



Doing Business in Pakistan: 2010 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Pakistan

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Market Overview

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The United States of America and Pakistan have an important bilateral relationship based on a joint commitment to security and stability in the region. The United States also happens to be Pakistan's largest trading partner and its largest source of foreign direct investment. During the fiscal year 2009-2010 (July 2009 – April 2010), Pakistan's total exports were \$15.9 billion of which 17.3 percent went to the United States. Imports during the same period were \$25.3 billion, of which 4.9 percent were from the United States. U.S. Investors also account for more than 20% of total foreign direct investment.

Despite severe challenges, Pakistan's economic performance in fiscal year 2009-2010 (the year ending June 30, 2010) displayed strong resilience with GOP official figures showing GDP growth (on an inflation-adjusted basis) of 4.1% as compared to only 1.2% the preceding year. Economic growth in fiscal year 2009-2010 was achieved despite a prevailing internal security situation and a severe energy shortfall (which is estimated to have reduced overall GDP by 2%). Other domestic factors such as political turmoil, public debt and external factors such as the international financial crisis and the subsequent slow-down in global economic growth make Pakistan's economic growth all the more remarkable.

In recent years, the government has moved away from price controls and moved more towards market mechanisms, import tariffs have been reduced, and there has been a gradual reduction in power subsidies with an accompanying rationalization of the tariff structure. The financial services sector is well regulated with an independent central bank and an effective securities and exchange commission. A relatively recent competition commission is also beginning to have a broader impact on regulatory affairs.

The present government headed by Prime Minister Yousuf Raza Gilani has not deviated much from the far-reaching structural reforms introduced during the preceding Musharaf regime, which had focused on strengthening public and corporate governance, liberalization of external trade, and maintenance of an open investment climate. The present administration continues to face some major economic challenges, including a high current account deficit, high prices of staple food items as well as shortage of several commodities, acute power shortage and a weak Pak Rupee.

In August 2009, the IMF extended its Stand-by Arrangement (SBA) program for Pakistan to 25 months and raised its support to US\$11.3 billion. One of the IMF's conditions for this support is to address a chronic shortage in tax revenue (Pakistan has one of the world's lowest tax to GDP ratios at 9%) by implementing tax policy reforms. A capital gains tax on the stock exchanges went into effect on July 1, 2010. In addition, the Government of Pakistan (GOP) has committed to implementing a GST/VAT (ranging from 16 – 25 percent) effective October 1, 2010, but the federal government is facing stiff resistance from some of the Provinces on the modalities of the new tax.

On October 15, 2009, President Barack Obama signed the Enhanced Partnership with Pakistan Act of 2009 (commonly known as the Kerry-Lugar-Berman bill). Through this act, the United States has begun to provide Pakistan with economic assistance worth US\$7.5 billion over the next five-year period. This assistance together with other bilateral and multilateral commitments will provide funding for a wide array of soft and hard infrastructure development of potential interest to U.S. firms.

Pakistan, with a population of approximately 167 million and an overall GDP of \$162 billion, is the fifth largest market in the entire Middle East, Africa and South Asia regions (after India, South Africa, Saudi Arabia and Egypt). It has a youthful population and a large middle class of approximately 30 million. With English as the lingua franca of the business community, a highly evolved services sector that contributes 60% to GDP, and a legal system based on Anglo Saxon traditions, it is viewed as an attractive market by a multitude of multinational firms. The World Bank/IFC's Doing Business Report consistently rates Pakistan as an easier market than either China or India.

U.S. firms have a fairly strong presence in the country. Currently, there are more than 70 wholly owned US subsidiary firms registered with the American Business Council (ABC) of Pakistan and the newly formed American Business Forum (ABF). There are also hundreds of local firms representing US companies in the market. Some of the leading U.S. firms doing business in Pakistan include Citibank, Pepsi-Cola, Coca-Cola, Procter & Gamble, NCR, Teradata, Pfizer, Abbot, Eli Lilly, Wyeth, Dupont, Oracle, Microsoft, Cisco, Intel, Chevron, 3M, IBM, Monsanto, McDonald's, KFC, Pizza Hut, Dominoes Pizza, Apple and Caterpillar.

ABC/ABF members play an influential role in Pakistan's economy by exhibiting global standards of corporate governance. According to the ABC, these companies have collectively invested over \$1.5 billion in Pakistan and their cumulative annual revenue is around \$3.0 billion. ABC/ABF members contribute a sizable amount to the national exchequer every year in the form of direct and indirect taxes. In general, the prominence of multinational firms in the market assures that the views of ABC/ABF members and those of the Overseas Investors Chamber of Commerce and Industry (OICCI) are taken seriously by the Government of Pakistan's economic team.

In spite of very real security threats and familiar emerging market concerns over IPR, contract enforcement and governance issues, the Pakistan market offers many attractive trade and investment opportunities. With regard to investment, the market has few restrictions on the movement of capital, no shareholding restrictions (outside of a few sensitive sectors), no work permit issues, no technology transfer requirements and it has a very large and sophisticated entrepreneurial class. US firms would be well served to visit the market to evaluate the prospects for market growth.

Market Challenges

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Principal competitors of U.S. businesses in Pakistan are European, Chinese, Japanese and South Korean firms. These countries often offer credit terms that can make it difficult for U.S. suppliers to compete. In particular, state-sponsored Chinese firms are encroaching on traditional markets of western firms.

Pakistanis believe that U.S. goods can be more expensive compared to those of competitors, and that U.S. firms often do not move as quickly as some competitors to meet demand. US products, however, are very popular for their perceived quality and some US firms meet these challenges by shipping goods to Pakistan from one of their regional hubs.

Potential investors in Pakistan face many of the same challenges that exist in other developing economies, such as regulatory risk and a lack of transparency in public-sector decision-making. Pakistan is a diverse and challenging market requiring adaptability and persistence. Choosing the right local partners and careful planning are prerequisites for success.

U.S. firms that are willing to invest time to develop market presence should expect to be rewarded in the long-term. This is certainly the case of the installed US investor base.

Market Opportunities

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With a population of approximately 167 million people and a GDP turnover of more than \$162 billion, Pakistan continues to offer significant trade opportunities for U.S. businesses.

The following areas have been identified as best industry prospects for the next few years: thermal power generation, renewable energy, oil and gas exploration, telecommunication equipment and services, airport and ancillary facilities, construction, trucking/transportation, pharmaceuticals, consumer goods and agribusiness.

Market Entry Strategy

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The best way for U.S. manufacturers and suppliers to penetrate the Pakistan market is to utilize the benefits of the network services and programs of U.S. Export Assistance Centers (USEAC), in association with the U.S. Commercial Service at the U.S. Embassy in Islamabad, Pakistan.

Seeking the assistance of USEACs before exploring an opportunity in this market is highly encouraged. We recommend that U.S. firms at the outset work with locally registered firms to help navigate a complex business culture. U.S. firms are encouraged to review the following website www.Buyusa.gov/pakistan and review the profiles of Pakistani firms that have registered for the U.S. Business Partner Service. The local firms that have registered for this service have had their backgrounds screened by the U.S. Commercial Service, Pakistan.

Many foreign manufacturers and suppliers appoint one or more agents/distributors to cover the entire country. At times foreign principals work through a regional office to cover this market such as Dubai, Singapore or London. It is comparatively easy to switch agents and distributors in Pakistan without being exposed to legal liability.

U.S. firms are also encouraged to look into the International Company Profile (ICP) service offered by the U.S. Commercial Service. Through this service, the U.S. Commercial Service office in Pakistan can provide a comprehensive background check on any local firm operating in Karachi, Lahore, Islamabad and Rawalpindi, Peshawar and beyond. U.S. firms can apply for this service through any of the U.S. Export Assistance Centers (USEAC) located in their region. A complete list of USEACs is available on the following website:

<http://www.buyusa.gov/home/us.html>

<http://www.doingbusiness.org/ExploreEconomies/Default.aspx?economyid=147>

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/3453.htm>

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Using an Agent or Distributor

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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 retainer 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. The agent 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 in order to provide 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 "International Partner Search (IPS)" and "Gold Key" services available through U.S. Export Assistance Centers in the United States. The "International Company Profile" (ICP) can provide background information on individual agents.

Establishing an Office

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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 Securities & Exchange Commission of Pakistan (SECP). Company registration offices are located in each of the provincial capitals and also in Islamabad and Multan. The promoters of any proposed company must also obtain confirmation from the SECP that the proposed name of their company is not deceptive, inappropriate, nor identical to the name of an already existing company.

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) provides electric power to the Karachi area; Islamabad Electric Supply Company (IESCO) provides power to Islamabad and Rawalpindi areas and other similar power distribution companies working under the Pakistan Electric Power Company (PEPCO), a state-owned enterprise that is responsible for the distribution of all thermal power in Pakistan. Hydro-electric power distribution is controlled by the Water and Power Development Authority (WAPDA).

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

Fixed line telephone and Fax services: Pakistan Telecommunications Company Limited.

Cellular telephone service: Mobilink, Telenor, Ufone, Warid and Zong (China Mobile Company).

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 Income Tax Department of the Central Board of Revenue 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.

Contact details and information regarding forming a company in Pakistan may be obtained from the following websites:

www.secp.gov.pk/organization/CRO.htm

www.pakboi.gov.pk

Franchising

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The concept of franchising is gradually gaining acceptance in Pakistan, especially in the hospitality sector. Several major U.S. hotel chains, along with seven major U.S. restaurants, and two U.S. car rental companies are currently represented in Pakistan through franchisees.

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 into an agreement with a local company, U.S. firms may commission an ICP on the local company, by paying the appropriate fee to their nearest U.S. Export Assistance Center (USEAC). 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 franchisor 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, and protection of trade secrets, quality control and minimum performance clauses. The U.S. firm should ensure 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, Day's Inn, Best Western, Pizza Hut, KFC, Subway, McDonald's, Dunkin Donuts, Domino's Pizza, Papa John's Pizza, Hardees, Nike Retail, UPS, FedEx, Princeton Review, Berlitz, Hertz and Avis. Most of the franchise operations have concentrated their activities around Karachi and Lahore; however some of the food outlets have opened branches in Hyderabad, Faisalabad, Islamabad and Rawalpindi.

Direct Marketing

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

The concept of direct marketing is gradually gaining acceptance in the Pakistan marketplace, driven by the efforts of several multinational companies. The low cost of domestic mail and local telephone calls makes this a potentially cost-effective sales medium. The major drawbacks to direct marketing in Pakistan are the lack of readily available mailing lists with up-to-date contact information, and the paucity of reports on consumer preferences. These limitations make it difficult to target and reach the intended audience. Efficient mail and courier services are 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.

Joint Ventures/Licensing

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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. Prominent joint ventures have been established in the automobile, fertilizer, electronics and home appliances, 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.

Selling to the Government

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Pakistani government agencies and public sector companies allow only exclusive agents to submit bids for tenders to ensure that they receive only one quotation from each supplier. Many firms (especially Japanese) add a clause on direct negotiation that allows them to deal directly with the end-user, should the firm believe that the agent might 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. For government contracts, bidders are very often asked to submit refundable "earnest money", "bid bonds" or bank guarantees along with their bids in order to demonstrate their seriousness in bidding for a contract. Some government agencies, such as the DGDP require that all local agents registered with them submit a certification from their foreign principals' Embassy certifying the legitimacy of their foreign principal.. The U.S. Commercial Service, Pakistan offers this service for a US\$50 charge to both U.S. and Pakistani firms that wish to have their agency agreements certified by the U.S. Embassy.

Distribution and Sales Channels

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Pakistan's retail industry is yet to take off in a big way. Most of the retail segment is fragmented and underdeveloped; the very large number of small retail outlets – estimated at 2.5 million - in the country reflects this scenario. Most of these outlets offer basic necessities of everyday life. Consequently, food, beverages and tobacco account for as much as 75 percent of retail sales. At this time there are less than a dozen shopping malls and they are generally limited to the larger cities of Karachi and Lahore.

Large supermarkets or chain stores for general consumer items still do not exist in Pakistan, though the trend may catch on soon. European cash and carry retailer MAKRO, in joint collaboration with Pakistan's Habib Group, has opened couple of self-service wholesale outlets in Karachi and Lahore and Germany's largest retailer Metro has also opened similar outlets in Karachi, Islamabad and Lahore. The concept of chain

stores for fashion apparel has also 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. The military-owned Canteen Stores Department (CSD), a discount retail network, has also expanded to all major cities of the country.

The general perception among Pakistani consumers is that the prices in the larger and more upscale stores must be higher due to higher overhead and investment costs. 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 other shops carrying similar goods.

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 for wholesale goods. 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.

Selling Factors/Techniques

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The traditional approach to selling in Pakistan has been to make a personal contact with a major wholesaler who serves a network of retailers throughout the country. However, this trend is changing. Advertising is now a growing industry and some of the large consumer manufacturers extensively advertise their products through both print and electronic media. Some of the banks regularly contact their potential customers through direct marketing. Nonetheless, personal relationships are very important, especially when selling non-consumer items to the government or large corporations. Since personal relationships take time to nurture, U.S. firms are advised to invest time in the market with preferably a local presence or at least very frequent trips to the area. This is not an activity that can be done long-distance. Face-to-face contact is the business norm, however, under the current environment, this poses a significant challenge. U.S.

business travelers may face delays in acquiring a Pakistani visa and some U.S. corporations strictly adhere to the State Department Travel Advisory and this may also pose a challenge for U.S. business visitors to Pakistan.

In addition to personal relationships, price generally remains the dominant buying factor. Government procurement also places heavy emphasis on selection of the lowest bidder, provided the bidder meets the technical specifications and has relevant industry experience. Some foreign companies have mastered the art of providing initial lower bids and revising them later to a more realistic level, usually in connivance with "consenting" officials. Some U.S. firms have expressed their frustration in dealing with government contracts, especially in situations when they were technically qualified and submitted the lowest bids, yet were not awarded the contract or were asked to re-bid for a re-advertised contract.

U.S. products and services enjoy an excellent reputation in the local market, especially for their quality and durability. However, U.S. companies face tough competition from European, Chinese, Japanese and Korean companies, which generally have a larger presence in the country and are able to offer their products and services at competitive prices. Providing after-sales services is also essential and U.S. firms are advised to establish this service either through a local/agent distributor or through their own presence in the local market.

Electronic Commerce

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Pakistan can still be considered a cash-based economy. The majority of transactions are conducted in cash, except for those that are very large and require a bank draft or pay order.

However, a number of government departments have started to offer services through the Internet. In the private sector, all the three Pakistani airlines now offer e-ticketing and almost all local banks offer online banking services. This segment of the economy is expected to grow steadily as there are approximately 6 million Internet subscribers in Pakistan and this figure is expected double during the next five years.

Trade Promotion and Advertising

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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. By US standards these agencies are fairly small outfits, having an annual billing of less than US\$ 20 million each. Information concerning advertising agencies may be obtained from the Pakistan Advertising Association (PAA), through the PAA website <http://www.paa.com.pk/contact.html>

Television and newspapers are the most widely used method of advertising. Other means of advertising include radio, billboards, periodicals and trade journals, direct response advertising, slides and commercial film shorts in movie theaters, short messages through cellular phones, as well as the Internet.

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 the Dawn (published in Karachi, Lahore and Islamabad), The News (Islamabad, Lahore and Karachi), The Nation (Lahore and Islamabad) 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 current affairs magazines are monthlies - the Herald and Newline. The principal English-language weekly economic magazine is the Pakistan & Gulf Economist, published in Karachi, and there is also a widely read English weekly, The Friday Times, published in Lahore. Several special interest magazines such as Spider (Internet), Computerworld (Computer and IT) and Mobile Communications are steadily gaining prominence. Almost all the newspapers in Pakistan are now available on the Internet.

Television is broadcast on state-owned Pakistan Television and several other local channels, using the PAL system. English language programs, including news, are available on several satellite channels. In 2001, the government imposed a ban on Indian channels, which were providing stiff competition to the local channels, although many are received "unofficially".

Cable and Satellite Television: Cable television has been available in Pakistan for more than ten years now and with the passage of time the channels are getting more professional and organized. The broadcast media is regulated by the Pakistan Electronic Media Regulatory Authority (PEMRA), which has issued more than 800 licenses to prospective operators. It is estimated that cable television reaches approximately 30 percent of households in Pakistan. Regulatory details about broadcast media are available on the PEMRA website www.pemra.gov.pk

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, although, with the advent of cable TV, the popularity of direct satellite television is gradually diminishing. More than 100 channels are received via satellite. The most popular transponder received in Pakistan is "Asiasat," which carries most of the Indian TV channels.

Radio Pakistan reaches out to audiences within the country and abroad in 36 languages (19 regional and 17 foreign) from 24 medium and short wave stations and 6 FM stations, transmitting more than 600 hours of programs. The FM license granted by the government does not permit them to broadcast exclusive news and current affairs programs.

Pakistan currently allows trade-advertising material other than commercial catalogs 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 apparel, along with the leather and gemstones industries hold regular trade shows. Lately, the telecommunications, safety & security, higher education, information technology and oil and gas industries have become active in this

area. 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. Presently, trade show business in Pakistan is suffering tremendously from the prevailing security situation.

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.

Pricing

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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 40 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 Middle East 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. Some local importers are also known to misuse the Afghan Transit Trade (ATT) facility for importing goods into Pakistan. In this case, goods are supposedly imported for Afghanistan (which has lower import tariffs) and then smuggled back into Pakistan. Several importers of tea leaves, fabrics, automobile tires, and vehicle spare parts are known to misuse this facility.

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 general sales 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 by 10 to 15 percent and imported general merchandise 20 to 30 percent.

Sales Service/Customer Support

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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.

Protecting Your Intellectual Property

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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. Several U.S. companies (e.g., book publishers, pharmaceutical manufacturers, 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. Also, the GOP recently enacted the Trade Mark Ordinance that provides for registration and better protection of trademarks and further prevents the use of fraudulent marks.

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 "Trade Related Aspects of Intellectual Property Rights (TRIPS) commitments under the WTO agreement.

Due Diligence

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U.S. companies seeking to do business in Pakistan are strongly advised to conduct a background check on the local company. It is always advisable to check the ownership of the company and its business track record.

It is recommended that U.S. companies carry out their due diligence on prospective partners or opportunities using the U.S. Commercial Service International Company profile (ICP) service. Please contact the U.S. Commercial Service, Islamabad, Pakistan for more information on this service.

Local Professional Services

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The U.S. Commercial Service offices located in Islamabad, Karachi and Lahore maintain a complete list of pre-screened and reputable companies that offer various services and

may be of assistance to U.S. businesses in completing a specific task in this market. These lists may be obtained directly from the individual offices. Pakistan has a surprisingly sophisticated services industry offering high level of professional lawyers, accountants, business and management consultants, IT experts, and advertising professionals.

