



Doing Business in Pakistan: 2014 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 and Pakistan have a strong economic and commercial relationship, conducting two-way trade of approximately \$5.3 billion in 2013. The U.S. is Pakistan's largest trading partner and its leading source of foreign direct investment. For the U.S., Pakistan represents a modest market with suppliers exporting goods and services worth \$1.65 billion to Pakistan in 2013. This figure represents a 7% increase over the 2012 figure of \$1.53 billion. The U.S. was Pakistan's largest export market in 2013, accounting for almost 15% of total exports. Valued at \$3.68 billion, Pakistan's exports to the U.S. in 2013 were 1.6% greater than the previous year.

Overall, Pakistan's economic growth has been sluggish for the past four years, however it accelerated moderately in fiscal year 2012-13, growing by 4.1%. Severe energy shortfalls, domestic security issues, burgeoning public debt, and the slow pace of economic and tax reform implementation are major factors that continue to pose a challenge to the economy of Pakistan. On October 15, 2009, President Obama signed the Enhanced Partnership with Pakistan Act of 2009 (commonly known as the Kerry-Lugar-Berman bill). This act authorizes the United States to provide Pakistan with economic assistance worth \$7.5 billion over a five-year period. This assistance, together with other bilateral and multilateral commitments, continues to provide funding for a wide array of soft and hard infrastructure development of potential interest to U.S. firms. Pakistan entered into a three-year, \$6.7 billion International Monetary Fund program in September 2013, which will provide an infusion of foreign exchange and framework for structural reforms.

With a population of approximately 190 million and an overall GDP exceeding \$245 billion, Pakistan is the fifth-largest market in the entire Middle East, Africa, and South Asia regions (after India, South Africa, Saudi Arabia and Egypt). Pakistan has a young population and a growing middle class, with English as the lingua franca of the business community, and a highly evolved services sector that contributes 58% of GDP. Pakistan has a number of attributes that make it an attractive market for multinational firms, particularly those in the fast moving consumer-goods sector. The World Bank's 2014 Doing Business Report, which surveys the ease of doing business in international markets, ranked Pakistan 110th among the 189 economies surveyed. By comparison, regional competitors Bangladesh and India ranked 130 and 134, respectively.

American firms have a fairly strong presence in Pakistan. Currently, there are more than 65 wholly- or majority-owned U.S. subsidiary firms registered with the American Business Council (ABC) of Pakistan and the Lahore-based American Business Forum

(ABF). The U.S.-Pakistan Business Council, an affiliate of the U.S. Chamber of Commerce and based in Washington, is another forum for U.S. companies with business and investment interests in Pakistan. There are also hundreds of local firms representing U.S. companies in the market. Some leading U.S. companies doing business in Pakistan include Pepsi-Cola, Coca-Cola, Procter & Gamble, NCR, Teradata, Pfizer, Abbott Laboratories, DuPont, Oracle, Microsoft, Dell, 3M, IBM, Monsanto, McDonald's, KFC, Pizza Hut, Domino's Pizza, and Caterpillar. Pakistan and the United States signed a Trade and Investment Framework Agreement in 2003, which provides a forum for discussion of bilateral trade issues. The most recent annual TIFA council meeting was held in May 2014.

The U.S. corporate members of the ABC and ABF play an influential role in Pakistan's economy by demonstrating 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 approximately \$3 billion. ABC/ABF members contribute a sizable sum to the national treasury every year in the form of direct and indirect taxes.

In spite of security threats and familiar emerging market concerns over intellectual property rights, 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 for foreign companies, no shareholding restrictions (beyond a few sensitive industry sectors), simple work-permit rules, no technology transfer requirements and a large and sophisticated entrepreneurial class.

Market Challenges

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Principal competitors of U.S. businesses in Pakistan are Chinese, European, Japanese, and South Korean suppliers. They at times offer credit terms that can make it difficult for U.S. suppliers to compete on major projects or government tenders. In particular, state-owned Chinese firms are increasingly expanding into market segments traditionally dominated by Western firms.

Pakistanis generally consider U.S. goods more expensive compared to those of competitors, and that U.S. firms often do not move as quickly to meet demand. American products, however are well regarded for their perceived quality, and some U.S. firms meet these challenges by shipping goods to Pakistan from regional operations.

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. It is often difficult to sell in this market without a reliable local partner, thus choosing the right local partners and careful planning are critical to success. U.S. firms willing to invest time to develop market presence should expect to be rewarded in the long-term.

