

# U.S. - Pakistan Business Council NEWSLETTER

U.S. Chamber of Commerce

Summer 2003

## Chamber of Commerce of the United States of America Hosts President Pervez Musharraf

**W**ashington, DC - The United States Chamber of Commerce hosted President Pervez Musharraf of the Islamic Republic of Pakistan as part of its International Forum series on June 26, 2003. The event was the culmination of high level visits and cooperation between member companies of the U. S. - Pakistan Business Council, the Government of Pakistan, and the American business community. The president's visit was indicative of the esteem in which the U. S. Chamber of Commerce is held in Pakistan. At the event, President Musharraf reviewed the recent improvements in Pakistan's investment climate and stressed the significance of U. S. foreign direct investment for Pakistan's development. The U. S. - Pakistan Business Council is playing a key role in developing and strengthening this involvement and ensuring the continued success of U. S. - Pakistan business relations.

President Musharraf's visit to the U. S. Chamber of Commerce was one of the final stops of his U. S. tour. Mr. Willard A. Workman, U. S. Chamber of Commerce Senior Vice President for International Affairs, welcomed President Musharraf in his opening remarks. Mr. Workman addressed the audience of senior government officials and business representatives with a message of an increasingly favorable economic environment in Pakistan. Mr. Workman stressed that sanctions against Pakistan that had previously been impediments to foreign direct investment have now been lifted, allowing improved access to an emerging market rich with opportunities for U. S. investment. This, according to Mr. Workman, compounded with Pakistan's ideal geographic location, competitively affordable and expanding workforce, and liberal investment policies, makes Pakistan one of the premier investment venues in South Asia today.

Also in attendance at the Forum were members of the U. S. -

Pakistan Business Council, including representatives from the event's corporate sponsors: Coca Cola Co., PepsiCo. Inc., and AEG. Chairman of the U. S. - Pakistan Business Council and President of Coca Cola's Eurasia and Middle East Division, Mr. Ahmed C. Bozer, mirrored Mr. Workman's sentiments in his address. Mr. Bozer pledged that the U. S. - Pakistan Business Council will continue to work on broadening the business relationship between the two countries, specifically by building

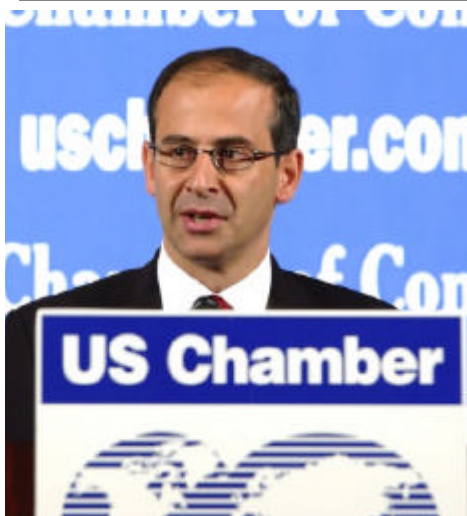


*President Pervez Musharraf, Islamic Republic of Pakistan*

upon its current role as the premier voice for U. S. business in Pakistan as well as an important forum for corporations to interact with government officials and regulators from Pakistan. He noted the importance of President Musharraf's administration in this process by stating that, "the consistency and continuity of economic policy demonstrates their desire to improve the economic climate for foreign direct investment." According to Mr. Bozer, Pakistan's strategic importance, improving

macro-economic conditions, and high quality governance make it a desirable country for U. S. investment.