Various professional services are listed on the following website, which is Pakistan's largest online Yellow Pages:

www.jamals.com

Web Resources

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<http://www.export.gov>

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- (Telecommunication Equipment and Services)
- (Oil and Gas Field Equipment)
- (Electrical Power Equipment)
- (Computers and Peripheral)
- (Aircraft and Ground Support Equipment)
- (Construction Equipment and Services)
- (Transportation and Logistics Services)

- **Agricultural Sector**

Telecommunication Equipment and Services

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Overview

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During the past two years, the telecommunication services sector has undergone a period of consolidation, after experiencing average annual growth of over a 100 percent from the year 2001 to 2007. The private sector is now actively involved in the expansion and development of telecommunication services. It now provides cellular telephone services, card payphone, internet/ broadband services, and, with the privatization of Pakistan Telecommunication Company Limited (PTCL), it also provides fixed line telephone services.

The Government of Pakistan accords the telecommunication industry a very high priority. It plans to expand the cellular and wireless local loop (WLL) telephone networks, and seeks to provide faster broadband services to internet users throughout

Pakistan. The government welcomes foreign private investment in this sector; especially joint ventures that bring in new technology and help improve the level of efficiency and expertise of the local partner.

Competition for U.S. equipment manufacturers during the next several years will remain strong, particularly with the European telecommunication firms because Siemens and Alcatel –Lucent have established most of the software protocols in Pakistan (which are now fully integrated with the PTCL network). However, in the cellular sector, Mobilink, the largest operator, has installed a Motorola network. The two new cellular operators, Warid Telecom of UAE and Telenor of Norway, have chosen Nokia and Erickson networks. Also, Warid has contracted with Motorola to plan, design and deploy a nationwide wireless broadband voice and data network using WIMAX technology. Pakistan's total imports of telecommunication equipment during the year 2008-09 were US\$1.6 billion. It may be noted that all the cellular networks in Pakistan are foreign-owned.

FOREIGN DIRECT INVESTMENT IN TELECOM SECTOR

Cellular telecommunication is the fastest growing segment of the telecommunication industry in Pakistan. It is estimated that during the next 5-6 years this segment will attract investment in excess of \$5.0 billion.

Teledensity:

Fixed Line Sector: The current teledensity for the fixed line sector is 2.2 percent, compared with 3.4 percent in 2004. This segment of telephony is gradually sliding downwards as most of the new telecom subscribers prefer to use the cellular option or Wireless Local Loop (WLL) since these services are readily available in all the urban and semi-rural parts of Pakistan.

YEAR	FIXED LINE TELEDENSITY (%)
2000	2.3
2001	2.5
2002	2.7
2003	3.0
2004	3.4
2005	3.4
2006	3.3
2007	3.1
2008	2.7
2009	2.2

Cellular Telephone Sector: The growth in this sector has been phenomenal, and as of February 2010 there were 96.2 million cellular subscribers in Pakistan. The growth pattern in this sector has been as follows:

YEAR	SUBSCRIBERS (Million)
2001	1.6
2002	2.4
2003	5.0
2004	12.7

2005	34.5
2006	36.7
2007	63.0
2008	88.0
2009	94.3
2010	96.2

Mobilink, owned by Orascom of Egypt, is the industry leader with 30.9 percent market share, followed by Telenor (22.15 percent), Ufone (21.2 percent), Warid (18.96 percent) and Zong (6.79 percent). It may be noted that cellular subscribers in Pakistan often subscribe to multiple networks at one time; hence the actual number of cellular users will be slightly lower than 96.2 million.

ESTIMATED INVESTMENT BY MAJOR TELECOM OPERATORS DURING 2008 - 09

Out of the total investment of \$1.6 billion in the telecom sector in 2009, the share of the cellular sub-sector was US\$1.23 billion. The estimated breakdown is as follows:

COMPANY	US\$ million
Telenor	374
Zong	204
Mobilink	270
Warid	167
Ufone	215
<u>TOTAL</u>	1,230

Best Products/Services

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- Telecom switches
- Radio communication links
- Optic fiber cables
- Towers, poles, ducts and pits used in conjunction with other infrastructure facilities.
- Broadband services

Opportunities

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The telecommunication sector in Pakistan has grown at an extremely robust pace during the past five years. Based on industry estimates, the telecom sector is now going into the consolidation phase. This is amply demonstrated by the fact that the Average Revenue Per User (ARPU) has been sliding and presently stands at US\$2.48, a drop of 20 percent from the preceding year. The investment in this sector has also declined from US\$ 2.7 billion in 2008 to US\$1.6 billion in 2009. However, the telecommunication service providers are now looking at providing more value added service. Warid has introduced its Wimax service and some of the other operators are also looking into offering wireless broadband service along with entertainment services. The Pakistan

Telecommunication Authority (PTA) expects to announce the auction for the licenses of 3G spectrum sometime in 2010.

Resources

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www.pta.gov.pk

www.ptcl.com.pk

Oil and Gas Field Equipment

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Crude Oil:

The balance recoverable reserves of crude oil in Pakistan as of January 1, 2010 are estimated at 303.63 million barrels. The average crude oil production during July 2009 - 2010 was 65,246 barrels per day (bpd) as against 66,531 bpd during the same period last year, showing a decrease of 1.9 percent. During the period under review, 27,659 (42 percent) bpd were produced in the northern region and 37,586 bpd (58 percent) in the southern region. The state-owned Oil and Gas Development Company Limited (OGDCL) is the largest producer of crude oil in Pakistan, followed by British Petroleum (formerly Union Texas), Pakistan Petroleum Limited, Pakistan Oilfields Limited, BHP, ENI and OMV.

During the period July 2009 to March 2010, altogether 50 oil wells were drilled, which included 16 wells in the public sector and 34 in the private sector. During the preceding year a total of 60 oil wells were drilled, thus registering a 16.67 percent decline in oil exploration activities. A total investment of US\$888.8 million has been made in the petroleum sector, which primarily includes exploration and development of wells.

Natural Gas:

Pakistan's energy needs are primarily based on natural gas. The importance of natural gas has been increasing rapidly over the past several years. As of January 1, 2010, the balance recoverable natural gas reserves have been estimated at 28.33 trillion cubic feet (tcf). The average production of natural gas during July 2009 – March 2010 was 4,048.76 million cubic feet per day (mmcf) as against 3,986.53 (mmcf) during the corresponding period in the year 2008 – 2009. Pakistan's fertilizer and cement industry is heavily dependent on the locally produced natural gas and most of the power producers also use natural gas as their main fuel. In addition, approximately 2 million vehicles in Pakistan use Compressed Natural Gas (CNG) as their primary fuel and this trend will continue to grow for as long as there is a big price differential between CNG and Diesel/petrol.

Best Prospects/Services

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Drilling Equipment: Oil & Gas
Chemicals
Instrumentation

7/29/2010

Pipes
Petrochemical Equipment
Oil & Gas Services

Opportunities

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The Government of Pakistan provides an investment-friendly environment for the energy sector to attract local and foreign investors; as a result of these financial and structural reforms, the energy sector is fast emerging as one of the most attractive sectors of the economy. The Government of Pakistan is actively seeking investment in onshore and offshore exploration activities, development of explored wells and construction of gas pipelines.

Resources

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<http://www.mpnr.gov.pk/>

<http://www.mpnr.gov.pk/ogdcl.php>

<http://www.ogdcl.com>

Electric Power Systems

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Pakistan's Energy Sector

Pakistan is suffering from an acute power deficit of about 5000 MW. The government of Pakistan is making a concerted effort trying to close this gap by offering attractive returns on power sector projects. Currently it is estimated that the lack of power has reduced Pakistan's GDP growth by almost 2%.

Below is the breakdown of Pakistan's total installed capacity.

Hydroelectric	6481 MW
Thermal Public	6855 MW
Thermal Private	5987 MW
<u>Nuclear</u>	<u>462 MW</u>
Total Installed	19,786 MW

Circular Debt Situation and Steps Taken

The circular debt problem plaguing the power sector stems from a disparity between cost and tariffs of energy. The inability to increase the consumers' energy tariff prior to fiscal year 2007-08 even though generation cost kept increasing gave rise to substantial

cost-tariff differential. This situation was further complicated by the increase in the international price of oil during 2008 a major input in the generation of electricity. As the subsidy element (difference between cost and tariff) grew, large amounts of circular debt were created whereby power producing companies were unable to receive payments from distribution companies, in-turn the power producers could not make payments to the fuel suppliers.

Currently the government is regularly revising the power tariffs in line of international oil prices changes to recover the cost of power, as evident from the rising furnace oil prices thereby increasing the electricity prices. While the GOP is serious about raising the tariff, the theft and line losses continue to plague the cost recovery.

With all the issues of power sector, investors are still flocking to it and several project are in the developmental phase due to attractive returns and other benefits offered by GOP.

The following projects are expected to be completed in 2010:

1	Muridke (Sapphire) Power Project	Muridke, Punjab	209.00 MW	31-Jul-10
2	Nishat Chunian Power Project	Near Lahore	195.26 MW	31-Jul-10
3	Fauji Mari Power Project	Daharki, Sindh	176.66 MW	31-Jul-10
4	Liberty Power Tech Project	Faisalabad	195.00 MW	30-Sep-10
5	HUBCO-Narowal Project	Narowal, Punjab	213.60 MW	31-Oct-10
6	Bhikki (Halmore) Power Project	Bhikki, Punjab	209.00 MW	31-Oct-10
Sub Total (IPPs)			1198.52 MW	

PPIB (Private Power and Infrastructure Board)

The Private Power and Infrastructure Board (PPIB) was created in 1994 to facilitate private sector in the participation of power generation in Pakistan. PPIB provides a One-Window facility to private sector investors in matters concerning establishing power projects and related infrastructure. These matters include negotiation of the Implementation Agreement (IA).

PPIB also provides support to the power purchaser and fuel supplier while negotiating the Power Purchase Agreement (PPA), Fuel Supply Agreement (FSA)/Gas Supply Agreement (GSA), other related agreements, and liaison with the concerned local and

international agencies for facilitating and expediting progress of private sector power projects.

PPIB is working to attract and facilitate FDI in Pakistan's power sector. A number of foreign investors have expressed interest in setting up power generation projects that would develop Pakistan's indigenous resources including hydroelectric, wind, natural gas, and coal. Their proposals have been evaluated and the prospective investors facilitated and encouraged to come up with power projects focusing on maximum utilization of available local resources.

National Electric Power Regulatory Authority (NEPRA)

The National Electric Power Regulatory Authority is exclusively responsible for regulating the provision of electric power services. During the period July -March 2009-10, NEPRA has processed ten applications for the grant of generation licenses, including thermal and hydroelectric power plants with a cumulative capacity of 311.4 MW. In addition to these thermal and hydroelectric power projects, cases/applications of five wind energy projects with a cumulative capacity of 200 MW for grant of generation licenses were also processed. To encourage the hydroelectric and coal based power projects in the country, the authority has allowed 17 percent IRR to hydroelectric and indigenous coal and 16 percent to imported coal power projects as against the 15 percent IRR for oil and gas based thermal power projects. Furthermore, during the period July-March 2009-10, NEPRA issued twenty seven tariff determinations and 169 tariff adjustments in respect of generation and distribution companies. During the period under review, NEPRA has processed the tariff petition in respect of 80 MW Cogeneration power project based on bagasse & imported coal.

Growth in Consumers

The number of consumers has been increasing due to expansion of electric network to villages and other areas. The growth in number of consumers increased by 4.5 percent during July-March 2009-10 against the 4.2 percent rise in same period last year. Moreover, the longer term analysis of group wise consumers exhibits that the share of domestic consumer remained the highest with more than 80.0 percent of total number of consumers in the respective.

Nuclear Energy

Pakistan Atomic Energy Commission (PAEC) is responsible for planning, construction and operation of nuclear power plants. Presently, two nuclear power plants; Karachi Nuclear Power Plant (K-1) and Chashma Nuclear Power Plant unit-1 (C-1) are in operation, while construction of a third plant, Chashma Nuclear Power Plant Unit-2 (C-2), is in progress. The C-2 is expected to be operational by 2011. Pakistan Atomic Energy has been assigned the task of installing 8,800 MW nuclear power capacity by the year 2030 with increasing share of indigenization. In this respect, technical facilities have already been established and human resource development institutes are being upgraded and expanded. China is in the process to build two nuclear power plants in Pakistan.

Alternate Source of Energy

Alternative Energy Development Board (AEDB) processes all alternative and renewable energy projects in the Public Sector and the Private Sector projects in the power sector.

Mega Wind Power Projects

AEDB issued 4 Letters of Intent (LOI) for wind power projects, 3 for 50 MW and one for 2.4 MW. AEDB is currently facilitating twenty (20) projects having a capacity of 50 MW each, which are at different stages of development. One IPP has signed a contract with international turbine manufacturer for the supply of equipment for their project. One company has installed 6 MW in the first phase of their 50 MW project. Feasibility studies for 50 MW wind power projects each have been completed by 2 IPPs taking the total to 14 completed feasibility studies.

Biodiesel

AEDB through a consultative process identified the barriers to biodiesel feedstock cultivation in Pakistan, and is taking actions to remove these barriers. Experimental cultivation of biodiesel feedstock on scientific basis has also been started. The cultivation has now risen from around 2 acres in 2005 to more than 650 acres in 2009. Pakistan's first ever commercial biodiesel production facility has been setup in Karachi by the private sector. This biodiesel refinery has a capacity of producing 18,000 tons of Biodiesel per annum.

Biomass/Waste-To-Energy

Alternative Energy Development Board (AEDB), an autonomous government enterprise, has signed a contract with a foreign firm for carrying out a feasibility study for generating up to 10 MW of electricity from Municipal Solid Waste in Karachi. The study is currently underway and would lead to establishment of a 10 MW Waste-to-Energy power plant in Karachi. AEDB has initiated a project for carrying out detailed studies for biomass / waste-to-energy projects in 20 cities of Pakistan. Companies have been shortlisted for issuance of RFPs on basis of Expressions of Interest (EOI) submitted by them.

Small/Mini/Micro Hydroelectric

AEDB is actively working to install 103 micro hydroelectric power plants in Chitral and other places in Gilgit - Baltistan. The total cost of the projects is US\$ 19.5 million. Eight micro/mini/small hydroelectric power projects have been initiated under the Renewable Energy Development Sector Investment Program of Asian Development Bank (ADB). The cost of these eight projects is estimated at US \$ 139.5 million. Furthermore, Government of Punjab issued LOIs to 10 private investors for establishment of small hydroelectric power project with a cumulative capacity of 142 MW at different location of Punjab.

Bagasse

Millions of tons of biomass consisting of bagasse, cotton and wheat stalks, rice husk, jute waste, other crop residues, and cow dung are produced in Pakistan annually. This resource is not being fully utilized at the present time. Most of the biomass is used in the rural areas as a fuel for cooking. The use of biomass in the rural sector is also very inefficient because of inefficient cook stoves. Studies are being undertaken to generate biomass-based electric power, primarily from thermal combustion and from biogas digesters. In particular, it has been identified that the bagasse (sugar cane waste) available from sugar mills can be used to generate up to 2,000 MWs of electricity. Recently, USTDA conducted a Bagasse orientation visit of sugar mill's executives to the

U.S., financing was identified as one of the primary need in this area. There seems to be an ample opportunity for joint ventures for U.S. investors in this area.

Solar

More than thirty-two vendors are currently importing solar water heaters and marketing them all over the country. Some local manufacturers are also playing an important role in promotion of this technology. AEDB recently launched a Consumer Confidence Building Program for the promotion of Solar Water Heaters in the country. The program was designed to create awareness of solar water heating technology and to build the consumer confidence on the product through a number of incentives to buyers that includes money back guarantee.

Supply of Energy

Primary energy supply and per capita availability of energy witnessed a decline of 0.64 percent and 3.09 percent respectively during July-March 2009-10 over the same period last year. This decrease in the primary energy supply and per capita availability during the first nine months of the current fiscal year is higher than its fall in the full year of 2008-09 when primary energy supply and per capita availability narrowed down by 0.58 percent and 2.27 percent respectively. The fall in energy supply during current period can be attributed to inter corporate circular debt problem. During the last ten years (1999- 2009) the consumption of petroleum products has increased by an average rate of 0.5 percent per annum. The consumption of gas, electricity and coal has increased at an average rate of 6.8 percent, 5.0 percent and 12.5 percent per annum. This long term trend suggests that composition of annual energy consumption is shifting from petroleum products to other energy sources.

Energy consumption in all sources has witnessed a negative growth rate during 2008-09 mainly on the back of lower economic activity and circular debt problem during the period. Whereas, due to revival in the macroeconomic activity, the energy consumption in petroleum products, gas and coal has witnessed a positive growth rates of 8.1 percent, 3.0 percent and 10.0 percent respectively during July-March 2009-10 over the corresponding period last year. While the decline of 1.7 percent in energy consumption of electricity is mainly owed to circular debt problem during July-March 2009-10.

Best Products/Services

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The most promising sub-sectors within this sector for FY-2010 are:

Power Generation Equipment (US\$ 50 million); Power Transmission Equipment (US\$ 235 million); Power Distribution Equipment, including equipment for Rural Electrification (US\$ 135 million)

Resources

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<http://www.ppib.gov.pk> (Private Power & Infrastructure Board)

<http://www.statistics.gov.pk> (Federal Bureau of Statistics)

<http://www.pakwapda.com> (Water and Power Development Authority)

<http://www.npcc.com.pk> (National Power Construction Corporation)
<http://www.pakistan.gov.pk> (Ministry of Water and Power, Government of Pakistan)
<http://www.kesc.com.pk> (Karachi Electric Supply Company (Pvt.) Limited)

Computers & Peripherals

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Overview

	2007	2008	2009 (estimated)
Total Market Size (\$ million)	282.6	291.0	296.8
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	282.6	291.0	296.8.0
Imports from the U.S.	30.4	43.7	45.0
Exchange Rate (Pak Rupees/US)	60.0	81.0	85.3

Pakistan's market for computers and peripherals has seen a steady growth during the past several years, and is expected to continue this trend in coming years. With virtually no tangible domestic production, the local computer and equipment market relies heavily on imports. The local market is generally receptive to U.S. brands, mainly for their quality and reliability, despite having strong competition from China, Japan, South Korea, Malaysia, and Taiwan. Major U.S. brands including Dell, HP, Intel, Apple, and Cisco have already established a strong presence in Pakistan.

The expansion of the information technology industry in Pakistan has seen a healthy growth during FY 2009-10, with computers and peripherals emerging as a major industry sector. Both the Government of Pakistan (GOP) and private businesses place high priority on the availability of computers and other IT equipment in regular workflows, research and development, and educational activities. The GOP introduced its new Information Technology (IT) Policy in FY 2000, with major emphasis on computer availability, usage and manpower training. The GOP encourages the use of computer technology in both public and private institutions/organizations, and has introduced several incentives for both local and foreign firms including 100 percent equity ownership, and 100 percent remittance of profits from Pakistan. In addition, the GOP, in collaboration with the private sector, has launched several projects to ensure the widespread availability of computers to the masses. Some of the initiatives in this regard include development of software technology parks, the provision of demand-based training, Internet accessibility (both dialup and wireless broadband) of public utilities, research and development, federal and provincial government web portals, import of used computers, and digitization of government records.