Market Opportunities

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With a population of approximately 190 million and a GDP exceeding \$245 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 several years: consumer goods, power generation, renewable energy, oil and gas exploration, telecommunication equipment and services, airport and ancillary facilities, construction, trucking/transportation, agricultural machinery and equipment, franchising and health care.

Market Entry Strategy

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One strategy for U.S. manufacturers and suppliers to penetrate the Pakistan market is to utilize the benefits of the network services and programs of the U.S. Department of Commerce's Export Assistance Centers (USEAC), in association with the U.S. Commercial Service at the U.S. Embassy in Islamabad, Pakistan, and the U.S. Consulates in Karachi and Lahore.

Seeking the assistance of USEACs before exploring opportunities in this market is highly encouraged. It is recommended that U.S. firms from the very 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

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 consider 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 located in their region. A complete list of USEACs is available on the following website:

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

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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/index.htm>

<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 FOB, ex-factory, or CIF 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), recently renamed K-Electric, is a private power distribution company that provides electric power to the Karachi area. State-owned distribution companies provide power to Islamabad, Rawalpindi and other regions in Pakistan.

Natural Gas: The following two state-owned utility firms, Sui Northern Gas Pipelines (for Punjab and Khyber Pakhtunkhwa) and Sui Southern Gas Company (for Sindh and Balochistan) provide gas distribution service.

Fixed line telephone and Fax services is provided by the Pakistan Telecommunications Company Limited (PTCL).

Cellular telephone services are provided by the following companies: Mobilink, Telenor, Ufone, Warid, and Zong (China Mobile Company).

Internet & Broadband: Following are some of the leading service providers: PTCL, Nayatel, WorldCall, Quebee, Wateen, WiTribe and Comsats. In early 2014, the Government of Pakistan auctioned 3G network licenses to Mobilink, Ufone, and Telenor and a 3G/4G license to Zong. Blackberry services are available in Pakistan through Mobilink and Ufone.

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 Federal

Board of Revenue (FBR) 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:

Securities & Exchange Commission of Pakistan - <http://secp.gov.pk/>

Pakistan Board of Investment - <http://pakboi.gov.pk/>

Franchising

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The concept of franchising is quickly gaining acceptance in Pakistan, especially in the hospitality and food service sectors. Several major U.S. hotel chains, along with a rapidly growing number of major U.S. restaurants and U.S. car rental companies are currently represented in Pakistan through franchisees.

Franchising provides U.S. companies with a quick way to enter the market without 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 franchisor 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 Islamic law).

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 Marriott, Day's Inn, Best Western, Ramada, Pizza Hut, KFC, Subway, McDonald's, Dunkin Donuts, Domino's Pizza, Papa John's Pizza, Hardees, Fat Burger, Nike Retail, UPS, FedEx, Princeton Review, Berlitz, Gymboree, Gloria Jean's Coffee, TCBY, 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 employed 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 along with internet and mobile phones 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 now available in all major urban and semi-urban areas of the country.

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 and energy 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 law requires that all government tenders be advertised in national newspapers and the Pakistan Procurement Regulatory Authority website for a minimum of 15 days, with the exception of government-to-government contracts. 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 Directorate General of Defense Purchase (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 \$50 charge to both U.S. and Pakistani firms that wish to have their agency agreements certified by the U.S. Embassy. Further details about government tenders may be obtained from the following website:

<http://www.ppra.org.pk/>

Distribution and Sales Channels

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Pakistan's retail industry is still developing with most of this segment fragmented and underdeveloped. There are in excess of 2.5 million shops in Pakistan, most of which offer only basic necessities. Consequently, food, beverages and tobacco account for as much as 75 percent of retail sales. There are less than one dozen shopping malls in operation and they are generally limited to the larger cities of Karachi and Lahore. Islamabad's first shopping mall opened in February 2013.

Large supermarkets or chain stores for general consumer items are not widely available in Pakistan, though a few multinational chains have started operations. European cash and carry retailers Makro and Metro, in joint collaboration with Pakistan's Habib Group, have opened several self-service wholesale outlets in Karachi, Lahore, and Islamabad. Carrefour Hypermarkets (Pakistan) with outlets in Karachi and Lahore is the latest entrant in the hyper-market segment, along with the UK's Greenvalley. The concept of chain stores for fashion apparel has also lately begun to emerge in the larger cities, where several such chains, stocking 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 cash basis to small retailers, but do supply on a short-term credit to large retailers that offer a heavy turnover.