This was President Musharraf's first visit to the U. S. Chamber of Commerce. The U. S. Chamber's International Forum Series is one of Washington's most respected and influential platforms for the discussion of trade, foreign affairs, and international economic policy. President Musharraf's participation in the Forum is a manifestation of his administration's continued dedication to working with the Chamber in order to improve business opportunities for U. S. investors in Pakistan. |



*Mr. Ahmet Bozer, Chairman of the U. S. - Pakistan Business Council welcomes guests on behalf of the Council*



*Mr. John Howard, U.S. Chamber of Commerce Vice President for International Policy and Programs, greets President Musharraf*



*U.S. - Pakistan Business Council Chairman, Mr. Ahmet Bozer, President, Coca - Cola Co., Eurasia and Middle East, welcomes President Pervez Musharraf to the U.S. Chamber of Commerce*



*Mr. Richard Kirkland, Vice President of Corporate International Business Development, Lockheed Martin, greets President Musharraf*



*Dr. Herbert J. Davis welcomes President Musharraf to a private reception at the U.S. Chamber of Commerce preceding the International Forum Dinner*



*Mr. Willard Workman, Senior Vice President for International Affairs, welcomes the International Forum attendees on behalf of the U.S. Chamber of Commerce*



*U.S. - Pakistan Business Council Member, Mr. Asher Gulab, President and CEO of AEG international, greets President Musharraf*



*Aram Zamgochian, South Asia Affairs, greets President Musharraf*



*Mr. Willard Workman thanks President Musharraf for his remarks*



*(L to R) Ambassador Nancy Powell, U.S. Ambassador to the Islamic Republic of Pakistan; President Pervez Musharraf, Islamic Republic of Pakistan; Willard A. Workman, U.S. Chamber of Commerce Senior Vice President for International Affairs; Mr. Ahmet Bozer, Chairman of the U.S. - Pakistan Business Council and President, Coca - Cola Co., Eurasia and Middle East and His Excellency Ashraf Jehanghir Qazi, Ambassador of the Islamic Republic of Pakistan to the United States*

## U. S. - Pakistan Trade Relations

### U. S. - Pakistan Business Council Plays Key Role in Developing Relations



*Willard A. Workman, U.S. Chamber of Commerce Senior Vice President for International Affairs, welcomes President Pervez Musharraf of the Islamic Republic of Pakistan*



*President Musharraf and Minister Aziz speak with invited guests at a private reception before the International Forum Dinner*



*LTG (R) Daniel Christman, U.S. Chamber of Commerce Senior Vice President for International Affairs and Dr. Herbert J. Davis, Managing Director for South Asia Affairs, welcome Minister Shaukat Aziz, Minister for Finance and Economic Affairs of the Islamic Republic of Pakistan*



*Minister Aziz, Dr. Herbert J. Davis, and Aram Zamgochian, South Asia Affairs exchanging greetings*

Business relations between the United States of America and Pakistan have grown significantly in parallel with the two countries' strategic alliance. The U. S. is one of Pakistan's most important trading partners and the Musharraf administration is working to encourage trade-friendly policies for Pakistan in the U. S. in order to support U. S. business ventures in Pakistan. The U. S. - Pakistan Business Council plays a key role in providing U. S. companies with the information they need to invest in Pakistan.

The Government of Pakistan's policies and incentives are particularly significant for U. S. investors, who represent the largest group of foreign investors in Pakistan. The United States is Pakistan's largest trading partner. U. S. businesses provide the primary source of foreign investments in Pakistan, constituting more than 41% of total foreign direct investment in the last thirteen years. Today, more than seventy U. S. companies are productively engaged in Pakistan. Industry sectors that provide opportunities for U. S. investors are oil and gas, information technology and telecommunications, financial services, power generation, and pharmaceuticals. Yet the scope for intensifying business operations in Pakistan is enormous. U. S. companies can capitalize on expanding their operations by taking advantage of the emerging opportunities being offered by Pakistan.

Policies recently implemented by the Musharraf administration make Pakistan an even more attractive country for U. S. investment. The privatization program offers highly profitable investment opportunities in oil and gas, banking, power generation, and gas transmission. The petroleum policy offers attractive terms and conditions for new investment in the oil and gas sector. This has been an area that has attracted U. S. investors' interests and, according to President Musharraf, "we are ready to receive more investors with open arms."

U. S. authorities have also worked to create an enabling framework for American investors to seriously explore the economic opportunities in Pakistan. OPEC has offered a credit of \$300 million for business in

Pakistan. The U. S. EXIM bank has also offered an Letter of Credit (LC) facility of \$125 million through the commercial banks of Pakistan and has approved financing of \$372 million to Pakistani International Airlines for the purchase of Boeing aircraft. The availability of this capital on behalf of U. S. financial institutions indicates their firm support and belief in the profitability of U. S. business ventures in Pakistan. Currently, the Government of Pakistan estimates a return to U. S. companies of between 20% and 40%.