The primary users for computers and peripherals in Pakistan are private businesses, IT and IT-enabled services companies, call centers, business process outsourcers, Internet Service Providers, government authorities, educational institutions, and domestic users. At present, there are 1,020 IT and IT-enabled companies, employing over 90,000

qualified IT professionals. The Business Process Outsourcing (BPO), particularly the call center business, has emerged as a business sub-sector during the last four years. There are presently 80 international and 30 domestic call centers operating in all major cities of the country. According to the latest industrial statistics, there are approximately 2,500 to 3,000 qualified professionals associated with this sector and this number is expected to grow at an annual rate of 15 percent in the coming years.

The majority of the international call centers operating in Pakistan are from the U.S. and the United Kingdom. During FY 2009, the cumulative outsourcing business in the country was approximately \$7.7 million, and is expected to grow by 5 percent by the end of 2010. According to the industry statistics, the BPO sector is expected to grow by at least 10 percent in the coming five years. The local demand for dialup Internet and wireless broadband services and its associated equipment has been very strong, as, at present, there are 110 ISPs operating countrywide, with total subscribers of approximately 2.5 million. Under the GOP's broadband policy, the bandwidth tariff has been drastically reduced for high-speed Internet services, including DSL, ADSL, WiFi, VPN, ISDN, and wireless connections.

The local production capacity of computers and peripherals is marginal and currently meeting only 0.10 percent of the total industry demand. Three prominent local brands, including Mango PC, Inbox, and Raffles Systems, have established their manufacturing facilities in collaboration with foreign partners, and plans are underway to increase their production capacities in coming years.

Best Products/Services

The most promising sub-sectors within Computers and Peripherals for FY 2010 are:

- Data Processing Machines/Main Frames
- I/O Units – Tapes/Disks/Printers
- Computer Networking Equipment
- Personal Computers (Used/New)
- Servers/Gateways
- Modems
- Wireless and Broadband Modems
- Multiplexes
- Power Supplies/Battery Chargers
- Wires, Cables, and connecting equipment
- Computer Leads
- Cathode Ray Tube (CRT) Monitors
- Liquid Crystal Display (LCD) Monitors
- Computer Laptops and hand held

Opportunities

The past year has shown a growing trend of computer users, especially at home using used/refurbished computers. This has resulted in a large influx of used computers, both branded and unbranded, into local market. This trend has had only a minor impact on available international brands; however, as corporations still prefer new and branded equipment, and these corporations traditionally make up the bulk of the market.

Resources

Ministry of Information Technology – <http://www.moit.gov.pk>

Ministry of Economic Affairs & Statistics – <http://www.statistics.gov.pk>

Pakistan Software Export Board – <http://www.pseb.org.pk>

Punjab Information Technology Board – <http://www.pitb.gov.pk>

Ministry of Science and Technology – <http://www.most.gov.pk>

Aircraft and Ground Support Equipment

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During the year 2009, Pakistan's main carrier the Pakistan International Airlines (PIA) increased its overall capacity by 1.7 percent, while its passenger traffic and seat factor witnessed a drop of 0.2 percent and 1.3 percent respectively during the same period in 2008. The number of passengers carried on international sectors increased by 1.0 % as compared to the previous year, whereas on the domestic sector the number of passengers decreased by 4.2%. Decline in domestic traffic can be attributed to economic downturn and the prevailing law and order situation in the country.

Despite the slow economy, PIA, AirBlue and Shaheen Air are all looking to expand their fleets. PIA is seeking to add 27 more single-aisle aircraft to its fleet and its decision to purchase/lease these aircraft will be based on the availability of adequate funds and the airline will be seeking EximBank financing.

The U.S. has a major market share in the following product categories: wide-bodied aircraft, aircraft ground support equipment, communication and navigation equipment, air-conditioning, electrical and fuelling equipment, passenger loading bridges, etc. American companies like FMC, Nordco, Hobart, Wilcox, AS&E, Airplane, Garsite, S&S, Stearns, GE, Pratt & Whitney, Trilectron and Westinghouse are familiar names in the industry.

Local production is extremely limited, as are exports. PIA's Precision Engineering Complex provides custom-made parts, engineering and overhaul support, including for Boeing aircraft, but there is no competition from local sources for new equipment. There is also a USTDA study being considered for an MRO (maintenance and repair) facility at Karachi Airport, which will cater to the regional airlines.

The US share of the import market is estimated at between 62-65 percent for aircraft, engines and parts. Other suppliers include UK, France, Germany, and the Netherlands.

Best Prospects/Services

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Air transport:

Opportunities:

Plans are underway to develop the new Islamabad International Airport at an estimated cost of \$300 million, out of which approximately 40 percent will be earmarked for the purchase of airport ground support equipment. Louis Berger of the U.S. won the airport planning study contract in June 2006 and the airport is expected to be completed by the

end of 2012. Sialkot International Airport was inaugurated in November 2007 while the new Gwadar International Airport will also be coming on line soon. These projects will require the following equipment:
Aircraft and Aircraft Parts

Air Traffic Control

8526.10 Radars
8529.90 Aeronautical Communication System
8526.91/9014.10 Navigational Aids: Calibration Equipment, Voice Recorders
8535.40 Runway Lighting System
9015.10-80 Meteorological Equipment

Ground Support Equipment

9022.19 X-ray Scanners
8428.40/9403.70 Airport Terminal Equipment: Satellites, Walkways, Counters, etc.
7610.10 Passenger loading bridges
8709.00 Aircraft Tow Tractors
8503.00 Ground Power Units
8705.00 Runway Sweepers/Rubber Deposit Remover Machines
8471.92 Flight Information Display System and Parts
8413.19 Fuelling Equipment
8705.00 Fire Fighting Equipment
8511.50 Pneumatic Engine Starters
8428.40 Passenger Stairways
9022.19 Airport Security Equipment
8709.00 Aircraft Loaders
4010.10 Conveyor Belts
4010.10 Passenger Transport Vehicles
9026.10 Avionics Equipment
9014.20 Electrical Equipment

8703-Motor Cars and Vehicles for transporting persons
8703330010-Ambulances
8519938000- Tape players, Cassette Type
8517301500-Central Office Telephone switching Systems
8525203040-Radio transceiver

Opportunities

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According to the Aviation Policy 2007 available on Civil Aviation Pakistan website, Government will provide an exemption on duties and taxes on import of new / used operational equipment used for the provision of air traffic services & training. This equipment includes: Aircraft manufacturing, communication and broadcast equipment, navigation, surveillance equipment, rescue and firefighting equipment, display system, training, calibration and aeronautical publications.

The new Islamabad and Gwadar Airports are under construction while Multan Airport is to be upgraded to international status.

www.piac.com.pk

www.airblue.com

www.caapakistan.com.pk

Transportation and Logistics Services

Overview

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Pakistan's economic development partly depends on improvement/modernization of its transport sector accounting for 11% of GDP and 16% of fixed investment.

Roads

Pakistan has a road network covering 258,350 kilometers including 176,589 km of paved roads and 81,761 km of unpaved roads. Total roads, which were 229,595 km in 1996-07, increased to 258,350 km by 2008-09 indicating an increase of 12.5%. NHA has to secure delivery of efficient, reliable, safe and environment friendly national highway network with a view to improve quality of life in Pakistan. NHA looks after nearly all of Pakistan's major inter-provincial road links. National Highway represent main transport corridor linking ports to major population centers and to neighboring countries.

In 2009, the National Highway Network remained under tremendous pressure due to ever increasing traffic volumes and excessive overloading. In addition, more provincial highways with extremely poor condition are now in need of repairs and major overhaul; however, the Government does not have the required resources for any major upgrade.

Railways

Pakistan's Railways is in weak financial position and has an inefficient business plan. It is a loss making entity with only 3% of the total operations dedicated to freight transportation, which is usually the profit making portion of the railways industry. Recently the government made a commitment to improve the railways and has a plan for a massive restructuring and also there is a plan for acquiring more locomotives from the U.S.

Pakistan International Airlines

Pakistan international airlines, is another loss making entity. The GOP has plans for restructuring of this while elephant as well. There is also a USTDA study being considered for an MRO (maintenance and repair) facility, which will cater to the regional airlines.

Over all we feel that there is tremendous opportunities in the transport sector of Pakistan. U.S. truck manufacturers and general contractors should consider working in Pakistan.

Opportunities

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According to the Aviation Policy 2007 available on Civil Aviation Pakistan website, Government will provide an exemption on duties and taxes on import of new / used operational equipment used for the provision of air traffic services & training. This equipment includes: Aircraft manufacturing, communication and broadcast equipment, navigation, surveillance equipment, rescue and firefighting equipment, display system, training, calibration and aeronautical publications.

The new Islamabad and Gwadar Airports are under construction while Multan Airport is to be upgraded to international status.

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www.piac.com.pk

www.airblue.com

www.nha.gov.pk

Construction Equipment and Services

Overview

	2007	2008	2009(estimated)
Total Market Size	2,128.7	2,167.0	1841.9
Total Local Production	882.18	882.18	793.9
Total Exports	40.06	40.06	36.06
Total Imports	1,286.6	1,307.7	1,346.9
Imports from the U.S.	964.8	946.8	975.0
Exchange Rate (Pak Rupees/US)	60.00		83.0

Pakistan's construction market during FY 2009-10 with a total market size of approx. US\$14.2 billion, has contributed 1.8 percent to the country's total Gross Domestic Product (GDP). According to statistics available from the State Bank of Pakistan (SBP), despite the ongoing global financial and economic crisis, the Foreign Direct Investment (FDI) contribution in the construction market is approximately US\$0.2 billion, which shows a declining sign of investors' confidence in the local market. The local construction market can be segregated in to three major categories: (1) earthmoving and construction machinery, (2) real estate and housing development, and (3) construction contractor services.

Earthmoving and Construction Machinery: Due to ongoing global economic slowdown, the local earthmoving and construction machinery sector has seen a declining growth trend. According to industry sources, the construction machinery sector holds an approximate market share of 45 percent of the overall construction market. During FY 2009-10, the construction machinery sector, which has a market size of US\$3.7 billion, which is approx. 15 percent less as compared to the previous fiscal year. The construction machinery market, in which there is minimal domestic production, is heavily dependent on imports. Major international brands from the United States, the United Kingdom, Japan, and China have established a strong presence in the local

market, either through agent/distributorship arrangements or through opening their own offices in the country.

Real Estate and Housing Development: The real estate and housing development sector is showing healthy signs of growth in Pakistan. According to industry experts, during the past year, the real estate sector grew approx. 3.5 percent and now represents a total market size of US\$ 1.92 billion. The GOP through its housing sector reforms program has launched several initiatives including the reform and re-structuring of the real estate sector, attractive incentives for foreign investors in both civil and commercial construction projects, and the initiation of a modern-village concept in the rural areas of Pakistan.

The housing sector in Pakistan needs massive investment. According to the Ministry of Housing and Urban Development, out of a population of 167 million people, 32.30 percent live in urban areas while the remaining 67.70 percent live in rural areas of the country. According to available statistics, there are 19.3 million single-family dwellings currently in existence in Pakistan, and the demand for new single-family dwellings is approx. 5.50 million per annum. This demand has been continuously increasing at the staggering rate of 0.57 million housing units per annum. The real estate and housing sector holds an approx. 35 percent share of the overall construction market share and in light of future demand projections, this market share is expected to reach 40 percent by 2009.

Construction Contractor Services: This sector has seen a rapid growth trend over the last 5-6 years, which is mainly attributable to the initiation of significant construction projects including high-rise commercial/residential towers, roads and civil infrastructure, large-scale industrial projects, and real estate development in both the public and private sectors. The total market share of this sector is approx. 20 percent, which is expected to reach 24 percent by the end of current fiscal year. The construction contractor services sector offers state-of-the-art services to their local and international clientele, which includes civil construction services, earthmoving and construction machinery, mechanical erection, electrical and instrumentation services, engineering designs, industrial automation, and industrial plant commissioning.

Best Prospects/Services

The most promising sub-sectors within the local construction market for FY-2010 are:

Construction Machinery (Product Description)

- Aerial Devices/work platforms
- Asphalt Production and Paving
- Backhoe Loaders
- Cable Placers
- Concrete Preparation & Finishing
- Cranes
- Drilling Equipment
- Dumpers
- Excavators
- Graders
- Scrapers

Trucks/Trailers
Wheel Loaders

Real Estate Development & Housing

Design/Architectural Engineering
Project Management
Project Construction
Advanced Building Materials
Management and Maintenance
Turkey Solutions
Roofing and Insulation materials

Construction Contractor Services

Civil Construction
Mechanical Erection
Electrical Services
Instrument Services
Engineering Designs

Opportunities

The local construction market has shown moderate growth in terms of its volume and FDI contribution during the past year. Both public and private sectors have or in-process to initiate their small to large-scale projects including high-rise commercial/residential building, small dams and hydropower generation projects, infrastructure, and real estate development. According to the industry experts, the local market would continue to offer sizeable business opportunities to the local and foreign companies for the coming several years.

Resources

Ministry of Housing & Works – <http://www.housing.gov.pk>
National Housing Authority – <http://www.pakistan.gov.pk>
Institute of Architects – <http://www.iap.com.pk>

Agricultural Sector

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Agriculture in the Economy

Agriculture accounts for approximately 22 percent of Pakistan's GDP and employs about 45 percent of the labor force. The most important crops are cotton, wheat, rice, sugarcane, fruits, and vegetables, which together account for more than 75 percent of the value of total crop output. Pakistan exports rice, fish, fruits, and vegetables and imports vegetable oil, wheat, cotton (net importer), pulses, and consumer foods. Agriculture contributes to economic growth as a supplier of raw materials to industry, as a market for industrial products, and is Pakistan's largest source of foreign exchange earnings. The nation's dominant export industry is textiles and garments, and therefore, the cotton crop is of particular importance.

The majority of Pakistan's population lives in the Indus River valley and in an arc formed by the cities of Faisalabad, Lahore, Rawalpindi/Islamabad, and Peshawar. As the result of increasing urbanization the average farm size has declined from 13.1 acres in the early 1970's to 7.7 acres in 2000. The agriculture sector consists of crops, livestock, fishing and forestry. Major crops include wheat, cotton, rice, sugarcane, corn and chickpeas. Minor crops include oilseeds, other pulses, potatoes, onions, chilies and garlic. The crop sector has gradually declined from 65 percent of agricultural activity in 1990-91 to 45 percent in 2007-08. By contrast, the share of livestock in agriculture has increased from 30 percent to 52 percent over the same period. The contribution of fishing sector has been insignificant at only 2 percent while forestry has been experiencing negative growth since 2003-04. Growth in the agricultural sector bounced back from a modest 1.1 percent in 2007-08 to 4.7 percent during 2008-09.

Domestic Agricultural Policy Overview

About two-thirds of Pakistan's 167 million people live in rural areas and depend on agriculture for their livelihood. Unlike India, land reform was limited in Pakistan. As a result, most of arable land is held by a small number of large land holders, while the remainder is held by a large number of small landowners. There are a large number of landless sharecroppers and agricultural laborers.

Cotton, rice, and sugarcane are grown during the "kharif" season, (May-November) and wheat and oilseeds are grown during the "rabi" season (November-May). About half of all agricultural income is derived from livestock.

A majority of Pakistani politicians and legislators are from rural backgrounds. These political leaders, along with powerful industry groups including the All Pakistan Textile Mills Association and the Pakistan Sugar Mills Association, heavily influence agricultural policy. These pressure groups consider their own particular interests over those of small farmers.

Pakistan's agricultural sector is characterized by low productivity, limited investment, and a weak extension service. In addition, inefficient resource use, a skewed distribution of farm holdings, a thin land market reflecting insecure tenure, inefficient non-price allocation of water and irrigation systems in drought-prone regions, and poor quality inputs and infrastructure continue to hinder the sector. Food security based on self-sufficiency is a potentially costly policy and a major government priority.

Agricultural policy is aimed at maintaining a growth rate higher than population growth. The average agricultural growth rate for the past forty years was 4.3 percent. As arable land is limited to about 25 percent of total land area, increased productivity is critical. The GOP plans to increase yields through biotechnology, better water and crop management practices and focused research and extension. Availability of agricultural credit and inputs has improved. Crop production is heavily dependent upon irrigated water systems fed by snowmelt and monsoon rains. Improvements to Pakistan's irrigation system—one of the world's largest—are critical to the future success of this sector.

Major issues facing Pakistan's agricultural sector include a lack of adequate irrigation, improved marketing infrastructure, WTO compliant sanitary and phyto-sanitary regulations, development and implementation of food safety regulations, avian influenza

surveillance and public health measures, and the development of improved plant and animal genetics.

Agricultural Trade Environment

Pakistan is one of the founding members of the World Trade Association (WTO) and is an active member of various trade bloc and alliances. Within the G-20, Pakistan has played a pivotal and leading role. Pakistan joined the Cairns Group in 2005 to lobby for a fair and market-oriented agricultural trading system. In negotiations on market access, domestic support and export competition, Pakistan's stance is supportive of the G-20 collective position. Pakistan strongly supports improvement in market access by reducing tariffs, reducing tariff escalation, and eliminating tariff peaks. Pakistan also works closely with the Cairns Group on tropical products issues.

Pakistan has entered into Free Trade Agreements (FTA) with China, Malaysia and Sri Lanka and has exchanged a draft FTA with Singapore which includes an investment protection clause. In addition to WTO membership, Pakistan is party to two agreements for regional trade liberalization: the Economic Cooperation Organization (ECO) comprising Turkey, Iran, Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz, Tajikistan and Turkmenistan; and the South Asian Association for Regional Cooperation (SAARC) with India, Bangladesh, Sri Lanka, Bhutan, Nepal and the Maldives.

A Trade and Investment Framework Agreement (TIFA) is in place between Pakistan and the United States since July 2003.

During 2008/09 Pakistan's imports of agricultural commodities and products valued over \$4.5 billion. Category wise, major imports include vegetable oil (\$1776 million), cotton (\$213 million), tea (\$218 million), pulses (\$232 million), dry fruits (\$83 million), spices (\$69 million), sugar (\$56 million), and milk and milk products (\$43 million). Pakistan's main agricultural exports in FY 2008/09 included rice (\$1934 million), fruits and vegetables (\$241 million), fish and fish preparations (\$231 million), raw cotton (\$85 million), oilseed mustard and kernels (\$41 million), and spices (\$32 million). Pakistan is a growing market for consumer-ready food products and FAS/Islamabad is actively facilitating increased U.S. participation in the retail sector.

Agricultural Trade with the United States

The value of agricultural trade between the United States and Pakistan during CY 2009 totaled \$386 million. Agricultural exports from the United States to Pakistan totaled \$318 million, led by exports of cotton (\$187 million), consumer oriented products (\$38 million), and planting seeds (\$20 million), while exports from Pakistan to the United States totaled \$68 million, lead by exports of rice (\$21 million).

Duties on Agricultural Products

Pakistan tariffs range from 0 to 25 percent and are scheduled to be reduced further under a long-term plan to rationalize the duty structure. The GOP levies surcharges on certain items, including vegetable oil, to protect the domestic industry. Revenue collection remains problematic due to a narrow tax base and a culture of tax evasion. As a result, the GOP finds it effective to collect sales and income taxes on imports upon arrival.