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.

The traditional approach to selling in Pakistan has been through personal contact with a major wholesaler which 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 promote their products through print and electronic media as well as the internet. 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 arms-length. 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. 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. To overcome this challenge, at times U.S. firms meet with their Pakistani counterparts in a nearby third country, such as the United Arab Emirates.

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 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.

Pakistan is still largely a cash-based, informal economy. The majority of transactions are conducted in cash, except for those that are very large and require a bank draft or pay order. Up to 60% of the economy is informal, according to some estimates, with the majority of local companies, particularly SMEs, undocumented and outside the tax net.

A number of government departments have started to offer services via the Internet. In the private sector, 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 30 million Internet subscribers in Pakistan and this figure is expected double during the next five years. There are also more than 10 million

Facebook subscribers in Pakistan and several local companies now use social media to promote their products and services. Pakistan has one of the highest rates of mobile penetration in South Asia at nearly 70%, and mobile banking is an area with some promise.

Trade Promotion and Advertising

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Over a dozen major advertising agencies operate in Pakistan, 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 concerns, with an annual billing of less than US\$ 20 million each.

Television and newspapers are the most widely used mode of advertising. Others include radio, billboards, periodicals and trade journals, direct response advertising, slides and commercial film shorts in movie theaters, short messages (SMS) through cellular phones, as well as the Internet-based social media.

Pakistan has over 120 daily newspapers. The daily Jang, published in Urdu, is the single largest newspaper, with a claimed national circulation of almost 800,000 (estimated: 450,000). Combined circulation for the roughly 11 English-language newspapers is approximately 300,000. 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), Daily Times, Express Tribune 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 from Lahore. Several special interest magazines such as Spider (Internet), Computerworld (Computer and IT) and Mobile Communications and Flare 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.

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 and taxes for imported consumer items have created a large market for goods coming into Pakistan through "informal channels." Expatriate Pakistanis and professional couriers bring in large quantities of goods from the Middle East Gulf region in their personal baggage. Goods are also frequently smuggled from Dubai via sea, misrepresented as destined for the Afghan market to avoid import tariffs, or undervalued on bills of lading to evade taxes. In some segments of the market, goods brought through these channels have market shares ranging from 50 to 95 percent

As an illustration of the scale and complexity of various taxes and duties imposed on imported consumer items, marketers of products build into their final sales price the

following factors: landing charges (approximately 1.0 percent of initial price); customs duty; sales tax; bank charges; insurance, and the 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 markup 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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Several general principles are important for effective management of intellectual property (IP) rights in Pakistan. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Pakistan than in the U.S. Third, rights must be registered and enforced in Pakistan, under local laws. Your U.S. trademark and patent registrations will not protect you in Pakistan. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Pakistan market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Pakistan. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their

own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Pakistan law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Pakistan require constant attention. Work with legal counsel familiar with Pakistan laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions. The Intellectual Property Organization of Pakistan (www.ipo.gov.pk) is the government of Pakistan's focal point for IP issues.

It is also recommended that small and medium-sized companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations in the U.S. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché in India, who also covers Pakistan at:

U.S. Patent & Trade Mark Office
Embassy of the United States of America
American Center, 24, K.G. Marg
New Delhi 110 001, India

Tel: +91 11 2347 2000 ext. 2101
Direct Dial: +91 11 2347 2101
Fax: +91 11 2331 4564
Website: www.uspto.gov

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 contact with reputable companies that offer various services and may be of assistance to U.S. businesses in completing a specific task in this market. Contact information for these service providers may be obtained directly from the individual offices. Pakistan has a fairly 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

- Oil & Gas Field Equipment
- Telecommunication Equipment & Services
- Electrical Power Systems
- Renewable Energy
- Construction Equipment & Services
- Computers and Peripherals
- Agricultural Machinery
- Aviation - Airport and Ground Support Equipment
- Franchising

Agricultural Sectors

- Cotton
- Dairy Products
- Wood Products
- Peas and Lentils
- Dried Nuts
- Food Ingredients and Processed Products
- Planting Seeds

Crude Oil:

Recoverable reserves of crude oil in Pakistan as of December 31, 2013 were estimated at 362 million barrels. The average crude oil production during July 2012-2013 was 76,277 barrels per day (bpd) as against 66,032 bpd during the same period last year. Recently there have been new oil discoveries and the daily production of crude oil reached an all-time high of 100,000 bpd in May 2014. Demand for petroleum stands at approximately 450,000 bpd. The state-owned Oil and Gas Development Company Limited (OGDCL) is the largest producer of crude oil in Pakistan, followed by the United Energy Group of Hong Kong, Pakistan Petroleum Limited, Pakistan Oilfields Limited, BHP, ENI and OMV, which recently acquired Petronas' assets in Pakistan.