During his recent visit to the U. S. Chamber of Commerce on June 26, 2003 President General Pervez Musharraf noted that while both the private sector and U. S. Government support business with Pakistan, certain trade policies should be amended in order to facilitate greater investment. In particular, President Musharraf expressed concern over American trade policies that allow large quantities of imports to enter the U. S. under special trade arrangements, leaving countries like Pakistan at a disadvantage. The Pakistani economy would be greatly helped, he observed, if the U. S. provided a favorable market access package for certain Pakistani exports, such as textiles, which are a critical commodity for Pakistan and employ a large part of the industrial workforce. The President noted though, that the *Trade and Investment Framework Agreement* (TIFA) recently signed with the U. S. is an important step towards a Free Trade Agreement.

President Musharraf invited members of the U. S. business community to take a proactive approach to investment in Pakistan by stating that, "We are trying our best to create an investor friendly climate in Pakistan and trying to reduce the cost of doing business in Pakistan and I think we've achieved a lot. You need to come to Pakistan and see for yourself. I would like to welcome all of you to visit Pakistan and invest in Pakistan. It is a win-win situation for all, for both the countries, for both people."!

## U. S. Pakistan Business Council Hosts Luncheon With The Honorable Humayun Akhtar Khan

The USPBC hosted a luncheon with the Honorable Humayun Akhtar Khan, Minister of Commerce of the Islamic Republic of Pakistan, on June 6, 2003 at the Hay Adams Hotel in Washington, DC. Senior Vice President for International Affairs at the U. S. Chamber of Commerce, Willard A. Workman, welcomed the Minister by expressing his and the U. S. business community's appreciation of the Minister's work in creating a more favorable investment climate in Pakistan. Minister Khan noted the significance of U. S. business in Pakistan's overall foreign direct investment and discussed opportunities in Pakistan for U. S. businesses. As Minister of Commerce, he has taken steps to help the business community by advocating liberal trade policies for investors. Minister Khan stressed the fact that international economic cooperation is critical for Pakistan's economic security. The USPBC is instrumental in facilitating this cooperation by providing the U. S. business community access to investment policy-makers in Pakistan, such as Minister Khan, in

order to ensure that U. S. business interests are represented and supported in Pakistan. The luncheon also presented an opportunity for



*The Honorable Humayun Akhtar Khan, Minister of Commerce of the Islamic Republic of Pakistan discusses investment opportunities in Pakistan*

Council members to personally discuss issues relevant to them with Minister Khan. In attendance at the event were representatives from Pillsbury Winthrop, AEG, Boeing, NetSol Technologies and the Stern Group. ↓



*Dr. Paula Stern, Chairwoman, The Stern Group, speaks with Minister Khan*



*Mark Riedy, Partner, Pillsbury Winthrop (right), presents his business card to the Honorable Minister*



*Invited Guests in Honor of The Honorable Humayun Akhtar Khan, Minister of Commerce of the Islamic Republic of Pakistan*

## U. S. – Pakistan Business Council Honors Minister Shaukat Aziz

The U. S. - Pakistan Business Council's Board of Directors hosted a tea in recognition of the Honorable Shaukat Aziz, Minister for Finance and Economic Affairs of the Islamic Republic of Pakistan, and the Pakistani Delegation on April 15, 2003 at the Hay Adams Hotel in Washington, DC. Minister Aziz has been committed to establishing macro-economic stability and furthering structural reforms in Pakistan. The USPBC Board of Directors expressed its appreciation for Minister Aziz's continued efforts on the economic front with this event.