SPS and Regulatory Systems

Pakistan is in the process of developing an SPS regulatory system compatible with international standards. A new regulatory agency, the National Animal and Plant Health Inspection Service (NAPHIS), is being established for this purpose. The Plant Protection and Quarantine Department and the Office of Animal Husbandry Commissioner under the Ministry of Food, Agriculture and Livestock (MINFAL) are responsible for SPS issues.

The Pakistan Pure Food Laws (PFL) of 1963 are the basis of the existing trade-related food quality and safety legislative framework. These laws cover 104 food items falling under nine broad categories: milk and milk products, edible oils and fat products, beverages, food grains and cereals, starchy food, spices and condiments, sweetening agents, fruits and vegetables and miscellaneous food products. The regulations address purity issues in raw food and as well as additives, food preservatives, food and synthetic colors, antioxidants, and heavy metals.

Pakistan has been known to establish SPS barriers without reference to either accepted international guidelines or to any risk assessment methodology. In 2008, USDA and MinFAL successfully resolved outstanding SPS issues regarding the importation of wheat, such that USDA authorities can now certify with confidence that U.S. wheat meets Pakistan's phyto-sanitary import requirements.

Food Security

Pakistan is a net food importing country and food security is one of the government's top priorities. Rising food prices and low purchasing power are leading to increased food insecurity in Pakistan's growing cities and towns, where some 35 percent of the country's over 167 million inhabitants now live. According to a recent UN World Food Program (WFP), of the 56 million people living in Pakistan's urban areas, about 21 million are now deemed food insecure. Ninety-five of the country's 121 districts now face food insecurity problems, including malnutrition, under nutrition, hunger, disease and poverty, the new study revealed.

The problem is particularly severe in Baluchistan Province where 20 out of 25 districts with urban populations are now classified as highly food insecure. In Sindh Province six out of 17 districts with urban populations are now described as highly food insecure, while in Pakistan's North West Frontier Province five out of 20 districts are now classified as extremely food insecure. The entire Federally Administered Tribal Areas (FATA), where earning a living is difficult and cultivated land is at a minimum, have deemed food insecure, the WFP report said. Pakistan's populous and largely agricultural Punjab Province was comparatively better off than the rest of the country, but problems with access to food remain, according to WFP. Only nine districts out of 34 reportedly had adequate levels of food security.

With land ownership at a minimum, agricultural work is increasingly becoming less viable for the average agricultural worker, prompting many day-laborers to move to the country's larger cities and towns in search of jobs. According to food experts, the government has yet to adequately plan for this reality - not just for the amount of food imports it will need, but also the research and expertise needed to address the true

scope of the problem. In recent years, Pakistan has experienced a deficit in wheat production except in 2006-2007 when a bumper crop was harvested because of good weather. A WFP study warns that since wheat is a key contributor to daily caloric intake in the country, the deficit in wheat production translated into caloric shortfalls leading to food insecurity. A 2008 Oxfam briefing paper reports that the price of wheat flour in Pakistan increased 100 percent between January 2007 and April 2008. The poorest 20 percent of the population spent 50-58 percent of their income on cereals alone. Since 2005, USDA has provided \$52 million in food donations to support agricultural development projects in Pakistan.

USDA Stakeholders

Cooperators: Three USDA cooperators conduct market promotion activities in Pakistan.

Cotton Council International (CCI): Pakistan is a significant buyer of U.S. upland and Pima cotton. CCI provides trade servicing to the local cotton and textile industries through its representative office in Pakistan.

American Soybean Association (ASA): Pakistan is the world's fifth largest importer of edible oils and a potential market for soybeans. The ASA representative in Pakistan provides trade servicing to the domestic crushing industry, dairy and poultry sectors and food processors.

U.S. Wheat Associates (USW): U.S. wheat is promoted in Pakistan through USW's representative in Singapore.

USAID: USAID's development program in Pakistan is one of the largest in the world, totaling over \$2.8 billion since the Mission reopened in 2002. Areas of focus include education, health, economic growth, democracy and governance, border programs and earthquake reconstruction.

World Bank: In cooperation with various groups including communities, civil society, government and donor agencies, the World Bank engages in a joint effort to reduce poverty in Pakistan. The World Bank provides technical expertise and funding in areas such as health, education, public administration, environmental protection, agriculture and basic infrastructure.

Asian Development Bank (ADB): The ADB supports the economic and governance reform agenda being implemented by the Government of Pakistan through programs aimed at trade reforms, power sector reforms, deregulation of the petroleum sector, financial sector and capital market reforms, devolution, legal and judicial reforms, agriculture, small and medium enterprise, and rural finance/micro finance.

The United Nations World Food Program (WFP): WFP is active in Pakistan since 1968 and invested more than \$ 1.5 billion in development projects where food aid has been used to promote primary health, basic education, rural development and natural resource management and in emergencies related to refugees, floods, drought and earthquake. WFP programs assist approximately four million food insecure people in Pakistan annually.

USDA, Food for Progress Program: Since 2005, USDA has provided \$52 million in food donations to support agricultural development projects in Pakistan. Donated food was

monetized by the Government of Pakistan and the proceeds used to fund six endowment programs to support agricultural research and development in Pakistan's agriculture sector

Agricultural Linkages Program (ALP): USDA provided US\$23 million under a 1999 PL-480 donation, for a research endowment fund at the Pakistan Agriculture Research Council (PARC). The main objective of the endowment is to promote and support agricultural research and development activities in accordance with Pakistan long-term development goals, with USDA input; and to promote long term scientific cooperation between Pakistan and US in the agriculture sector.

The ALP Program has financed projects covering the full spectra of agriculture disciplines. During the years when Pakistan's funding of agriculture research was under pressure, the ALP program provided an opportunity for agriculture scientists to sustain their research activities. As these projects were indigenous in nature they provided solutions to problems faced by Pakistani farmers. The program also serves to build linkages between Pakistani and United States scientists and institutions.

Natural Sciences Linkages Program (NSLP): USDA provided US\$ 10 million under a 2002 PL-480 donation for the establishment of a research endowment with the Pakistan Science Foundation. The main objectives of the endowment are to promote research in the areas of natural science related to agriculture and to provide a platform for collaboration among scientists and institutions of both countries.

Faculty Development, Technology Transfer and Product Commercialization (FDTTPC): University of Agriculture Faisalabad (UAF) is the premier research institute acting as nucleus for all the agriculture related research activities in Pakistan. Recognizing this century old traditions of excellence USDA provided US\$ 12.4 million under a 2003 PL-480 donation for the establishment of FDTTPC. Main objectives of this fund are to support the UAF programs for advanced training in agricultural sciences research, technology transfer/product commercialization, strengthening of faculty and support R&D activities of UAF, support similar programs with other institutions of higher learning and the private sector, and encourage increased cooperation among scientists conducting agriculture related research at universities in Pakistan and USA.

Agriculture University Peshawar, Pakistan Forest Institute, Peshawar and Economic Wing (EW) MINFAL: USDA provided US\$6.7 million dollars under a 2005 PL-480 donation, to establish three different endowments at these three institutions each with a different set of priorities. 50% of the funds will go to the Economic Wing of MinFAL, 30% to the Agriculture University Peshawar and 20% to the Pakistan Forest Institute Peshawar. The focus of EW endowment is capacity building for receiving and analyzing agriculture data, while the other two endowments are mainly research and extension oriented.

Opportunities:

Grain Silos: Due to lack of grain storage facilities in Pakistan it is estimated that approximately 20 percent of major crop yields are lost on this account. As a result, the Government of Punjab is making a concerted effort to develop silos for wheat storage across the province. At an initial stage, the Punjab government plans to create storage

facilities for 300,000 metric tons of grain and has invited expressions of interest for the construction of 10 (concrete or steel) silos across the province.

Further information may be obtained from the following web site:

www.punjab.gov.pk

Cold Chain System: NATIONAL TRADE CORRIDOR IMPROVEMENT PROJECT

Horticultural sector contributes about 12% to the national agricultural GDP of Pakistan, and holds great potential for increasing export of premium quality horticultural produce, offering multiple employment opportunities throughout the supply chain, particularly in rural areas. However, its growth and profitability is restrained mainly by the lack of proper postharvest management and transport infrastructure. Out of 13.67 million tons of fruits and vegetables produced annually, about 25% goes waste, between farms to consumers, while only 4% is exported at far lower price (41%) compared to world average price, owing to poor produce quality and relying on traditional low end markets. Improving the postharvest management infrastructure (grading, packing, storage and transport/cold-chain) will help reduce high postharvest losses, increase production surplus along with improving shelf life and quality of fresh produce, which will help to stabilize prices in domestic markets as well as to substantially boost export to highly lucrative and competitive international markets. Keeping in view the importance of the cold chain, Ministry of Commerce, Government of Pakistan, initiated to carry out a Prefeasibility study on "Establishment of Cold Chain System" under "National Trade Corridor Improvement Project".

FRESH PRODUCE INDUSTRY

During the last decade, horticultural crop production has increased from 11.3 million tons to 13.7 million tons, which is expected to reach 19.4 million tons by the year 2009-10. The production analysis shows that share of fruits and vegetable is 48.6% and 51.4% respectively. Among the major fruit crops, citrus, mango, dates, guava and apple contribute 30, 25, 9, 9, and 5%, respectively in production, while in vegetable production potato, onion, and tomato share 29, 25 and 6 % respectively. Establishment of modern packing grading and storage facilities in the production areas will not only help boost export of fresh produce, but also will help in the rural development and well-being of millions associated with this sector. Pakistan has 167 million people, with 17.6% in 10 main cities. Over the last decade, population increased by 2.62% annually (2.62 millions per annum). Increased urbanization has resulted in increased volumes of fresh produce transported to main consumption /trade centers. Most of fruits and vegetables are produced in distant areas across the country, and the current state of transport (open non-refrigerated trucks) is one of the major factors contributing to the heavy postharvest losses (20-40%). The challenge of providing enough fruits and vegetables to the growing population @2.0% per annum, fast urbanization, and increasing exports can only be met by reducing post-harvest losses. The improvement in postharvest handling and establishment of cold chain, especially the availability of refrigerated containers will help reduce postharvest losses, improve shelf life while maintaining produce quality at destination. The absence of modern packing, grading and refrigerated transport facilities is primary obstacle to improve quality and compliance to standards and food safety needed to enter into more lucrative but competitive markets like EU, Japan and China. Establishment of such facilities will greatly enhance competitiveness of the product,

thereby increasing export. Pakistan, itself is a large market for quality fruits and vegetables. However, the marketing system lacks proper cold storage facilities and integrated cold chain, thereby has substantial postharvest losses with reduced shelf life and quality of fresh produce. The domestic price analysis shows large fluctuation in prices of most of the commodities; with minimum at peak supply periods and maximum at short supply time. Establishing cold storage facilities and storing fresh produce at peak time, while releasing at lean time will ensure availability of produce over extended period thus stabilize prices along with improving shelf life and quality. Regarding the overall cold chain infrastructure, recent studies show that total cold storage capacity of country is around 6.37%, of which 95% is in Punjab, mostly concentrated in main cities and potato growing areas. There is little concept of crop specific humidity and temperature regulation in storage thus the produce suffers both qualitatively and quantitatively due to water loss or chilling injury, etc. None of the airport, seaport or terminal (Exit/Entry) land routes has cold storage facility. As a national strategy, Pakistan needs to increase the cold storage capacity, well distributed in production areas and linked to domestic markets as well as to export points. Further, helping private sector in technology up gradation of the existing cold storage and providing training in maintenance of cold stores will help improve the quality of produce in existing storage as well. It can be concluded that Pakistan produces abundant quantities of premium quality fruits and vegetables. Provided the high postharvest losses are minimized, country would have large production surplus with better shelf life and quality of fresh produce for export. From the aspects of sustainability, profitability and competitiveness, Pakistan needs to modernize its horticulture sector and investing in postharvest management and cold chain infrastructure is among the foremost steps to go forward.

USAID and USTDA are also funding studies for cool chain in Pakistan. We expect good investment opportunities for U.S. businesses in this area.

Source: <http://www.ipdf.gov.pk>

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Chapter 5: Trade Regulations and Standards

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Import Tariffs

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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, from 70 percent to 65 percent in June 1995, and were further reduced to 25 percent in June 2002.

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 rupees.

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

Trade Barriers

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Pakistan's trade policy in 2009 continued to ban the import of 30 items, mostly on religious, environmental, security, and health grounds. Effective July 1, 2005, Pakistan reduced duties on imported automobiles from 75-100 percent to 50-75 percent. The government exempted all domestically produced pharmaceutical-related inputs from its General Sales Tax (GST-actually a value added tax) through a Statutory Regulatory Order issued in April 2002. Imported pharmaceutical inputs subject to a 10 percent customs duty rate are also exempt from payment of GST. This includes most, but not all, imported pharmaceutical inputs. In FY 2002, the government reduced duties on instant print film and instant print cameras to 10 percent from the 30-200 percent range, in order to control smuggling and related industry losses.

The government reserves the power to grant sector-specific duty exemptions, concessions, and protections under Statutory Regulatory Orders (SROs). In recent years, the use of SROs has decreased. SROs and other trade policy and regulatory documents are published on the Federal Board of Revenue's website.

www.fbr.gov.pk

In January 2000, the government began implementing a transactional valuation system where 99 percent of import valuation is based on invoices, pursuant to the WTO's Customs Valuation Agreement. Currently, about 90 percent of imports are assessed under the WTO-accepted customs valuation system. However, a number of traders in food and non-food consumer products report experiencing irregularities and deviations in application of the transaction value system, including a U.S. glass manufacturer, whose transaction values are not being accepted by the Pakistan Customs.

Import Requirements and Documentation

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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.

U.S. Export Controls

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Certain government and business entities in Pakistan are barred from receiving high-end U.S. technology. Information on these organizations is available on the following:

Temporary Entry

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GOP import regulations permit temporary import of legally importable items by foreign companies (e.g., commercial samples), and goods imported by oil and gas companies, oil exploration and production companies, their contractors and sub-contractors, refineries, mining companies, foreign airlines and shipping companies, construction companies and contracting firms provided that a bank guarantee or indemnity bond is provided to Customs to ensure that the items will be re-exported. Similarly, domestic industrial firms may import items for test, trial, and re-export, subject to submission of indemnity bond or bank guarantee.

Export of imported goods in their original form is not allowed except for parts obtained from ship breaking, scrapped battery cells, waste dental amalgam, waste exposed x-ray films, old machinery, items imported against back to back letters of credit and items whose re-export F.O.B price is at least 2.5 percent higher than their C&F price.

Re-export of old and second hand machinery is allowed, subject to the condition that no refund of import levies and duty drawback shall be made. Re-export is made against sight letters of credit or advance payment and payment of full duties if re-exported through land routes.

Customs allows Pakistani exporters to replace exported goods that are found defective during the warranty period subject to furnishing of a copy of contract and a communication from a buyer giving the details of the goods that have been found defective.

Export-Cum-Import: The Ministry of Commerce allows 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.

Labeling and Marking Requirements

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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. The Ministry of Agriculture sets requirements for pesticides and edible products.

Prohibited and Restricted Imports

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The Government of Pakistan has banned the import of the following items: arms and ammunition, high explosives, radioactive substances, security printing, currency and mint, alcoholic beverages.

Customs Regulations and Contact Information

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Customs regulations and contact information may be obtained from the following website:

www.fbr.gov.pk

The Pakistan Customs has its head office in Karachi, located at the following address:

Pakistan Customs
Custom House, Near KPT
Karachi, Pakistan
Tel: 92-21-99214170, Fax: 92-21-99214234
Contact: Collector of Customs (Preventive or Appraisals)

Pakistan Customs has a presence at all other major points of entry into the country and also has several inland dry ports.

Standards

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Overview

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The technology department of the Ministry of Science and Technology sponsors and encourages public and private organizations in the standardization of products and services according to ISO standards. In this regard, the Ministry of Science and Technology and the Ministry of Commerce have jointly launched an incentive program for entrepreneurs to facilitate their ISO certification. This program provides an incentive grant for achieving ISO 9000/14000 certification.

Further information is available on:

www.pakistan.gov.pk

Standards Organizations

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The Pakistan Standards and Quality Control Authority (PSQCA), Ministry of Science and Technology is responsible for the formulation and enforcement of Standards in Pakistan. Although the Authority has adopted about 15,000 standards, their enforcement remains very poor, as they have a very small inspection team with limited capacity. In most cases, adoption of their standards is voluntary. Mandatory adoption of standards applies to only a limited number of essential items, mainly in the food and export sectors.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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The Pakistan Standards & Quality Control Authority is responsible for the conformity assessment. This organization may be reached as follows:

Pakistan Standards & Quality Control Authority
Ministry of Science and Technology
Block 77, Pak Secretariat
Karachi, Pakistan
Tel: 92-21-99206260
Fax: 92-21-99206263

Product Certification

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The Pakistan Standards & Quality Control Authority is responsible for the conformity assessment. This organization may be reached as follows:

Pakistan Standards & Quality Control Authority
Ministry of Science and Technology
Block 77, Pak Secretariat
Karachi, Pakistan
Tel: 92-21-9206260
Fax: 92-21-9206263

Some products, such as bottled water have to be certified by the following organization:

Pakistan Council of Scientific & Industrial Research (PCSIR)
Constitution Avenue
G-5/2
Islamabad, Pakistan
Tel: 92-51-9225370
Fax: 92-51-9225372
E-mail: pcsirheadoffice@yahoo.com
URL: www.pcsir.gov.pk

Accreditation

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The Pakistan National Accreditation Council (PNAC), Ministry of Science and Technology, Islamabad handles accreditation matters. The contact for PNAC is as follows:

Pakistan National Accreditation Council
Islamabad, Pakistan
Tel: 92-51-9209509
Fax: 92-51-9209510
E-mail: pnac@isb.paknet.com.pk

Publication of Technical Regulations

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The Pakistan Council of Scientific and Industrial Research (PCSIR) and the Ministry of Science and Technology regularly publish technical regulations governing industry standards.

Labeling and Marking

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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, whereas the Ministry of Agriculture sets requirements for pesticides and edible products.

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All government ministries and departments may be accessed through the following website:

www.pakistan.gov.pk

Trade Agreements

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The United States and Pakistan are in on-again, off-again negotiations of a Bilateral Investment Treaty (BIT), which would provide significant protections for U.S. investors in Pakistan. Pakistan also maintains BITs with the People's Republic of China, France, Germany, the United Kingdom, the Republic of Korea, the Netherlands, Romania, Sweden, Spain, Portugal, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan, Switzerland, Azerbaijan, Bangladesh, the United Arab Emirates, Iran, Indonesia, Tunisia, Syria, Belarus, Mauritius, Italy, Oman, Sri Lanka, Australia, Japan, Denmark, Philippines, Egypt, Lebanon, Morocco, Qatar, Turkey, Kuwait, OPEC, Malaysia, the Belgium-Luxembourg Economic Union, Yemen, Bosnia and Herzegovina, Laos, Cambodia, Kazakhstan, and Singapore.