The Government of Pakistan (GOP) continues to attach very high importance to this sector as it wants to reduce its dependency on imported oil.

Natural Gas:

As of June 30, 2013, Pakistan's recoverable natural gas reserves were estimated at 24.7 trillion cubic feet. The average production of natural gas during July 2012 – March 2013 was 4,259 million cubic feet per day (mmcf) as against 4,236 mmcf during the corresponding period in the year 2011-2012. The estimated unrestrained demand for natural gas is approximately 8,000 mmcf. Presently Pakistan does not import any natural gas and has a massive shortage that worsens in the winter when domestic heating and cooking demand increases. The shortage reduces the supply of electricity from gas-fired power plants by approximately 2000 megawatts and requires dual-fired plants to switch to fuel oil. Pakistan's fertilizer and cement industry is heavily dependent on natural gas as is the transportation sector.. More than 2 million vehicles in Pakistan use Compressed Natural Gas (CNG) as their primary fuel. A government-imposed rationing scheme gives priority to household consumers, then power plants, fertilizer, cement other industry and lastly, CNG distributors. Most CNG stations are open only two or three days a week.

In April 2014, the Government of Pakistan contracted for construction of a Liquefied Natural Gas (LNG) import facility. The government projects that imports of LNG equivalent to 200 mmcf will begin in the first quarter of 2015 and will increase to 400 mmcf in the second quarter of 2015. The Government of Pakistan has also signed an agreement with Iran for the construction of a gas pipeline connecting the two countries, though the project has stalled due to financing constraints and the impact of sanctions. Due to the prevailing sanctions against Iran, U.S. firms are barred from participating in this pipeline project, and if construction begins, there could be wider negative implications for doing business with firms or entities involved in the project.

The Government of Pakistan approved a new Petroleum Exploration & Production Policy in August 2012. The policy provides higher gas prices for new finds. An auction for 50 concession blocks was conducted in December 2013. Thirty-seven of the blocks were

awarded to the state-owned companies. The Government of Pakistan is developing a policy for production of shale gas and other unconventional resources in the country.

Sub-Sector Best Prospects

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Drilling Equipment: Oil & Gas
Chemicals
Instrumentation
Pipes
Compressors
Petrochemical Equipment
Mud chemicals
Oil & Gas Field Services

Opportunities

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The Government of Pakistan is actively seeking investment in onshore and offshore exploration activities, development of explored wells and construction of gas pipelines. Pakistan's current petroleum policy is available on the following web site:

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

Web Resources

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Ministry of Petroleum & Natural Gas Resources of Pakistan: <http://www.mpnr.gov.pk>
Oil & Gas Development Company Limited: <http://www.ogdcl.com>
Hydrocarbon Development Institute of Pakistan: <http://www.hdip.com.pk/>

Telecommunication Equipment & Services

Overview

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The liberalization in the telecom sector during the previous years has made telecommunications one of the most promising sectors in Pakistan. Today, five cellular companies are operating in the country with a customer base approaching 130 million subscribers. The private sector is now actively involved in the expansion and development of telecommunication services. It 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.

Competition for U.S. equipment manufacturers during the next several years will remain strong, particularly with the European telecommunication firms because Nokia-Siemens and Alcatel-Lucent have established most of the software protocols in Pakistan (which

are now fully integrated with the PTCL network). In the cellular sector, Mobilink, the largest operator, which had initially installed a Motorola network, has now switched to Ericsson for its network expansion and 3G rollout program, whereas the other four networks have opted for the Chinese ZTE equipment. A few years back, Warid contracted with Motorola to plan, design and deploy a nationwide wireless broadband voice and data network using WIMAX technology. Pakistan's total import of telecommunication equipment during the year 2012-2013 was \$918.4 million out of which \$467.1 million constituted import of cellular handsets and batteries. During the year 2011-2012, Pakistan's import of telecommunication equipment totaled \$ 954.05 million, showing a decline of 3.7 percent over the one-year period. This decrease is mainly attributed to the fact that much of the infrastructure in the cellular telecommunication is already in place and the pace of growth in the overall telecommunication sector has slowed down considerably. However, with the introduction of 3G and 4G technologies in the local market, cellular operators will likely need to make additional investment in their respective networks and at the same time raise tariff rates to cover these additional costs. It may be noted that all the cellular networks in Pakistan are foreign-owned or managed by a foreign business entity.

