COUNTRY 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

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
1800 M Street. New York, N.W.
Washington, D.C. 20036-5831
Tel: (202) 6945264

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
c/o Khungar's Business Center #5
3rd floor, Yashwant Place
Chanatya Puri
New Delhi-110021, India
Mr. Virgil D. Miedema
Regional Director
Asia Sub-continent
Tel: 91-11-4651659, 4651611- fax: 91-11-4651526
In Pakistan

Federation of Pakistan Chambers of Commerce & Industry
Federation House, Main Clifton
P.O. Box 13875
Karachi
Tel: 92-21-5873691-94, 5873640-41
Fax: 92-21-5874332
President

Overseas Investors Chambers of Commerce and Industry

Chamber of Commerce Building
Talpur Road, P.O. Box 4833
Karachi 74000
Tel: 92-21-2426076
Fax: 92-21-2427315
President

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Aiwan-e-Tijarat Road
Karachi—74000
P.O. Box 4158
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Fax: 92-21-2416095
President

(SITE) Association of Industries
H-16 SITE
Karachi 75700
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Chairman

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Mauve Area, Sector G-8/1
Islamabad, Pakistan
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Fax: 92-51-252950
President

Rawalpindi Chamber of Commerce and Industry
Chamber House, 108-Adamjee Road
Rawalpindi, Pakistan
Tel: 92-51-584397,566238
Fax: 92-51-586849
President

Lahore Chamber of Commerce and Industry
P.O. Box 597, 11-Race Course Road
Lahore, Pakistan
Tel: 92-42-6305538,40- 6365737, 42; Fax: 92-42-6365747, 6368854
President

Sarhad Chamber of Commerce & Industry
Sarhad Chamber House
G.T. Road
Peshawar, Pakistan

Tel: 92-91-9213314-5
Fax: 92-521-9213316
President

Quetta Chamber of Commerce & Industry
P. O. Box 117, Zarghoon Road
Quetta (Balochistan), Pakistan
Tel: 92-81-821943
Fax: 92-81-821948
President

- Government of Pakistan Offices

Ministry of Foreign Affairs
Constitution Ave.
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Ministry of Commerce
Secretary
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Ministry of Food, Agriculture
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Ministry of Finance
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Director General

Securities Exchange Commission
Ministry of Finance
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Directorate General Defense Purchase (DGDP)
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Export Promotion Bureau
Government of Pakistan
Finance and Trade Center
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Prime Minister's Secretariat
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CBR House (opposite Parliament House)
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Pakistan

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Karachi Port Trust
Eduljee Dinshaw Road
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Fax: 92-21-9211567, 9214329
Chairman

Pakistan Customs
Custom House Karachi
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Pakistan Steel
Bin Qasim
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Chairman

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Managing Director

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Chairman

State Bank of Pakistan
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- Market Research Firms

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- Commercial Banks

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First Women Bank
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Shara-e-Faisal
Karachi
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President

Habib Bank Limited
Habib Bank Plaza
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Fax: 92-21-2414191
President

Muslim Commercial Bank
Adamjee House
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Fax: 92-21-2416982
President

National Bank of Pakistan
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Fax: 92-21-2410202
President

United Bank Limited
State Life Building No. 1
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Fax: 92-21-2413492
President

American Express Bank Ltd.
Shaheen Commercial Complex
Dr. Ziauddin Ahmad Road
Karachi
Tel: 92-21- 2630343-9

Fax: 92-21-2631803

ANZ Grindlays Bank
Grindlays Bank Building
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Fax: 92-21-2414914

Banque Indosuez
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Fax: 92-21-2417503

Citibank
State Life Building 1
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Karachi 74000
Tel: 92-21- 2412883-111 444 444
Fax: 92-21-2424474

- Multilateral Development Bank Offices

The World Bank
20-A, Shara-e-Jamhuriat
Ramna 5, P.O. Box 1025
Islamabad
Tel: 92-51-819781; Fax: 92-51-279648

Asian Development Bank
Pakistan Resident Mission
OPF Building, Shara-e-Jamhuriat
G-5/2, Islamabad
Tel: 92-51-825011-6; Fax: 823324

- TPCC Trade Center in Washington
  1-800-USA-TRADE

U.S. Department of State Office for Business Affairs
Telephone: 202-746-1625; Facsimile: 202-647-3953
U.S. Department of Commerce Country Desk Officer
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U.S. Department of Commerce
Washington, D.C. 20230
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IEP/ANESA/OSA

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CHAPTER 12: MARKET RESEARCH

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

DNT - Dental Equipment
POL - Water & Wastewater Treatment Equipment
INS - Insurance Services
ICH - Organic Industrial Chemicals
OGM - Oil and Gas Field Machinery and Equipment
TES - Internet Service Providers
AVS - Aviation Services
POL - Solid Waste Management & Recycling Equipment
TRA - Theme and Amusement Park
FPP - Fruit & Vegetable Processing Equipment
YAR - Yarn

Commercial Service Pakistan plans to conduct research on the following industry sectors for FY2001:

BUS- Office Equipment and Supplies
EDS- Information Technology: Training Opportunities
AGM- Agriculture Machinery and Equipment
PMR-Plastic Materials and Resins
DRG-Pharmaceutical Raw Materials
HCS-Health Care Services
TXM-Textile Machinery and Equipment
AIR-Aircraft Equipment and Parts
LES-Leasing Services
CPT-Computers and Peripherals
TES-Cellular Telecommunication Services
ELP-Power Transmission Equipment

Note: A complete list of market research is available on the NTDB and STAT-USA web site.

H. Trade Events Schedule

Event	Type
2nd Internet Exhibition 2000 September 4-7, 2000 Karachi	Product/service exhibition
Pakistan Apple Show September 21-23, 2000 Peshawar	Product exhibition (Food processing)
Exhibit USA'2000 September 26-27, 2000 Karachi	Product/catalog exhibition

(Exhibit USA is an annual exhibition organized by the U.S. Commercial Service and has been a regular promotional event for FCS since 1994).

Event	Type
The 4th Pakistan Oil & Gas Summit 2000 October 8-10, 2000 Islamabad	Conference/seminar
The 7th Pakistan Gems & Mineral Show October 11-14 Peshawar	Product exhibition
IT Conference 2000 October 16-17, 2000 Karachi	Conference/seminar