These investment treaties generally include dispute settlement provisions. If a dispute cannot be settled through mutual consultation, investors can generally take cases to arbitration under rules of the U.N Commission on International Trade Law, the World Bank's International Center for Settlement of Investment Disputes, or to the Court of Arbitration of the International Chamber of Commerce. Pakistan is a member of the Multilateral Investment Guarantee Agency (MIGA), an arm of the World Bank.

The United States and Pakistan have had a bilateral tax treaty in force since 1959. Pakistan also has double taxation agreements with Austria, Canada, Germany, Indonesia, Italy, Lebanon, Mauritius, Poland, Switzerland, Turkmenistan, Kazakhstan, the United Arab Emirates, Belgium, China, France, Greece, Iran, Japan, Libya, Saudi

Arabia, Romania, Sweden, Belarus, Hungary, Jordan, Kenya, Kuwait, Malaysia, Netherlands, Nigeria, Norway, Oman, Philippines, Qatar, South Africa, Syria, Tunisia, Uzbekistan, the United Kingdom, Bangladesh, Denmark, Finland, India, Ireland, South Korea, Malta, Singapore, Sri Lanka, Thailand, Azerbaijan and Turkey.

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Openness to Foreign Investment

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Pakistan actively seeks foreign investment and offers a broad array of incentives to attract new capital inflows. Combined with a wide-ranging privatization program in the financial services and telecommunications sector [in the past](#), Pakistan attracted significant new investment flows from 2002 to 2007. However, during 2009 [the past year](#), an increase in terrorist incidents, a Supreme Court stay blocking the privatization program, [concerns over the direction of the newly-elected coalition government](#), and the global liquidity crunch have decreased the amount of new foreign direct investment by [1438.2 percent in the Pakistan's fiscal year 2008-2009](#). The [new](#) government is faced with the challenge of phasing out food and fuel subsidies in the face of escalating price increases for imported food and fuel. The future flow of foreign investment will depend

on how the government copes with these challenges. The new government will need to focus on structural issues -- a massive subsidy burden, rapidly rising food and fuel prices, lack of competitiveness, export concentration in only a few sectors, a low work force skill level, and insufficient infrastructure.

In recent the past, Pakistan did attract interest from overseas investors. Approximately US\$ 8.4 billion in foreign direct investment (FDI) and portfolio investment occurred in FY2007, compared to US\$ 4.48 billion in FY2006, while FDI in FY2007 jumped 45.5 percent to US\$ 5.12 billion. During the year 2008-2009 FDI dropped 1438 percent in the first eleven months. Other risks to sustaining increasing FDI inflows include significant security threats to foreign interests in Pakistan, concerns about political stability, inadequate infrastructure, past protracted disputes between foreign investors and the federal government, weak intellectual property rights protections, arbitrary and nontransparent application of government regulations, and resistance to the adoption of new policies by some elements of federal and provincial bureaucracies. There is need for continuity in economic policy, enhanced legal protection for foreign investment, and a clear and consistent policy of upholding contractual obligations.

Pakistan is currently a business environment in transition, with many significant policy improvements since 2000. However, some policies unfriendly to business still remain. A series of investment promotion agencies, such as the Board of Investment (BOI), have lacked bureaucratic authority and the continuity of leadership needed to be effective. Thus, further reforms are needed at both the level of policy formation and legislation, as well as implementation.

In 1992, as part of an integrated investment promotion strategy, the government undertook a comprehensive program of economic reform, including liberalization, privatization, and deregulation, which was designed to steer the economy toward a fully market-oriented system. Power generation, telecommunication, highway construction, port development and operations, as well as the oil and gas, services and infrastructure, education, health, and agricultural sectors were opened to foreign investment. In 1997, this liberalization was significantly expanded, with restrictions on FDI eased and foreign investors allowed unrestricted profit repatriation in the agricultural, services, infrastructure, education, and health sectors. Full foreign ownership, already permitted in the manufacturing sector, was expanded to investments in infrastructure and the education and health sectors.

Foreign investors in the services sector currently may retain 100 percent equity "for the life of the investment." In addition, the minimum allowable equity investment in the non-financial services sector has been reduced from USD 300,000 to USD 150,000, and 100 percent repatriation of profits is now allowed in the services sector. In the social and infrastructure sectors, 100 percent foreign ownership is allowed, with a minimum investment requirement of USD 300,000. In the agricultural sector, 60 percent foreign ownership is allowed. Corporate farming is permitted, though only companies incorporated in Pakistan can own land used for corporate farming. The GOP allows remittance of full capital, profits and dividends, and dividends are tax-exempt. There are no limits on the size of corporate farming land holdings and the sector is allowed to lease land for 50 years, with renewal options. The tourism, housing, construction, and information technology sectors have been granted "industry" status, which means they are eligible for lower tax and utility rates than banks, insurance companies, and other businesses that are considered a part of the "commercial sector".

In FY 2007 Pakistan eliminated some of the tariff incentives provided for various manufacturing sub-sectors, specifically the value added, priority, and high-tech industries. Now the entire manufacturing sector pays up to 5 percent customs duty on imported plant and machinery. In its FY07 budget, the government also eliminated sales tax on all types of plant and machinery. Export industries are entitled to duty-free import of raw materials, as well as exemption from sales tax. There is no minimum equity investment or national ownership requirement for investments in the manufacturing sector and the GOP allows a 50 percent first-year depreciation allowance for all fixed assets.

Foreign investors in Pakistan have complained of being subject to a confusing array of federal and provincial taxes and controls. These taxes have been assessed with considerable administrative discretion, resulting in discrimination among taxpayers, inefficiency, and corruption. The government is exploring ways to simplify the federal and provincial tax structure. In 2004, the World Bank assisted the GOP in launching a USD 10,080 million, multiyear tax reform program. This program [was set to conclude in 2009 but has been extended up until December 2010](#). It has assisted the GOP in reorganizing the Federal Board of Revenue, in establishing “large and medium tax payers,” and introducing a self-assessment scheme.

A significant hurdle to investment in Pakistan has been the bewildering number of approvals, permits, and licenses required from various governmental entities prior to launching a project. Attempting to ease this burden, the GOP created a series of governmental agencies, most recently the BOI in 1994, aimed at providing investors with “one-stop shopping.” Mandatory BOI investor registration has been eliminated, although investors still must register with the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP).

The government no longer screens industrial sector foreign investment unless investors apply for special incentive packages or government tariff protection and price guarantees. Earlier requirements that foreign investors seek provincial government clearance for project location have also been eliminated. Regulations on petroleum and petroleum product marketing were lifted in 2001. Some pharmaceuticals remain on a regulated list and registration with the Ministry of Health is required for local production.

The government is committed to providing full national treatment and legal protection to foreign investment in all but designated “sensitive” sectors, which include defense and broadcasting. The 1976 Foreign Private Investment Promotion and Protection Act specifically provides that foreign investment will not be subject to higher income tax levels than those assessed on similar investments made by Pakistani citizens. This Act and the 1992 Economic Reforms Act are the primary statutory safeguards for the rights of foreign investors. While Pakistan’s legal framework and economic strategy do not discriminate against foreign investment, contract enforcement can be problematic given the domestic court system’s inefficiency and lack of transparency.

The Securities and Exchange Commission of Pakistan regulates the insurance industry, while the Ministry of Finance oversees the banking sector. The government has opened up the insurance industry as part of its financial sector reforms. A recent change has allowed foreign investors to hold up to a 100 percent equity share of companies operating in the life and general insurance sectors.

Pakistan improved its financial services commitments after signing the WTO Financial Services Agreement in December 1997. Foreign firms now have the right to establish new banks and foreign banks and securities firms can grandfather acquired rights. Foreign banks are permitted to establish branches as well as wholly owned locally incorporated subsidiaries, subject to the condition that they have global tier-1 paid up capital of USD 5 billion or more or they belong to countries which are part of regional groups and associations, of which Pakistan is a member (e.g., the Economic Cooperation Organization – ECO, and the South Asian Association for Regional Cooperation – SAARC). Foreign banks not meeting these conditions are capped at 49 percent foreign equity stake.

The State Bank of Pakistan (SBP) has changed its branch licensing policy and eliminated restrictions on the number of branches foreign banks may have. Currently, foreign banks, like local banks, must submit an annual branch expansion plan to the SBP for approval. The SBP approves new branch openings based on the bank's net worth, adequacy of capital structure, future earnings prospects, credit discipline, and the needs of the local population. However, all banks, including foreign banks, are now required to open 20 percent of their new branches in small cities, towns and villages.

The SBP has raised the minimum paid up capital (usually shareholder equity) requirements for all locally incorporated banks, which have to increase their paid up capital to \$120 million (net of losses) by 2013. Currently banks are required to have \$72 million as paid up capital; this will increase by \$12 million every year as part of the transition process. Branches of foreign banks operating in Pakistan (FBs) are also required to increase their assigned capital to \$120 million (net of losses) by December 31, 2013. However, with prior approval of the State Bank, foreign banks, whose headquarters hold paid up capital (free of losses) of at least to \$300 million and have a capital adequacy ratio of at least 8 percent will be allowed to maintain the following minimum capital requirements: Foreign banks operating up to 5 branches are required to raise their assigned capital to \$36 million by December 31, 2010 and foreign banks operating 6 to 50 branches will be required to raise their assigned capital to \$72 million by December 31, 2010. All new banks, including branches of foreign banks operating more than 50 branches, are required to meet the paid up/assigned capital requirement of \$120 million by 2013 like their local counterparts. The SBP has also raised the required minimum capital adequacy ratio for banks and development finance institutions to 10 percent. Per the SBP, paid up capital of commercial banks must increase by Rs.1 billion per year. Currently banks are required to have Rs. 5 billion as paid up capital; this will increase to Rs. 6 billion in FY2009. Pakistan permits most-favored-nation (MFN) exemptions in the financial and telecom sectors, with a view to preserving reciprocity requirements and promoting joint ventures among Economic Cooperation Organization countries (Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Afghanistan, Iran, Turkey and Pakistan). Islamic banks in Pakistan face the same regulatory environment as other banks.

The privatization of substantial government holdings in the energy, financial services, and telecom sectors has attracted considerable foreign investor interest. Foreign investors are permitted to bid on state-owned industries and financial institutions on terms equivalent to those offered to local investors. The GOP has limited government powers to oversee or investigate privatization transactions for up to one year following execution. [The government's privatization program stalled following a series of Supreme](#)

Court decisions against the privatization of Pakistan Steel Mill. The amount earned through privatizations in FY 2009 was only \$16.4 million, compared to \$224 million in the previous year. The lack of a sound privatization plan and investor interest (attributable to investment climate and security concerns) has led to a halt in privatizations of state-owned enterprises. Mergers are allowed between multinationals, as well as between multinationals and local companies. The 1984 Companies Ordinance governs mergers and takeovers.

Conversion and Transfer Policies

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Pakistan has a fairly liberal foreign exchange regime with few restrictions on holding and transferring foreign exchange. There are no limits on dividends, remittance of profits, debt service, capital, capital gains, returns on intellectual property, or payment for imported inputs. Though there are no restrictions on payment of royalties and technical fees for the manufacturing sector, there are some limitations on the non-manufacturing sector, including limiting initial royalty payments to US\$ 100,000 and capping subsequent royalty payments at 5 percent of net sales for five years. Royalty and technical payments are subject to 15 percent income tax. Investor remittances can only be made against a valid contract or agreement that must be registered with the State Bank of Pakistan within 30 days of execution.

Seeking to support cross-border payments of loans, interest, profits, dividends, and royalties, in 2002 the SBP eliminated the requirement that commercial banks notify it before issuing foreign exchange. As a result, the delay for remitting such payments has been reduced from an average of three to four weeks to less than one week.

In June 2004, the State Bank of Pakistan required informal money changers to register as foreign exchange companies, and these companies are now subject to auditing by the SBP. This has resulted in consolidation of the foreign exchange regime, subjecting it to more stringent regulations, including higher minimum capital requirements and stricter monitoring. These exchange companies are permitted to buy and sell foreign exchange to individuals, banks, and other exchange companies and can sell foreign exchange to incorporated companies for remittance of royalties, franchises and technical fees. In recent years there has been an increase in workers' remittances sent through these companies. At times, some international firms have reported delays in obtaining permission when remitting foreign exchange from Pakistan.

Expropriation and Compensation

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Direct foreign investment in Pakistan is protected from expropriation by the 1976 Foreign Private Investment Promotion and Protection Act and by the 1992 Furtherance and Protection of Economic Reforms Act.

Dispute Settlement

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Pakistan's legal system is based on British law, with an overlay of Islamic legal precepts. Tiers of civil and criminal courts begin at the tehsil (sub-district) level and end at the Supreme Court, with each province having a high court. The provincial high courts hear appeals from judgments of the district courts (for civil cases) and session courts (for criminal cases). Often the same individual sits as both a district and sessions judge. The

Supreme Court hears appeals from the provincial high courts, referrals from the federal government, and cases involving disputes between provinces or between a province and the federal government. There are also a number of special courts and tribunals to deal with specific types of cases, such as Taxation, Banking, and Labor. Pakistan does not have a bankruptcy law. Bankruptcy is usually handled through court-appointed liquidators who sell off property of a bankrupt company, but this process can take years.

In 2004, Pakistan's Cabinet approved Pakistan joining the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards ("New York Convention"). Pakistan's Cabinet ratified the Convention in 2005. [The implementing legislation has not yet passed the Pakistani Parliament, but t](#)The Convention is being implemented through presidential decree ([Ordinance](#)), which has been renewed several times. [The ratification of New York Convention binds Pakistan to implement it either through Ordinance or through law passed by the parliament. Currently the bill on New York Convention is with the National Assembly \(the lower house of Pakistan's parliament\) and is pending approval.](#)

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 the Convention for the Settlement of Investment Disputes. The Pakistan Arbitration Act of 1940 also provides mechanism for arbitration of commercial disputes.

A longstanding dispute between a major U.S. multinational and its local Pakistani partner had raised concerns in the international investor community over how arbitration clauses are handled in Pakistan. Despite a 2000 ruling of the International Chamber of Commerce (ICC) Arbitral Panel in favor of the U.S. investors and a 2005 pronouncement by a Lahore civil court upholding the ICC decision, local parties [continue to litigated](#) the matter in Pakistani courts [for many years](#).

[In 2000, Pakistan's Supreme Court ruled that a foreign company could not invoke a contractual arbitration clause because evidence of fraud and corruption precluded arbitration as a matter of public policy. The local partner's appeal in the Lahore High Court remained pending for many years and was a source of concern for the U.S company. After many years of litigation the case was finally resolved when the local party withdrew its appeal from the Lahore High Court. Charges of corruption against the foreign company were withdrawn following resolution of the dispute.](#)

Performance Requirements and Incentives

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Current government investment policy provides that all incentives, concessions, and facilities for industrial development be equally available to domestic and foreign investors. The FY06 and FY07 budgets contained some additional incentives for export industries. For example, sales taxes on plant and machinery were abolished, customs duties on imported agricultural machinery were abolished, and customs duties for machinery imported by the manufacturing and services sectors were reduced to 5 percent or less. Export oriented industries have also been granted customs duty and sales tax exemptions on the import and purchase of raw materials. [The Budget 2009-2010 retained all these incentives.](#)

There are no conditions imposed on the transfer of technology. Foreign investors are allowed to sign technical agreements with local investors with no requirement to disclose proprietary information.

The 2007-08 trade policy duplicates export processing zone (EPZ) incentives. Existing enterprises exporting at least 80 percent of their production are eligible for incentives under this program, but new enterprises are required to export 100 percent of their production in order to be eligible. [The Trade Policy 2009-2010 retains these measures.](#) For new investment, a 50-percent first year depreciation allowance for plant, machinery, and equipment can be used to offset taxable income, and unused allowances can be carried forward. An investment tax credit of up to 50 percent of the cost of plant, machinery, and equipment is available to encourage plant expansion and modernization.

With a recommendation letter from a foreign chamber of commerce, an invitation letter from a business endorsed by the Chamber of Commerce of Pakistan, or a recommendation letter from one of Pakistan's foreign commercial attachés, most U.S. business visitors are granted multiple entry visas with a validity ranging from 6 months to five years, with a duration of stay limited to three months. Technical and managerial personnel are not required to obtain special work permits in sectors that are open to foreign investment, including manufacturing, infrastructure, agricultural, services, health, and education sectors. Work visas are granted for up to two years with multiple entries. Lately, it has become fairly difficult for US nationals to obtain Pakistani visas on time. Business visitors planning to travel to Pakistan are advised to apply for their visas well in advance.

Right to Private Ownership and Establishment

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Foreign and domestic investors are free to establish and own businesses in all sectors except five: arms and munitions manufacturing, high explosives manufacturing, currency/mint operations, non-industrial alcohol manufacturing, and radioactive substance manufacturing.

In regard to competition between public and private sector firms, the GOP has licensed two private airlines to compete with state-owned Pakistan International Airlines. In retail food sales, the GOP has influenced pricing of essential foodstuffs (such as flour, rice, and lentils) through its several hundred Utility Stores. Market leaders in the cement and sugar industries are alleged to have formed cartels. The Water and Power Development Authority (WAPDA) retains control of power transmission and distribution in much of the country outside of Karachi, and this continues to be highly subsidized.

[In the fiscal year ending June 2007, the amount earned through privatizations totaled Rs. 104.34 billion \(USD 1.71 billion\), 46.7 percent lower than in the previous year.](#) The sale of major state assets during the last few years has reduced the government's role in the power and telecom sectors. In an effort to create market competition, the GOP has issued licenses to long distance and local telephone operators, as well as to cellular and wireless local loop operators, ending the state telecommunications monopoly. The GOP, however, continues to hold important equity stakes in oil and gas, civil aviation, electric power, and steel, and over the past [few years](#), the GOP's privatization program has stalled following the Supreme Court stay blocking the privatization program.

Pakistan's legal system offers incomplete protection for the acquisition and disposition of property rights. The 1979 Industrial Property Order safeguards industrial property in Pakistan against compulsory acquisition by the government without sufficient compensation, even in the public interest, in accordance with the provisions of the law. This Order protects both local and foreign investment. The Foreign Private Investment Promotion and Protection Act 1976 guarantees remittance of profits earned through sale and appreciation in value of property.

Intellectual Property Rights

Pakistan was listed on the Priority Watch List in the 2009 Special 301 report. Key concerns cited in the report relate to weak protection and enforcement of intellectual property rights, especially with respect to copyright and pharmaceutical data protection. In 2008, the U.S. Government placed Pakistan on the Special 301 "Priority Watch List" due to widespread piracy, continuing IPR violations and a lack of progress on legislation required to make Pakistan compliant under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of which Pakistan is a signatory. Despite significant steps taken in 2005 and 2006 to improve copyright enforcement, especially in the area of optical disc piracy, Pakistan does not provide adequate protection of all intellectual property. Book piracy, weak trademark enforcement, lack of data protection for proprietary pharmaceutical and agricultural chemical test data, and problems with Pakistan's pharmaceutical patent protection, remain a serious barrier to trade and investment.