The tea, sponsored by Black and Veatch and hosted by Willard A. Workman, Senior Vice President for International Affairs at the U. S. Chamber of Commerce, was also an opportunity for USPBC members to confer with Minister Aziz, representatives from the Government of Pakistan, and one another on an intimate level regarding issues of concern to the business community in Pakistan. In attendance at the

event were representatives from Coca-Cola Company, Trade Services Group, Boeing Inc., Citigroup, Morgan Stanley, Black and



*Bob Riordan, Vice President, Government Services, Black and Veatch, welcomes Minister Aziz*

Veatch, Telnia Corporation, Sweetwater International, Diplomatic Freight Services Inc., Pillsbury Winthrop, LLP, and the State Bank of Pakistan. ↓



*(L to R) Adeel Shah, Vice Chairman, U. S.- Pakistan Business Council and Chairman and CEO, Telnia Corporation; Edward Jackson, Board Member, U. S.- Pakistan Business Council and Chairman and CEO, Sweetwater Intl, Inc and The Honorable Shaukat Aziz, Minister for Finance and Economic Affairs*



*H.E. Ambassador Qazi emphasizing the progress of his government in promoting a favorable investment climate to Willard Workman, Senior Vice President for International Affairs, United States Chamber of Commerce*



*(L to R) Sutherland Miller, Manager, Trade Services Group (TSG); Willard Workman, Board Member and Senior Vice President for International Affairs, United States Chamber of Commerce; Mr. Ashraf Hyat, Trade Minister, Embassy of Pakistan; Edward Jackson, Board Member, U. S.- Pakistan Business Council and Chairman and CEO, Sweetwater Intl, Inc.; Janet Howard, Vice President, International Relations, Coca-Cola Company and The Honorable Shaukat Aziz, Minister for Finance and Economic Affairs*



*(L to R) Former Congressman Jim Moody, Morgan Stanley welcomes the Honorable Shaukat Aziz, Minister for Finance and Economic Affairs*



*Dr. Herbert J. Davis expressing his appreciation for the level of corporate support that the council has received*

## U. S. – Pakistan Business Council Hosts Honorable Nancy Powell

On February 3, 2003 the U. S. - Pakistan Business Council hosted a briefing with U. S. Ambassador to Pakistan, the Honorable Nancy Powell at the U. S. Chamber of Commerce in Washington, DC. The briefing provided a forum for Council members to express their concerns regarding Pakistan's business environment to the Ambassador, as well as to inform her of the Council's work and proposed projects in the country. Ambassador Powell discussed economic and investment opportunities in Pakistan, including some of the challenges faced by businesspeople there. She noted that she is currently working with the government of Pakistan to reduce regulatory burdens for American companies doing business in Pakistan and to encourage more transparent, investor-friendly policies. Ambassador Powell, a career

member of the Senior Foreign Service, was sworn into office on August 9, 2002. Ambassador Powell came to



Ambassador Powell (left) speaking on economic and investment opportunities in Pakistan; Wayne Weiss (right), Consultant, Black and Veatch Corporation

Pakistan with over a decade of experience in the Foreign Service, including Africa and South Asia. ↓



Dr. Herbert J. Davis explaining the history of USPBC to Ambassador Powell



Dr. Herbert J. Davis, Executive Director, USPBC and Managing Director for South Asia Affairs, United States Chamber of Commerce; The Honorable Nancy Powell, U. S. Ambassador to Pakistan and Adeel Shah, Chairman and CEO, Telnia, Inc. (Vice Chair, USPBC)



Dr. Herbert J. Davis, Executive Director, USPBC and Managing Director for South Asia Affairs, United States Chamber of Commerce discusses proposed Executive Mission to Pakistan

## Pakistan's Key Indicators Reach Record Highs

### *Economic Growth Comes at a Period of Increased Chamber Involvement in the Country*

Since the inauguration of the U. S. - Pakistan Business Council on September 30, 2002, key economic indicators in Pakistan have seen major improvements. Under President Pervez Musharraf, the current administration in Pakistan has implemented a *Comprehensive Economic Revival Program* that has formed the basis of economic reform in the country.