Pakistan was on the Special 301 "Watch List" from 1989 to 2003 for widespread piracy and was elevated to the "Priority Watch" in 2004, 2005 and 2008 for continuing IPR violations and lack of progress in enforcement and legislation.

In early 2005, Pakistan was among the world's leading producers of pirated optical discs and other copyrighted material, but took significant steps to shut down pirate optical disc production and exports of pirate optical discs in the last [two few](#) years. In April 2006, the USTR lowered Pakistan to Special 301 Watch list from the more severe Priority Watch list in recognition of the Government of Pakistan's efforts, particularly with respect to the closure of numerous pirate optical disc factories, improved enforcement efforts through a centralized IPO, commitment to establish a system to avoid granting marketing approvals to unauthorized copies of patent-protected drugs and efforts to put in place a "Data Protection Law" to effectively protect test and other data submitted for marketing approval by pharmaceutical companies. The Government of Pakistan has identified intellectual property protection as a key area for its "second generation" economic reforms.

Pakistan has enacted five major new laws relating to patents, copyrights, trademarks, industrial designs and layout designs for integrated circuits, but their impact was limited by weaknesses in the legislation and/or enforcement. In April 2005, in an effort to improve the protection of intellectual property within Pakistan, the Government of Pakistan transferred inter-agency responsibility for the enforcement of intellectual

property laws to the Federal Investigation Agency (FIA). FIA staff has received specialized training in intellectual property enforcement and technologies, which has

enabled the agency to expand enforcement operations to target manufacturers of pirated goods. Expanding manpower and training at the FIA has remained a key challenge.

In August 2005, in response to longstanding domestic and international criticism of Pakistan's lack of a functioning central IPR regulatory and enforcement authority, as well as the need to implement its WTO TRIPS obligations, the Pakistani President created the Intellectual Property Rights Organization of Pakistan (IPO). IPO, an autonomous body under the administrative control of the Government of Pakistan's Cabinet Division, consolidates into one government agency authority over trademarks, patents, and copyrights – areas which were previously handled by offices in the three separate ministries. IPO's mission is to initiate and monitor the enforcement and protection of intellectual property rights through law enforcement agencies, in addition to dealing with other IPR related issues. While IPO's establishment represented an important milestone, it has not led to consistently measurable results in terms of increased public awareness of intellectual property rights, stepped up enforcement, and prompt action to address specific legislative and policy weaknesses.

In 2007, the United States conducted an Out-of-Cycle Review to monitor Pakistan's progress on enacting legislation to provide effective protection against unfair commercial use of undisclosed test and other data generated to obtain marketing approval for pharmaceutical products, as well as a system of coordination between its health and patent authorities to prevent the issuance of marketing approvals for unauthorized copies of patented pharmaceutical products. Due to a lack of progress in either of these areas, Pakistan was elevated to the Priority Watch List.

The United States commends Pakistan its continuing enforcement actions against large-scale illegal optical disc production and retail sales of pirated and counterfeit products, but encourages Pakistan to increase enforcement actions against book piracy, aggressively prosecute IPR crimes, and ensure that its courts issue deterrent-level sentences for IPR infringers.

Pakistan is a party to the Berne Convention for the Protection of Literary and Artistic Works, and is a member of the World Intellectual Property Organization (WIPO). On July 22, 2004, Pakistan acceded to the Paris Convention for the protection of industrial property. Pakistan has not yet ratified the WIPO Copyright Treaty nor the WIPO Performance and Phonograms Treaty.

A draft law concerning plant breeders' rights that had not progressed because of a dispute over federal and provincial jurisdiction for past two years is now in advance stages of approval. In 2006, when three out of the four provincial governments voted in favor of the law, the Government fulfilled the Constitutional requirement which calls for consent from at least two provincial governments. However, administrative formalities expected to take six months to a year for this law to be enacted may now take even longer because the new political government has sent the draft back to the provinces for reconsideration.

Patents

Pakistan enacted a patent law in 2000 that protects both process and product patents in accordance with its WTO obligations. Under this law, both the patent-owner and licensees can file suit against those who infringe. Unfortunately, a Patent Ordinance in 2002 weakened the 2000 Patent Law by eliminating use patents, restricting patent filings to single chemical entities, limiting protection for derivatives, and introducing barriers to

patenting biotechnology-based inventions. This change generated great concern among U.S. pharmaceutical firms seeking to sell patented drugs in Pakistan. [Pakistan fails to protect against unfair commercial use of test or other data, a requirement under TRIPS.](#) In addition, the Pakistani government has not implemented patent linkage, effectively authorizing the sale of pharmaceuticals without requiring checks to confirm that another firm does not hold an active patent on the compound.

[Pakistan also has not made progress in providing effective protection against unfair commercial use of undisclosed test and other data generated to obtain marketing approval for pharmaceutical products. The government of Pakistan and international and local pharmaceutical companies have been negotiating a draft data protection law for the past three years. Although draft data protection regulations were finally formulated in 2009, the regulations remain under Government of Pakistan review and have not been promulgated. In addition, Pakistan does not have an effective system to prevent the issuance of marketing approvals for unauthorized copies of patented pharmaceutical products. In 2009 Pakistan's President issued an ordinance that removed an 18-month patent application processing deadline, slowing the processing of pending patent applications. Although courts have issued injunction orders against firms licensed by the Ministry of Health that sell drugs in violation of patent holder rights, such orders are not consistently enforced. Patent theft is exacerbated by the fact that it often takes one to two years to register drugs in Pakistan. During this registration process, the government also sets prices - often at levels that do not reflect the cost of developing the product. In August 2006, the Pakistani Government removed the 18-month patent processing requirement from the Patent Ordinance. This amendment Ordinance has sent a worrying signal to the pharmaceutical industry, as many companies have already been waiting for years for approval of their product patents and now there is no end date in sight. The GOP maintains that other countries do not adhere to an 18-month application processing period. While the Health Ministry claims that this was done to avoid litigations in view of capacity constraints will not delay the process, the amendment has effectively created an environment that has the potential for discriminatory treatment.](#)

Trademarks

Pakistan developed its Trademarks Ordinance in 2000, which provides for the registration and better protection of trademarks and for the prevention of the use of fraudulent marks. The ordinance has been enforced since April 2004 after the enactment of implementing rules. The government has eliminated the requirement that pharmaceutical firms label the generic name with at least equal prominence to that of the brand name on all products. Trademark infringement remains widespread.

Copyrights

According to the International Intellectual Property Association, [copyright piracy rates in 2007 in Pakistan remained at 100 percent for records and music and 84 percent for business software. Book piracy losses were estimated at \\$55 million. The total estimated losses due to copyright piracy losses were \\$143 \\$77 million in 2008, down 946 percent from \\$158143 million in losses in 20062007 \(no figures were available for motion pictures and entertainment software\).](#) Pakistan was a major exporter of pirated optical discs before its recent enforcement efforts. Pakistan carried out a meaningful increase in enforcement activity against pirated optical discs. [While the government took steps in 2006 and 2007 to improve copyright enforcement, especially with respect to optical disc piracy, it appears that only some of the arrests resulted in prosecutions and the few verdicts that were issued resulted in imposition of insignificant prison sentences.](#)

Pakistan's Federal Investigation Agency continues to conduct large scale raids, and from August 2008 to November 2009, 17 new cases were filed against IPR violators and \$6.4 million worth of pirated material were confiscated. The raids were carried out in several cities, including Rawalpindi, Lahore, Karachi, Multan, and Faisalabad. However, the lack of successful prosecutions continues to provide little deterrent effect. Moreover, Pakistan is now reportedly being used as conduit for infringing products transiting from Russia, Malaysia, Singapore, China, Bangladesh and Sri Lanka for onward distribution to third countries. In 2005 and 2006. In May 2006, Pakistan's Federal Investigation Agency (FIA) raided and closed six major illegal disc plants outside of Karachi. In June 2006 the FIA raided the first major CDR duplication facilities in Lahore which led to the seizure of 273 CDR burners from a private apartment in Lahore, confiscation of more than 22,000 pirated CDRs, and the arrest of two brothers who ran a CD shop in Hall Road, Lahore. Additional raids on other production facilities continued throughout 2007 resulting in 42 cases registered by November 2007, 84 arrests, 43 CD/DVD writers seized and over 1.5 million pirated CDs and DVDs confiscated. In 2007, 4 cases were decided and 5 accused were convicted. The raids and convictions corresponded to anecdotal reports of fewer pirated copyright goods available in the markets of Pakistan. Book piracy and business software end-user piracy still remain serious problems.

The Industrial Designs Law provides for the registration of designs for a period of ten years, with the possibility of extending the registration for two additional ten-year periods. The Law for Layout Designs of Integrated Circuits provides for protection of layout designs for ten years starting from its first commercial exploitation anywhere in the world. Penalties and legal remedies are also available in case of infringement on industrial designs, layout designs and trademarks. Implementing rules to enforce these ordinances remain incomplete.

There has been some progress on IPR issues over the past year. In October 2009, the Cabinet approved a draft Plant Breeder's Rights Law, and parliament is currently reviewing an amendment to the Seed Act of 1976. If passed, these will provide an environment conducive to research and development attractive to both domestic and foreign researchers and breeders. The Government of Pakistan has indicated it expects the draft laws to be enacted in 2010.

Transparency of Regulatory System

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A number of government agencies oversee commercial and financial regulatory regimes, including the Securities and Exchange Commission of Pakistan (SECP), the Federal Board of Revenue (FBR), the Board of Investment (BOI) and the State Bank of Pakistan. While Pakistani law provides for recourse against adverse administrative decisions, the legal system remains backlogged and long court delays are common. The SECP is responsible for company administration under the 1984 Companies Ordinance and regulates securities markets through its Securities Market Division. The SECP and the national stock exchanges have cooperated to streamline procedures to register and list securities. Equity markets are regulated by the 1969 Securities and Exchange Ordinance and by the 1971 Securities and Exchange Rules. A Takeover Ordinance was enacted in 2002, and 14 4 takeovers took place under this law during [fiscal year 2007 2009](#).

Under Section 40 of the 1997 SECP Act, the SECP publishes draft regulations to seek public comment prior to their finalization. The SBP, in its role as bank regulatory

authority, consults with commercial banks on proposed regulations. The FBR issues Statutory Regulatory Orders (SROs), which are used either to reduce duties to give special relief to certain sectors or to enhance duties. The FBR does not solicit public input on SROs.

The Competition Commission Ordinance has been enacted recently. However at the same time the Competition Commission Bill has been approved by the Senate Standing Committee on Finance with some amendments including the establishment of Appellate Tribunal, which will hear and decide appeals within six months. Supreme Court was the only appeal forum before the addition of Appellate Tribunal. The Senate Standing Committee has also reduced the penalties for offenders from 15 percent of turnover to 10 percent of turnover. The Bill has been sent to the National Assembly for approval. The Bill will become a law after the National Assembly and the Senate approve it. Competition law in Pakistan is under the jurisdiction of the Monopoly Control Authority (MCA), an independent regulatory authority that lacks enforcement capacity. Although Pakistan has enacted a Monopolies and Restrictive Trade Practices Ordinance, regulatory oversight suffers from resource constraints, and state-owned firms are exempt from the provisions of this law. Thus, in Pakistan, where state-owned firms dominate several sectors, competition regulation remains under-developed. The MCA has finalized a competition law with technical assistance from the World Bank, which entails capacity building and creation of a new Competition Authority. The new competition law was approved by Pakistani Cabinet in June 2007. According to the MCA, the new law will not grant any exemptions and will be applicable to public sector organizations as well as private sector firms. While the end of licensing regimes, the rationalization of bureaucratic controls, and broad-based market liberalizations have reduced market entry barriers, in numerous industrial sectors concentration remains relatively high.

Pakistan's key environmental issues are an acute lack of clean drinking water, soil erosion, deforestation, water and air pollution, limited natural fresh water resources, and desertification. In June 2005, the Cabinet approved Pakistan's first National Environment Policy. Prior to approval, the National Conservation Strategy (NCS) of 1992 governed environmental issues. The new policy is designed to achieve sustainable development through conservation, protection, and restoration of Pakistan's environment, and is in line with national targets for achieving the Millennium Development Goals. The broad policy covers air and water pollution, waste management, deforestation, loss of biodiversity, desertification, natural disasters, and climate change. The policy will be implemented over the next five years as part of the GOP's medium-term development framework. The GOP has allocated USD 476 million for 150 projects. After approval of National Environmental Policy by Cabinet, Environment Ministry prepared National Environmental Policy Action Plan in collaboration with all stakeholders for its implementation. Ministry has secured USD 500,000 Japanese grant through World Bank for facilitating preparation of projects for implementation of National Environmental Policy. National Environment Policy Action Plan also provides for mandatory environmental impact assessments for all future development projects with potential adverse environmental impact.

The government also approved National Energy Conservation Policy and National Sanitation Policy in 2006. The World Bank has developed National Sanitation Action Plan highlighting the roles and responsibilities of various public and private sector organizations working in the area of water and sanitation and the core group constituted

by the Ministry. The core group comprises of various NGOs such as Rural Support Program network (RSPN), Water Aid, Plan International and PIEDAR.

The 1997 Pakistan Environmental Protection Act provides a comprehensive legal framework for prevention and control of pollution; import of chemicals and other toxic substances; management, handling, and transportation of hazardous substances; management of industrial, municipal, and agricultural wastes; and promotion of sustainable development. The Pakistan Environmental Protection Agency (PEPA) enforces environmental protection laws and controls national environmental policy, environmental standards, and monitoring compliance. To date, PEPA has developed standards for municipal and liquid industrial effluent and waste, industrial gaseous emissions, motor vehicle exhaust, and noise and air pollutant tolerance levels. Standards for air quality and solid waste management have yet to be developed. Projects likely to have an adverse environmental impact are required to file detailed Environmental Impact Statements with PEPA while still in the planning stage. Potential investors are encouraged to contact PEPA early in the planning process to ensure compliance with environmental standards. 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. [GOP's technical capacity to review, assess and monitor industry compliance with environmental standards remains weak.](#)

[The GOP approved National Drinking Water Policy in 2009 but a nationwide water quality monitoring system has yet to be instituted. The GOP has also introduced lead-free gasoline to control air pollution, and Pakistan is now among the world's largest users of compressed natural gas vehicles.](#)

[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 government subscribes to principles of international competitive bidding. The procurement regulatory framework, which has suffered from significant weaknesses, began to improve with the procurement rules recommended by the 2002 Public Procurement Regulation Authority (PPRA). Several systemic flaws were identified, including inadequate bidding documents, inadequate response time for bidders, prequalification as a means of restricting competition, price negotiations, lack of an independent complaints handling process, and irregularities in inspections and measurements. External partners, including the Asian Development Bank, the UK Department for International Development, and the World Bank, are supporting the GOP in modernizing and strengthening the public procurement system at the federal and provincial levels. There has been a greater degree of transparency in procurement practices over the past few years, with international tenders now advertised, and past practices of sole-source contracting via company-specific requirements eliminated. [However there is a strong need to establish monitoring and evaluation system for public procurement. The World Bank is also stressing on the government to establish such a system. Recently also there have been some instances of irregularities in the bidding process .The Chinese firms did not meet the contract specifications but still their locomotives company was awarded the contract. Pakistan State Oil Company \(Pakistan's largest gasoline retailer\) is the sole one of the major suppliers of gasoline to the aviation and energy sectors. However it invites tenders from private companies for transportation of crude oil. Other public sector companies like the Water and Power](#)

Development Company also invite tenders from private companies for [gasoline hard fuel](#). Though a member of the WTO, Pakistan has yet to accede to the WTO Government Procurement Agreement. The sanctity of contracts also has been a major concern for some companies in their dealings with the government.

Efficient Capital Markets and Portfolio Investment

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Pakistan's financial sector policies support the free flow of resources in product and factor markets for domestic and foreign investors. The State Bank of Pakistan and the Security and Exchange Commission of Pakistan (SECP) continue to expand their regulation and oversight of financial and capital markets, with the assistance of the World Bank and the Asian Development Bank.

Banking sector credits total approximately USD [34.9](#) [39.9](#) billion, heavily concentrated among a handful of state-owned and private-sector institutions. With the privatization of state-owned Habib Bank Ltd, approximately 80 percent of domestic bank credit is now disbursed by private sector banking. System-wide, non-performing bank loans total approximately USD [3.25](#) [31](#) billion, or [9.1](#) [12.2](#) percent of total loans.

Credit is allocated on market terms, and domestic interest rates, after hitting historical lows in 2004, have risen again as the State Bank of Pakistan tightened monetary policy. Foreign-controlled manufacturing, semi-manufacturing (i.e., those goods that require additional processing before marketing), and non-manufacturing concerns are allowed to borrow from the domestic banking system without regulated limits. Just as their domestic counterparts, foreign concerns must ensure that their total exposure (fund-based and/or non-fund based) from financial institutions does not exceed ten times their equity. In addition, fund based exposure must not exceed four times equity. While there are no restrictions on private sector access to credit instruments, few alternative instruments are available beyond commercial bank lending. Pakistan's domestic corporate bond, commercial paper, and derivative markets remain in the early stages of development.

Karachi Stock Exchange is a member of the Federation of Euro-Asian Stock Exchanges (FEAS) and the South Asian Federation of Exchanges (SAFE). It is also an affiliated member of the World Federation of Exchanges and the International Organization of Securities Commissions. [Despite phenomenal growth, Pakistani equity markets have recently witnessed significant volatility. Following periodic crashes at the dominant Karachi Stock Exchange \(KSE\), a number of investigations were carried out. Aggravating causes of market volatility include nonstandard practices \(when viewed from the perspective of international best practices\). The benchmark KSE 100 Index experienced a downslide throughout FY 2009, but has shown some upward movement in 2010. The Karachi Stock Exchange \(KSE\)-100 Index ended the week of June 18 at 9,645, 1.8 percent above the previous week close of 9,471. Overall market capitalization increased to \\$31.76 billion from \\$31.36 billion, a 1.3 percent increase. Foreigners were net buyers with an inflow of \\$4.9 million.](#)

Comment: Some contacts at KSE have stated that the Capital Gains Tax (CGT) issue was at the forefront of investors' minds. Individual investors remained optimistic that the CGT will not be retroactive starting July 1 and that they will be able to file taxes annually

instead of quarterly. They added that despite some profit selling, the record inflow of remittances and improvement in the current account kept the index in positive territory.

While maintaining the rate of capital value tax on securities transactions, the GOP extended capital gains tax exemption for an additional year – until June 30, 2009 – The GOP is planning to impose capital gains tax from July 1, 2010. but retained a Currently it is collecting 5-10 percent withholding tax on cash dividends, The FY2007 budget doubled taxes on the purchase and sale of stock shares, increasing the capital value tax from 0.01 to 0.02 percent capital value tax on share purchases, and increasing the withholding tax from 0.005 to 0.01 percent withholding tax on share sales. The GOP also added a is also collecting 0.005 percent tax on brokerage income. Portfolio investments, capital gains, and dividends can be fully repatriated.

Recent capital market reforms include the introduction of minimum capital requirements for brokers, linking of exposure limits to net capital, strengthening of brokers' margin requirements, introduction of system audit regulations (mandating audit of 60 percent of brokers), introduction of over the-counter (OTC) markets to facilitate registration of new companies with less paid-up capital, and introduction of a National Clearing and Settlement system. During 2005, the SECP framed a number of other regulations, including rules for clearing house regulations, margin trading regulations, proprietary trading regulations, and abolition of the group account facility. An SECP Corporate Governance Code was adopted in 2002 for all firms listed on the nation's equity exchanges. Capital markets' legal, regulatory and accounting systems are increasingly consistent with international norms.

Pakistan has adopted international accounting standards, with comprehensive disclosure requirements for companies and financial sector entities, and Pakistan adheres to all 41 29 international accounting standards. In addition, it has adopted four of ten nine International Financial Reporting Standards. The National Commodity Exchange has been functioning since May 2007. Currently the Commodity Exchange deals only in gold futures, silver rice, palm oil, and crude oil futures. but it has plans to deal also in wheat, cotton, and other commodities. The State Bank of Pakistan, in its role as bank regulatory authority, has put in place a formal process of consultations with banks on draft regulations. Under Section 40 of the 1997 SECP Act, the Securities and Exchange Commission of Pakistan also publishes draft regulations to seek public comment prior to finalization.

Legislation providing a legal framework for friendly and hostile takeovers was enacted in 2002. The law provides that companies have to disclose any concentration of share ownership over 25 percent. There are no laws or regulations that authorize private firms to adopt articles of incorporation that discriminate against foreign investment.

Political Violence

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Al-Qaida, the Taliban, and domestic terrorist organizations pose threats to local business interests in Pakistan, especially along the porous border with Afghanistan and Peshawar area. Continuing tensions in the Middle East has increased the possibility of violence, and terrorists have attacked hotels, clubs and restaurants, places of worship, schools, and outdoor recreation events in Pakistan. In 2007, seventy bombings killed over 1000 people. In early 2008, four U.S. Embassy employees were injured in a terrorist attack.

Embassies of most western countries have reduced staff levels and issued travel advisories recommending against non-essential travel to Pakistan.

The Government of Pakistan has taken steps to curb the terrorist threat, including banning eight extremist organizations and placing extra police in the diplomatic enclave and around hotels that cater to international travelers. Despite these measures, the threat to western interests in Pakistan will likely remain high over the medium term. Consequently, western businesses operating in Pakistan will require extra security measures and should budget accordingly.

Corruption

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In October 2002, Pakistan's Cabinet approved a National Anti-Corruption Strategy (NACS) that identified areas of pervasive corruption and recommended measures and reforms to combat corruption. Giving and accepting bribes are criminal acts punishable by confiscation of property, imprisonment, recovery of ill-gotten gain, dismissal from governmental service, and reduction in governmental rank. [Corruption still remains widespread in Pakistan, especially in the areas of government procurement, international contracts, and taxation. Pakistan ranked 139 in the Transparency International Corruption Perceptions Index of 180 countries listed in 2009. Pakistan scored 2.4 points \(on a scale of 0-10\) on the Transparency Corruption Perception Index in 2009. Corruption remains widespread in Pakistan, especially in the areas of government procurement, international contracts, and taxation. Pakistan's ranking in the Transparency International Corruption Perceptions Index improved from 142 of 163 countries in 2006 to 138 of 179 countries in 2007. Pakistan scored 2.4 points \(on a scale of 0-10\) on the Transparency Corruption Perception Index in 2007. Pakistan is not a signatory to the OECD Convention on Combating Bribery, but it is a signatory to the Asian Development Bank/OECD Anti Corruption Initiative. Pakistan has also ratified the UN Convention against corruption.](#)

http://www.transparency.org/policy_research/surveys_indices/cpi/2009

Bilateral Investment Agreements

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The United States and Pakistan have a bilateral tax treaty in force dating from 1959. Pakistan also has double taxation agreements with Austria, Canada, Germany, Indonesia, Italy, Lebanon, Mauritius, Poland, Switzerland, Turkmenistan, Kazakhstan, the United Arab Emirates, Belgium, China, France, Greece, Iran, Japan, Libya, Saudi Arabia, Romania, Sweden, Belarus, Hungary, Jordan, Kenya, Kuwait, Malaysia, Netherlands, Nigeria, Norway, Oman, Philippines, Qatar, South Africa, Syria, Tunisia, Uzbekistan, the United Kingdom, Bangladesh, Denmark, Finland, India, Ireland, South Korea, Malta, Singapore, Sri Lanka, Thailand, Azerbaijan and Turkey.

Pakistan has bilateral investment treaties with [Australia, Malaysia, Azerbaijan, Mauritius, Bangladesh, Morocco, Belarus, Netherlands, Belgium, Oman, Belgium, Luxemburg, Philippines, Bosnia, Portugal, Bulgaria, Qatar, Cambodia, Romania, China, Singapore, Czech Republic, South Korea, Denmark, Spain, Egypt, Sri Lanka, France, Sweden, Germany, Switzerland, Indonesia, Syria, Iran, Tajikistan, Italy, Tunisia, Japan, Turkey, Kazakhstan, Turkmenistan, Kuwait, U.A.E., Kyrgyz Republic, United Kingdom, Lebanon, Uzbekistan, Laos and Yemen.](#) [Australia, Luxemburg, Bosnia, Bulgaria, the Czech](#)

[Republic, Cambodia, Egypt, Germany, Kazakhstan, Lebanon, Laos, Morocco, Philippines, Qatar, Singapore, U.A.E and Yemen.](#)

In late 2004, the United States and Pakistan launched negotiations on a Bilateral Investment Treaty (BIT), which would provide U.S. investors in Pakistan with significant legal protections. Negotiations are currently stalled.

OPIC and Other Investment Insurance Programs

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Following Pakistan's decision to support the war on terrorism, U.S. economic sanctions were waived and Overseas Private Investment Corporation (OPIC) insurance and financing became available for commercial transactions involving Pakistan. Projects must meet OPIC eligibility guidelines

Labor

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The Pakistan work force is approximately [51 52.2](#) million, but this estimate does not include the informal sector or child labor. The majority of the labor force works in the agricultural sector ([43.344.6](#) percent), followed by the services sector ([34.720.7](#) percent), and manufacturing, [mining](#) and construction ([13.819.4](#) percent). Officially, the unemployment rate hovers around 5.2 percent, but many of the employed are underemployed. The real unemployment rate is probably considerably higher, despite shortages of skilled labor. Pakistan is also an extensive exporter of labor, particularly to the Middle East.

Federal law mandates a minimum wage for unskilled workers (currently US\$ [8472](#) per month) and a maximum 48-hour work-week (54 hours for seasonal factories), with paid annual holidays. These regulations only apply to workers in factories employing ten or more workers. Multinational employers usually meet their labor obligations, whereas local businesses often do not. The only significant area of U.S investment in which workers' rights are legally restricted is the petroleum sector, which is subject to the Essential Services Maintenance Act. The Act bans strikes, limits workers' rights to change employment, and affords little recourse to a fired worker, but allows collective bargaining. However, this Act has seldom been applied.

Criticism of Pakistan's confusing labor laws led to the creation in 2000 of a government commission to revise and consolidate Pakistan's labor legislation. [This commission drafted the Industrial Relations Ordinance of 2002 was revised in 2008 and will expire in 2010. It needs to be reenacted. the first comprehensive update to Pakistani labor code since 1968.](#) This Ordinance gives industrial workers the right to form trade unions, but union organizers are subject to a variety of restrictions that hinder their activities and effectiveness. According to GOP estimates, union members make up approximately [ten five](#) percent of the industrial labor force and [five two](#) percent of the total workforce.

The GOP has ratified 34 ILO conventions relating to human rights, workers' rights, and working conditions. [The GOP announced a labor welfare package in April 2001, which included a voluntary group insurance scheme, expansion of existing low-cost housing schemes, an increase in monetary compensation for death or disability, old age pensions, vocational training programs, and yearly excellence awards. Some parts of this package have been enacted into law. The GOP announced certain labor welfare measures in the last two years including extending Social Security Scheme to workers](#)

getting wages up to \$120 (Rs 10,000), sale of 12 percent shares of State owned Enterprises to workers under Benazir Employees Stock Option Scheme, establishment of Complaint Cell to address workers complaints, allowing full wages to workers during their suspension period, extending the coverage of Employees' Old-Age Benefits Scheme to establishments employing 5 or more workers, increasing marriage and death grants, increasing workers share in companies' profits and making contract workers eligible for share in the companies' profits.

Foreign-Trade Zones/Free Ports

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The GOP established the first Export Processing Zone (EPZ) in Karachi in 1989, with special fiscal and institutional incentives available to encourage the establishment of exclusively export-oriented industries. It has since established additional EPZ's in Risalpur, Gujranwala, and Sialkot in the Punjab and Saindak and Duddar in Balochistan. Principal government incentives for EPZ investors include an exemption from all federal, provincial, and municipal taxes for export production; tax and duty exemption for equipment, machinery and materials (including components, spare parts, and packing material); indefinite loss carry forwards; and access to EPZ "one window" service, including facilitated issuance of import permits and export authorizations. [Despite the large incentives, most of these zones have failed to attract significant investment.](#)

The government also offers incentives for other categories of export manufacturing. An Export-Oriented Unit (EOU) is a stand-alone industrial concern that exports 100 percent of its production; it is allowed to operate anywhere in the country. EOU incentives include duty and taxes exemptions for imported machinery and raw materials and duty-free import of two vehicles per project. Pakistan also has 82 Industrial Zones (IZ's): 26 in Punjab, 27 in Sindh, 15 in the North West Frontier Province, 11 in Balochistan, and 3 in Islamabad. The IZ's provide infrastructure facilities but do not enjoy fiscal incentives, unlike EPZ's. Occupancy in some industrial estates remains low, particularly those in rural areas and small urban centers.

The Competitiveness Support Fund (CSF): The CSF is supporting Pakistan's goal of a more competitive economy by providing input into policy decisions, working to improve regulatory and administrative frameworks and enhancing public-private partnerships within the country. The CSF is also providing technical assistance and co-financing for initiatives related to entrepreneurship, business incubators and private-sector led initiatives with research institutes and universities that contribute to creating a knowledge-driven economy. CSF activities are helping all producers along the value chain that contribute to ultimate product quality. By obtaining better value and better prices for quality products, and improving cooperation throughout the Pakistani economy

Foreign Direct Investment Statistics

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FDI in Pakistan dropped to US\$ [3.881.55](#) billion in the first [eleven nine](#) months of [FY2008 2010](#) from US\$ [4.53.04](#) billion in the same period of [FY20072009](#). Historically, the United States, the United Kingdom, the United Arab Emirates, Switzerland, and Japan have been Pakistan's major sources of FDI (Table 1). The American Business Council of Pakistan estimates total U.S. investment in Pakistan at roughly US\$ 1 billion. In [FY20072009](#), major U.S. investments were concentrated in oil and gas exploration,

communications, power, personal/social services, construction, and financial services, trade, chemicals and petroleum refining. (Table 2).

Table 1

FDI Flows into Pakistan by Source Country

US\$ Millions, Fiscal Year (FY) Ending June 30

COUNTRY	FY 20052007	FY 20062008	FY20072009
UK U.S.A	913.1	181.5	1309.3
USA U.K	860.1	326.0	460.2
UAE	661.5	589.2	178.1
367.5	1424.5	661.5	
Saudi Arabia		174.7	169.3
Switzerland			227.3
18.4	277.8	103.5	
Japan	64.4	131.1	74.3
57.0	64.4		45.2
Norway	25.1	274.9	101.1
Hong Kong	32.6	339.8	156.1
32.3	24.0	32.6	
Germany	78.9	69.6	76.9
13.1	28.6	78.9	
Switzerland	137.5	170.6	174.7
Norway	31.4	252.6	25.1
Other	2329.2	2066.4	1772.8
371.1	525.2	2211.0	
Total:	5139.6	5409.8	3719.9
1524.0	3521.0	5124.9	
FDI/GDP (%):	5.1	4.5	2.4
1.39	2.74	3.58	

Source: Pakistan Board of Investment

Table 2

FDI Inflows in Pakistan from United States by Economic Group

US\$ Millions, July 20062008-June 20072009

Oil and Gas Exploration	283.21	265.09
Communications	272.39	173.28
Power	86.87	121.63
Personal and Social services	35.45	35.31
46.28		
Financial Business	35.11	42.26
Textiles	27.69	
Trade	19.92	39.83
Chemicals		34.69
Petroleum Refining		28.64
Personal and Social Services		24.37
Mining and Quarrying		13.31

Chemicals	16.41	
Tourism	15.99	
Petroleum Refining	13.59	
Electronics	8.52	
Others	62.84	80.51

Total	913.10	869.9

Source: *Pakistan Board of Investment*

Table 3
FDI Inflows - 10 Major Companies in Pakistan, FY 2006-2007
 USD Millions

Company Name	FDI
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BP Pakistan Exploration and Production	156.21
Telenor Pakistan	97.29
Occidental Petroleum Inc	60.24
ENI Pakistan Ltd	37.93
Warid Telecom	24.77
Attock General Ltd	20.86
AES Lalpir	19.73
Uch Power Project	18.44
KESC	18.24
Tourism Promotion Services	15.99

Source: *Pakistan Board of Investment*

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Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
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How Do I Get Paid (Methods of Payment)

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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 pharmaceuticals). 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.

How Does the Banking System Operate

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The financial sector in Pakistan is going through a consolidation phase. The State Bank of Pakistan has raised the paid-up capital requirements; as a result several banks have undergone mergers and acquisitions recently. New groups are buying out Pakistan operations of foreign banks and the number of listed banks is also increasing. While the income from core banking activity is increasing due to higher business volume, earnings are also expected to further improve due to greater trends toward consumer finance, housing finance and enhanced lending to the agriculture sector.

Pakistan's banking sector consists of commercial banks, foreign banks, development finance institutions (DFI's), and micro-finance banks. Presently there are 40 commercial banks, eight DFI's, and seven micro-finance banks operating in the country. The commercial banks comprise four state-owned banks, 25 local private banks, 7 foreign banks and four specialized banks. All these banks are supervised and regulated by the State Bank of Pakistan.

Further details about banking in Pakistan are available at:

www.sbp.org.pk

Foreign-Exchange Controls

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Pakistan has a very liberal foreign exchange regime and allows 100 percent repatriation of profits and dividends. Pakistan has a floating exchange rate, although the Pakistani rupee is freely convertible on the current account. During the past five years, the rupee has depreciated by more than 33 percent and continues to steadily depreciate.

U.S. Banks and Local Correspondent Banks

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Citibank is the only U.S. bank with operations in Pakistan. A number of Pakistani banks either have branches in the U.S. or correspond with certain American banks to cater to the needs of their local and international clientele.

International Banks Operating in Pakistan:

1. Albaraka Islamic Bank
2. Barclays Bank Plc
3. Citibank N.A.
4. Deutsche Bank A.G.
5. Hong Kong & Shanghai Banking Corporation Ltd.
6. Oman International Bank S.O.A.G.
7. Standard Chartered Bank Ltd.

Project Financing

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Credit is allocated on market terms. Foreign-controlled manufacturing concerns are allowed to borrow from the domestic banking system without regulated limits. Foreign-controlled (minimum 51 percent equity stake) semi-manufacturing concerns (i.e., those producing goods that require additional processing for consumer marketing) are permitted to borrow up to 75 percent of paid-up capital, including reserves. For non-manufacturing concerns, local borrowing caps are set at 50 percent of paid-up capital. While there are no restrictions on private sector access to credit instruments, few alternative instruments are available beyond commercial bank lending. Pakistan's domestic corporate bond, commercial paper and derivative markets remain in early stages of development.

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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Chapter 8: Business Travel

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Business Customs

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In the major cities of Pakistan men and women work together in offices. Most executives working for international corporations wear business attire (business suits in winter and shirt and tie in summer), and women dress conservatively and modestly. Western women traveling to Pakistan for business should dress conservatively, in pants suits or below the knee skirt suits or dresses with sleeves. Pakistan is a male dominated society; however, women are increasingly entering the job market and in most multinational offices men and women work together. However, in factories and other similar facilities it is not uncommon for men and women to work in segregated premises.

In most parts of the country meetings generally run late and last minute changes are not unusual. It is important to promptly respond to faxes and other communications.

During a meeting it is customary for the host to offer tea to business visitors. Most meetings will start with an exchange of pleasantries and very often the host will engage the U.S. visitor in small talk for several minutes; personal connections and relationships are important in Pakistan's business environment. Business cards are usually exchanged during the meetings.

Travel Advisory

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The travel advisory for Pakistan is available on the following website under the U.S. Citizen Services caption:

<http://islamabad.usembassy.gov/>

<http://travel.state.gov/travelandbusiness>

Visa Requirements

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U.S. citizens are required to obtain a visa for Pakistan before arrival in the country. Further information on obtaining a Pakistani visa in the U.S. may be obtained from the following website:

www.embassyofpakistan.org

U.S. companies that require travel of foreign businesspersons to the United States should familiarize themselves with the visa process by going to the following links:

State Department Visa Website: <http://travel.state.gov/visa/index.html>

http://travel.state.gov/travel/cis_pa_tw/cis/cis_992.html#safety

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

U.S. Embassy, Islamabad: www.islamabad.usembassy.gov

Telecommunications

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During the past five years, the telecommunication sector in Pakistan has grown tremendously. The privatized Pakistan Telecommunication Company Limited (PTCL) is the sole provider of landline service; however, there are now five cellular companies (Mobilink, Telenor, Ufone, Warid and Zong) operating in the market. In addition, there are four firms offering Wireless Local Loop (WLL) service. In addition to these services, there are several card payphone services, which offer highly competitive international calling rates, especially to the United States and United Kingdom. Pakistan offers one of the lowest telecom rates in the region. The average tariff for the United States, using a pre-paid calling card, is currently Rs. 2 per minute (approximately 2.4 cents per minute). Internet is widely available throughout the country, and there are several companies that offer fairly good DSL connections. Most hotels have business centers that offer a complete range of telecommunication facilities; some leading hotels also have Wi-Fi networks for their guests.

Transportation

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Ground transportation: In most Pakistani cities, taxis are readily available and the fares are quite reasonable; however, due to security reasons, U.S. travelers are advised not to use taxis. Instead, it is recommended that travelers rent a car, preferably from the hotel or guesthouse where they are staying. Most hotels and guesthouses in Pakistan provide complimentary airport pick-up service if they are informed in advance. When renting a car, either from the hotel or a rental agency, it is recommended that services of a chauffeur are also acquired along with the car. Radio cab service is now available in Karachi, Lahore and Islamabad. All the major airports in Pakistan offer radio cab service.