As recently as five years ago, the Chamber's involvement in South Asia was limited to the activities of the U. S. - India Business Council. Today South Asia Affairs constitutes the largest set of resources in the international division. In June 1998 the U. S. - Bangladesh Business Council was established as a response to U. S. business interests in Bangladesh's sizeable gas resources. Dialogue has also recently begun between the Chamber and the countries of Nepal and Sri Lanka, both of whom are also interested in establishing bilateral business councils. Less than a year after its official inauguration, the U. S. - Pakistan Business Council is now one of the most active councils in the Chamber's International Division.

The Council's increased activities in the country come at a period of economic achievements for the Musharraf administration. Since 1999 multilateral lending institutions, such as the World Bank, have recognized Pakistan's macroeconomic improvements and its successes have only increased since then. Significant strides have been made on both the economic and political fronts.

While visiting the U. S. Chamber of Commerce on June 26, 2003, President Pervez Musharraf explained the transformation of the economy under his administration. Upon his election, President Musharraf inherited an economy in a state of near collapse. The government was faced with a declining growth rate, stagnating exports, a shrinking volume of trade, falling investments, dwindling revenues, a rapidly rising public debt, and a continuously rising incidence of poverty, reaching 32%. This situation crippled the country's ability to attract foreign investment and eroded Pakistan's credibility with business partners.

President Musharraf implemented the *Comprehensive Economic Revival Program* and has been resolutely engaged in building a new Pakistan for the past three years. The administration embarked on a systemic correction and restructuring program aimed at rebuilding institutions and restoring the economy. The positive results of this program have been seen in the state of the economy characterized by stability and growing investor confidence.

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This year all key indicators demonstrate the high performance and confidence in Pakistan's economy. Growth in gross domestic product has reached 5.1%. Inflation is under control at 3.3%. Revenue collection saw a 60% increase over the last three years and a 15% increase this year alone. Exports this year increased 21% and over 40% in the last three years from \$7.7 to \$11 billion. Home remittances have increased 400% from \$1 billion to \$4 billion. Foreign exchange reserves are at an unprecedented high of \$10.5 billion, equivalent to almost one year of imports. The exchange rate is very stable and interest rates are at a historic low. This has reduced the cost of doing business from around 16% to an average weighted interest of 8% or less. The improvements in these indicators are the result of a sustained effort to reform and reinvigorate the economy.

Welcoming government investment policies coupled with Pakistan's improved economic climate make Pakistan one of South Asia's most promising locations for U. S. investment. Pakistan's liberal investment policy is recognized as one of the most favorable in the region. Its successful reform program has opened up new and profitable business opportunities. Today all sectors of the Pakistan economy are open for foreign direct investment. No government approvals are required for establishing any business venture in Pakistan. Furthermore, foreign investors are allowed 100% ownership, attractive incentives and generous tax concessions. Foreign investment is fully protected under the law. Repatriation of capital and profits is freely permitted. Payments of royalties and technical and franchise fees are also allowed without any restrictions. Pakistan's political environment is more favorable to investment today than it has ever been in the past.

President Musharraf expressed his satisfaction with these positive indicators and noted that a substantial part of the reform agenda has already been implemented, "but we are not complacent. We are actually conscious of the formidable challenges that lay before us." Through the U. S. - Pakistan Business Council the U. S. Chamber is ready to work in collaboration with the Government of Pakistan to meet these challenges in order to ensure economic gains for the American business community and increased investment, growth, and development for the people of Pakistan. |

## Pakistan's IT Sector Gearing up for U. S. Investment

Washington, DC - On June 25, 2003 The United States of America and the Islamic Republic of Pakistan signed an *Agreement on Science and Technology Cooperation*. The agreement is indicative of the growing business relations between the two countries and of the Bush administration's recognition of the significance of Pakistan's information technology sector. It is also an indication of the success of Pakistan's Federal Minister of Information Technology, Awais Ahmed Khan Leghari and Minister for Science and Technology, Dr. Atta-ur-Rahman, in establishing programs that have significantly strengthened Pakistan's competitive advantage in information technology and have begun to attract investment from top companies, such as Microsoft.