Air Transport: No U.S. air carriers fly to Pakistan; however, there are several connecting flights from Dubai, Abu Dhabi, Doha and European and Asian cities to Karachi, Lahore, Islamabad and Peshawar. Pakistan International Airlines (PIA) has regular flights to New York and Chicago (with a stopover in Barcelona). Other than PIA, Etihad, Emirates and Qatar Airways provide convenient connections to New York and Washington, DC. The Pakistan International Airlines offers the largest network of domestic and international destinations. In addition to PIA, there are two other private airlines - namely Airblue and Shaheen Air International - and two private chartered services - JS-Air and Princely Jets.

Shaheen Air International (SAI): SAI was previously managed by Shaheen Foundation (a subsidiary of Pakistan Air Force). In July 2004 it was taken over by the Canadian group TAWA International.

Shaheen Air got its start as Pakistan's second national carrier. Shaheen Air International has four Boeing 737-200's in its fleet, and there are plans to acquire a fifth in the near future. Shaheen Air International operates 6 domestic and 7 international flights and plans to operate new flights to the UK and Canada. The airline carries around 652,000 passengers annually.

Airblue: This private airline commenced operations in June 2004; its fleet comprises three Airbus A320's and two A321's on dry lease, and one A321 on wet lease. Airblue operates domestic flights between Karachi, Lahore, Islamabad, Peshawar, Quetta, Faisalabad, and Gawadar. Airblue also operates daily international flights to Dubai from Karachi and Lahore, four flights a week to Dubai from Islamabad, and three flights a week to Dubai from Peshawar. Airblue commenced flights on the Lahore-Islamabad route in January 2007; in addition, Airblue introduced direct flights to Manchester from Pakistan in June 2007. Airblue has a 30 percent share of the domestic market and its revenue base is over \$150 million. It employs cutting-edge IT systems and is the first airline in the region to operate 100 percent on e-tickets. Airblue has introduced self check-in kiosks for its passengers, another first in Pakistan. Airblue continues to expand its operations rapidly.

JS-Air:

Jehangir Siddiqui, a major financial concern, launched a private service, JS-Air, in 2006. JS Air is a regional air charter business established to serve relatively low passenger-volume routes for commercial airlines as well as providing executive charter services to the oil and gas industry and other leading businesses. JS Air conducted their first commuter flight to Gwadar in June 2006. JS Air fleet comprises two Beechcraft 1900 planes.

Princely Jets:

Akbar Group of Pakistan launched Princely Jets, another charter service, in 2006. Currently their fleet consists of a Bombardier- Challenger and Citation Bravo. PIA, Airblue, and Shaheen offer online reservation services. Travelers on these three carriers can now make reservations and obtain e-tickets through the Internet. The relevant websites are as follows:

Pakistan International Airlines: www.piac.com.pk

Air Blue: www.airblue.com

Shaheen Airlines: www.shaheenair.com

JS Air: www.jsair.com.pk

Princely Jets: www.princelyjets.com

Language

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Urdu is the national language of Pakistan, but English remains an official language and is widely spoken and understood in most of the cities and urban areas. In the rural areas, the services of an interpreter may be required. All business correspondence is in English.

U.S. visitors seeking medical care in Pakistan will be expected to pay in cash at the time of service or on discharge from a hospital. Travelers to Pakistan are strongly recommended to verify that their insurance company will honor overseas claims. Also, business travelers are advised that the U.S. Government will not arrange or pay for medical evacuations of unofficial U.S. citizens (private American citizens) overseas.

Food- and water-borne illnesses: Tap water and drinks with ice in Pakistan are generally not considered safe. Travelers should drink only bottled water or other bottled beverages. If thoroughly cooked hot foods are eaten, most food-borne infections can be avoided. Raw fruits should only be eaten if they have unbroken skin and can be peeled, or if they have been soaked in bleach. Travelers should avoid foods that may have been un-refrigerated for over two hours, particularly those containing poultry, eggs, meat and dairy products.

Healthcare facilities: Most of the major cities in Pakistan have fairly good hospitals and healthcare facilities. The Aga Khan Hospital in Karachi, Sheikh Zayed Hospital in Lahore and the Shifa International Hospital in Islamabad have several foreign trained doctors.

Local Time, Business Hours, and Holidays

Most private offices in Pakistan work from 9:00 a.m. to 5:30 p.m., with the week starting on Mondays and ending on Fridays. However, government offices are usually open from 8:00 a.m. to 3:00 p.m. between Mondays and Thursdays. On Fridays, most government offices close at 12:30 p.m. for Friday prayers. Due to the prevailing power shortage, Government offices and banks are now closed on Saturdays also. Business visitors planning a trip to Pakistan should take into account the following local holidays before finalizing their travel itinerary:

2010 Pakistani Holidays:

Pakistan Independence Day	August 14
*Eid-ul-Fitr	Sept. 11 - 13
*Eid ul Azha	November 20 – 22
*9 th & 10 th of Muharram	December 18 - 19
Birthday of Quaid-i-Azam	December 25

* (Based on the Islamic lunar calendar and may differ 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 festival of Eid-ul-Fitr.

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Temporary Entry of Materials and Personal Belongings

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Temporary Entry of Materials and Personal Belongings: Current information regarding temporary entry of materials and personal belongings is available on the following website:

<http://www.fbr.gov.pk/tpef/customs/Brochures/Brochure-014.pdf>

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<http://islamabad.usembassy.gov/>

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Chapter 9: Contacts, Market Research, and Trade Events

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Contacts

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U.S. Government Trade Related Contacts in Pakistan

Commercial Counselor John Simmons
U.S. Commercial Service
United States Embassy
Diplomatic Enclave, Ramna 5
Islamabad, Pakistan
Tel: 92-51-208-2449
Fax: 92-51-282-3981
E-mail: John.Simmons@trade.gov

Senior Commercial Specialist: Tariq Sayeed
U.S. Commercial Service
United States Embassy
Diplomatic Enclave, Ramna 5
Islamabad, Pakistan
Tel: 92-51-2082064
Fax: 92-51-2823981

E-mail: Tariq.Sayeed@trade.gov
Website: www.buyusa.gov/pakistan

Commercial Specialist – Karachi: Malik Attiq
US Commercial Service
US Consulate General
8 Abdullah Haroon Road
Karachi, Pakistan
Tel: 92-21-35204484
Fax: 92-21-35204330
E-mail: Malik.Attiq@trade.gov
Website: www.buyusa.gov/pakistan

Commercial Specialist – Lahore: Aftab Qamar
U.S. Commercial Service
American Consulate
50 Empress Road
Lahore, Pakistan
Tel: 92-42-36034082
Fax: 92-42-36034229
E-mail: Aftab.Qamar@trade.gov
Website: www.buyusa.gov/pakistan

USDA Agricultural Attaché for Pakistan: Joseph M. Carroll
U.S. Foreign and Agricultural Service
United States Embassy
Diplomatic Enclave, Ramna 5
Islamabad, Pakistan
Tel: 92-51-208-2983
Fax: 92-51-227-8142
E-mail: AcarollJM@state.gov
Joseph.Carroll@usda.gov
Website: www.usda.gov

U.S. Consulate - Peshawar
11 Hospital Road
Cantonment
Peshawar, Pakistan
Tel: 92-91-526-8800
Fax: 92-91-5276712

U.S. Government Trade Related Contacts in Washington, D.C.

Pakistan Country Manager: Rachel Kreissl
International Trade Administration
Africa, Near East, and South Asia
U.S. Department of Commerce
14th St. & Constitution Avenue, N.W.
Washington, D.C. 20230-0001
Tel: 240-755-4782
Fax: 202-482-5179 & 954-730-2117

E-mail: Rachel.Kreisss@trade.gov

Trade Information Center (TIC)
U.S. and Foreign Commercial Service
International Trade Administration
U.S. Department of Commerce
1401 Constitution Ave., NW, ITC Reagan
Washington, D.C. 20230-0001
Tel: 1-800-USA-TRADE; 202-482-0136
Fax: 202-482-4473
Website: www.export.gov/tic
E-mail: tic@ita.doc.gov

Foreign Agricultural Service (FAS)
U.S. Department of Agriculture
Box 1052
1400 Independence Ave., S.W.
Washington, D.C. 20250-1052
Tel: 202-720-7420
Fax: 202-690-4374
Website: www.fas.usda.gov

Pakistan Mission in the United States

Minister (Trade)
Embassy of Pakistan
3517 International Court, N.W.
Washington, D.C.
Tel: 202-243-3266
Fax: 202-686-1589
Email: commercialsection@embassyofpakistanusa.org
Website: <http://www.embassyofpakistanusa.org>

Commercial Counselor
Commercial Section
Consulate General of Pakistan
12 East, 65th Street
New York, NY 10065
Tel: 212-472-6123 and 212-879-5800
Fax: 212-472-6780
E-mail: pakcom.nyc@tdap.gov.pk
Website: <http://www.pakistanconsulateny.org>

Trade & Industry Associations (U.S. and Pakistan)

American Business Council of Pakistan
F-30, Block-7
K.D.A. Scheme No. 5
Kehkashan, Clifton
Karachi, Pakistan
Tel: 92-21-35877351; 35877352 and 35877390

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Fax: 92-21-35877391
Email: abcpak@cyber.net.pk
Website: www.abcpk.org.pk

American Business Forum
NetSol IT Village, Main Ghazi Road
Lahore, Pakistan
Tel: +92-42-111-448-800; 3570-1061
Fax: +92-42-3570-1063
Website: <http://www.abf.com.pk>
PoC: Mr. Rizwan Ullah Khan, President

Esperanza Gomez Jelalian
Executive Director
U.S. - Pakistan Business Council
U.S. Chamber of Commerce
1615 H Street, N.W.
Washington, D.C. 20062-2000
Tel: (202) 463-5732
Fax: (202) 463-3114
E-Mail: ejelalian@uschamber.com
Website: <http://www.uspakistan.org>

Federation of Pakistan Chambers of Commerce and Industry
Shahrah-e-Firdousi, Federation House
Main Clifton Road
P.O. Box13875
Karachi-75600, Pakistan
Tel: 92-21-35873691-4; 35873626; 3576723
Fax: 92-21-35874332, 35873131
Web: www.fpcci.com.pk

Overseas Investors Chamber of Commerce and Industry
Chamber of Commerce Building
Talpur Road, P.O. Box 4833
Karachi-74000, Pakistan
Tel: 92-21-32410814-5
Fax: 92-21-32427315
E-mail: info@oicci.com.pk
Web: www.oicci.com.pk

Karachi Chamber of Commerce and Industry
Aiwan-e-Tijarat Road, Off Shahrah-e-Liaquat
P.O Box 4158
Karachi-74000, Pakistan
P.O. Box 4158
Tel: 92-21-99218020; 99218030; 99218001 to 04 and 99218005 to 09
Fax: 92-21-99218010; 32416095; 32410587
E.mail: info@karachichamber.com
Website: www.karachichamber.com

Islamabad Chamber of Commerce and Industry
Chamber House
Aiwan-e-Sanat-o-Tijarat Road
Mauve Area, Sector G-8/1
Islamabad, Pakistan
Tel: 92-51-2250526-2253145
Fax: 92-51-2252950
EML: icci@brain.net.pk
Website: www.icci.com.pk

Rawalpindi Chamber of Commerce and Industry
39 Mayo Road, Civil Lines
Rawalpindi, Pakistan
Tel: 92-51-5111051-54
Fax: 92-51-5111055
Email: rcci@rcci.org.pk
Website: www.rcci.org.pk

Lahore Chamber of Commerce and Industry
11 Shahrah-e-Aiwan-e-Tijarat
Lahore-54000, Pakistan
Tel: 92-42-111-222-499
Fax: 92-42-36368854
Website: www.lcci.com.pk

Sarhad Chamber of Commerce & Industry
G.T. Road
Peshawar, Pakistan
Tel: 92-91-9213313 to 9213315
Fax : 92-91-9213316
Email: sccip@brain.net.pki
Website: www.scci.org.pk

Quetta Chamber of Commerce & Industry
Zarghoon Road, P. O. Box 117
Quetta, Pakistan
Tel: 92-81-2821943; 2835717
Fax: 92-81-821948
Email address: info@qcci.org.pk
Website: www.quettachamber.com

Government of Pakistan Offices

Secretary
Ministry of Commerce
Block A, Pakistan Secretariat
Islamabad, Pakistan
Tel: 92-51- 9210277 and 9201816
Fax: 92-51- 9203104
E-mail: mincom@commerce.gov.pk
Website: www.commerce.gov.pk

Punjab Board of Investment and Trade
23-Aikman Road, GOR-1
Lahore, Pakistan
Tel:+92-42-9920-4114
Fax: +92-42-9920-4280
Website: <http://www.pbit.gop.pk>
Contact: Mr. Rizwan Ullah Khan, Vice Chairman/CEO

Sindh Board of Investment
Government of Sindh
108-F, Block 2, PECHS
Karachi, Pakistan.
Tel: +92-21-34300971-3
Fax: +92-21-34300974
email: info@sbi.gos.pk
Website: <http://www.sbi.gos.pk>

Director General, Americas
Ministry of Foreign Affairs
Constitution Avenue
Islamabad, Pakistan
Tel: 92-51-9206206; 9056634
Fax: 92-51-9207217
Website: www.mofa.gov.pk

Secretary
Ministry of Industries, Production & Special Initiatives
Block A, Pakistan Secretariat
Islamabad, Pakistan
Tel: 92-51-9211709; 9210192
Fax: 92-51-9205130
E-mail: secretary@moip.gov.pk
Website: www.moip.gov.pk

Secretary
Ministry of Food, Agriculture
& Livestock
Block B, 3rd Floor, Pak Secretariat
Islamabad, Pakistan
Tel: 92-51-9203307; 9210351
Fax: 92-51-9210616

Secretary
Ministry of Finance and Revenue
Q Block, Pakistan Secretariat
Islamabad, Pakistan
Tel: 92-51- 9202373
Fax: 92-51-9201857
Email: Secertary@finance.gov.pk
Website: www.finance.gov.pk

Director General
Civil Aviation Authority
Headquarters
Terminal 1 Building
Quaid-e-Azam International Airport
Karachi
Phone: 92-21-99242101-111; 99242070
Fax: 92-21- 99242071; 99248121
Website: www.caapakistan.com.pk

Chairman
Securities Exchange Commission of Pakistan
Ministry of Finance
NIC Building, Jinnah Avenue
Islamabad-44000, Pakistan
Tel: 92-51-111-117-327
Fax: 92-51-9204915
Email: enquiries@secp.gov.pk
Website: www.secp.gov.pk

Directorate General Defense Purchase (DGDP)
Ministry of Defense
Defense Production Division
Pak Secretariat No.II
Rawalpindi
Tel: 92-51-9270967; 9271107,9271108
Fax. 92-51-9270964; 9271113

Chief Executive
Trade Development Authority of Pakistan (TDAP)
Government of Pakistan
Block A, 5th Floor, Finance and Trade Center
Shara-e-Faisal
Karachi
Tel: 92-21-99206462; 99202719; 99202710
Fax: 92-21-99206461; 9206497
Email: tdap@tdap.gov.pk
Website: www.tdap.gov.pk

Chairman/Minister
Board of Investment
Attaturk Avenue, G-5/1
Islamabad
Tel: 92-51-9208717; 9211999
Fax: 92-51-9218323
Email: mos@pakboi.gov.pk
Website: www.pakboi.gov.pk

Federal Board of Revenue
FBR House

7/29/2010

Constitution Avenue, Sector G/5
Islamabad, Pakistan
Tel: 92-51-9207540
Toll Free Number : 0800-00227
UAN: 111-227-2279209723,
Fax: 92-51-9205308
Website: www.fbr.gov.pk

Chairman
Karachi Port Trust
First Floor
Karachi Port Trust Building
Eduljee Dinshaw Road
Karachi-74000, Pakistan
Tel: 92-21-99214310, 99214315; 99214375
Fax: 92-21-99214330, 99214329
Website: www.kpt.gov.pk/

Chairman
Port Mohammad Bin Qasim Authority
Port Qasim
Karachi
Tel: 92-21-99272147-34730110; 99272111-30
Fax: 92-201-730108; 4730108 - 9
Email: secy_pqa@khi.comsats.net.pk
Web Site: <http://www.portqasim.org.pk>

Chief Collector, Customs
Pakistan Customs
Customs House
Karachi
Tel: 92-21-99214170, 99214166
Fax: 92-21-99214234
www.fbr.gov.pk

Managing Director
Pakistan International Airlines (PIA)
PIA Head Office
Jinnah International Airport
Karachi-75200, Pakistan
Tel: 92-21-111-786-786; 345794341; 34575900
Fax: 92-21-345793024, 34575250
Email: mdpiac@piac.aero
Website: www.piac.com.pk

Governor
State Bank of Pakistan
Central Directorate
State Bank Building
I.I. Chundrigar Road
Karachi, Pakistan

7/29/2010

Tel: 92-21-111-727-111; 99212447; 99212838 and 99212400
Fax: 92-21-99212433; 99212436; 99212446
Website: www.sbp.org.pk

Managing Director
Pakistan Tourism Development
Corporation (PTDC)
House No, 32, Street 48
Sector F-8/4
Islamabad, Pakistan
Tel: 92-51-2850035 and 2850036
Fax: 92-51-2850039
Email: info@tourism.gov.pk
Website: <http://www.tourism.gov.pk>

Federal Secretary
Privatization Commission
Ministry of Privatization
5-A Expert Advisory Cell (EAC) Building
Constitution Avenue
Islamabad, Pakistan
Tel: 92-51-9205146 and 9208525
Fax: 92-51-9203076 and 9211692
Website: www.privatisation.gov.pk

Chairman
Water & Power Development Authority
WAPDA House
Sharah-e-Quaid-e-Azam I
Lahore
Tel: 92-42-99202222; 99202223; 99202226, 99202211
Fax: 92-42-99202454, 99202224
Email: chairman@wapda.gov.pk
Website: www.wapda.gov.pk

Multilateral Development Bank Offices

The World Bank
20-A, Shara-e-Jamhuriat
Ramna 5, P.O. Box 1025
Islamabad
Tel: 92-51-2279641 to 2279646; 9090100
Fax: 92-51-2279648
Email: mariamaltaf@worldbank.org
Website: www.worldbank.org/pk

Country Director
Asian Development Bank
Pakistan Resident Mission
Level 8, North Wing
Serena Office Complex

Khayaban-e-Suharwardy
Sector G-5
GPO Box 1863
Islamabad, Pakistan
Tel: 92-51-2600351-69; 2087300; 2825011
Fax: 92-51-2087397-8; 2600365; 62823324
Email: adbprm@adb.org
Website: www.adb.org/PRM/

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Note: Agricultural reports are available via the Reports Office, USDA/FAS, Ag Box 1052, Washington, D.C. 20250 and via the FAS Home Page on the Internet at the following URL:

<http://www.fas.usda.gov/scriptsw/attacherep/default.asp>

Trade Events

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Please click on the links below for information on upcoming trade events.

<http://export.gov/tradeevents/index.asp>

<http://www.exhibitioninpakistan.com/>

<http://www.ecgateway.net/ecgevents.htm>

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

www.Buyusa.gov/pakistan

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.