The *Agreement on Science and Technology Cooperation* was signed during the inauguration ceremony of the new Pakistan Chancery in Washington, hosted by President Pervez Musharraf. It establishes a legal framework to facilitate broad, bilateral cooperation in science, technology, engineering, and education for peaceful purposes between public and private entities from the U. S. and Pakistani scientific communities.

Pakistan's information technology sector has recently seen significant improvements under Minister Leghari's leadership. Under Minister Leghari's leadership, the government has committed to boost its software exports, hoping to ultimately contribute to improving the economic climate in Pakistan. In addition to making the high tech side of the industry more visible through various developers' conferences, the government is also working to achieve the reliability that is needed for providing local and international bandwidth, which will be available at no additional cost for IT enabled services.

Pakistan is already a key country with rich IT-enabled human capital, offered to U. S. firms at competitive rates. The Government of Pakistan attaches top priority to the promotion of information technology. Efforts are currently under way to launch forward-looking projects such as the Electronic Government Directorate, with the goal of creating international demand for the IT skills that Pakistan has to offer. In addition to these positive strides, Pakistan's software piracy rate has dropped fifteen percent since 1994. The number of cities in Pakistan with Internet access has increased dramatically from 29 to 400, bandwidth capacity has expanded by six, and the price of bandwidth line dropped over \$80,000 between 2001 and 2002 to approximately \$3,000 per month.

The Ministry of Science and Technology is also supporting and promoting the growth of the IT sector by enlarging its highly skilled workforce. The Ministry has funded IT centers in major Pakistani universities, virtual education programs, and computer science departments in existing schools. The government has also decided to establish computer laboratories in educational institutions from middle level to colleges, to enable students to receive training to compete with the fast moving world of information technology.

Pakistan's growing information technology sector was praised by the U. S. Department of Commerce in its annual report for 2002. The report noted that a "cellular market with a penetration of 2.5% is growing quickly because of aggressive deregulation and lower tariffs." The expected expansion and tax breaks offered provide excellent opportunities for U. S. companies to invest in Pakistan. The report also noted that the establishment of virtual universities, fifteen year tax

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holidays for software exporters, reduction in bandwidth rates, fast spreading internet access, and the expansion of the cellular market are all specific indications of Pakistan's rapidly improving information technology sector.

The international business community's positive response to these reforms is already evident. In July of 2002, Korean automotive maker Hyundai pledged to invest in Pakistan's IT and telecom sectors in partnership with domestic firms. Hyundai was particularly attracted to Pakistan's e-government projects, the IT services market, the telecommunication sector, DSL technology and tele-medicine projects, as well as the incentives given by the Government of Pakistan for private investors in the IT and telecom sectors. A further step was taken towards the modernization of the information technology and telecommunication infrastructure when Pakistan Telecommunication Company Ltd. signed an accord with Chinese company, Huawei Technologies Corporation for the enhancement of its fiber optic cable capacity. Pakistan Telecommunication Company Ltd.

will be equipped with ten-gigabit technology worth 848 million Pakistani Rupees and will be able to provide capacity for 13,650 circuits.

Perhaps the most significant sign of the Pakistan IT sector's growing competitiveness is the pledge by international software giant and U. S. Chamber of Commerce member Microsoft to invest over \$300 million in Pakistan. Microsoft will extend its future programs and focus on the promotion of IT education and transfer of technical know-how.

In a meeting with Pakistani government representatives on June 10, 2003, vice-president of Microsoft Europe, Middle East and Africa, Emre Berkin observed, "I am convinced that Pakistan has the right people with the right focus to take this country to the next level of progress and prosperity... I am pleased to see the drive, positive change and the eagerness of Pakistanis towards reforms and IT for the advancement of the country." With the continuation of government reform programs and the positive response from the U. S. private sector, Pakistan will be able to work with the U. S. - Pakistan Business Council to offer U. S. investors a more favorable economic environment. †



*U.S. Chamber of Commerce in Washington, D.C.  
Home of the U. S. - Pakistan Business Council.*

*The U.S. Chamber of Commerce is the world's largest business federation representing more than three million businesses and organizations of every size, sector and region.*



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*President Musharraf greets guests at the International Forum Dinner*