FOREIGN DIRECT INVESTMENT IN TELECOM SECTOR

Overall, foreign direct investment is up slightly in Pakistan during fiscal year 2013-14. The total FDI in Pakistan stood at \$1.36 billion through May 2014. The net inflows of FDI in the telecommunication sector showed an increase of \$556 million due to the payment of license fees. A major development in the telecom sector was the auction of 3G/4G license by the Government of Pakistan. With the exception of Warid, the remaining four cellular operators participated in the auction and 3G licenses were awarded to Mobilink, Ufone, and Telenor and 3G/4G license was awarded to Zong. Warid did not bid for these licenses as the company had already acquired a "technology neutral" license and has plans to launch its 4G LTE (Long Term Evolution) service; however, the Pakistan Telecommunication Authority (PTA) has challenged this decision and may prevent Warid from launching this network unless it also acquires a 3G license.

Teledensity:

At the end of FY2013, Pakistan's total teledensity increased to 71.7 percent, showing a growth of 4.7 percent over the previous year. Telecom operators achieved this growth despite continued slow economic growth in the country. Cellular mobile, being the most vibrant segment of the telecom sector in Pakistan, contributed solely towards this increase in teledensity.

Year	Fixed landline (%)	Cellular (%)	Wireless local Loop (%)	Total Teledensity (%)
2007-08	1.10	40.90	3.0	54.70
2008-09	1.40	54.70	2.7	58.22
2009-10	1.60	58.20	2.2	60.40
2010-11	1.60	60.40	2.1	64.76
2011-12	1.60	64.80	1.9	68.54
2012-13	1.64	68.39	1.7	71.73

Cellular Telephone Sector: The growth in this sector has been phenomenal, and as of November 1 2013 there were approximately 129.6 million cellular subscribers in Pakistan. The growth pattern in this sector has been as follows:

YEAR	SUBSCRIBERS (Million)
2001 - 02	1.6
2002 - 03	2.4
2003 - 04	5.0
2004 - 05	12.7
2005 - 06	33.93
2006 - 07	63.16
2007 - 08	88.05
2008 - 09	94.34
2009 - 10	99.19
2010 - 11	108.89
2011 - 12	120.15
2012 - 13	129.6

Pakistan's five cellular operators are Pakistan Mobile Communication Ltd. (Mobilink), Telenor Pakistan Ltd. (Telenor), Pakistan Telecom Mobile Ltd. (Ufone), Warid Telecom Ltd. (Warid) and China Mobile Pakistan Ltd. (Zong). All these cellular companies are owned by foreign principals: VimpelCom (Netherland-based), Etisalat (UAE), China Mobile (PRC), Telenor Group (Norway) and Abu Dhabi Group (UAE), respectively. The fixed line operator, Pakistan Telecommunication Company Ltd. is also partly owned and managed by Etisalat of UAE.

Market share of cellular companies:

Cellular Companies	Market share (%)
Mobilink	28.9
Telenor	26.1
Ufone	18.7
Zong	16.4
Warid	9.9

Telecom Equipment & Services:

The present market size for the import of telecommunication equipment (including handsets) is estimated at \$920 million.

The world's leading telecom infrastructure providers like Ericsson, Alcatel-Lucent, ZTE and Huawei have established their branches in Pakistan and are engaged in design, development, installation, configuration and maintenance of telecom installations.

Other vendors of telecom equipment and services in Pakistan include Advance Digital, Inc.; GD Satcom; iDirect; Comtech EF Data Corp.; NEC Corporation; Conexant

Systems; Agere Systems; Al-Futtaim; Cambridge Silicon; Panasonic; Catecom; Quanta; Ruckus; Computational Systems; Tellabs, Symbol Technologies and Emerson Process, etc.

Sub-Sector Best Prospects

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Telecom switches

Radio communication links

Fiber optic cables

Towers, poles, ducts and pits used in conjunction with other infrastructure facilities.

Broadband services

Back-up power for telecommunication towers

Opportunities

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Based on industry estimates, the telecom sector is now going into the consolidation phase. This is demonstrated by the fact that the Average Revenue Per User (ARPU) has been sliding for the last couple of years. An unstable Pak Rupee has also played a role in pushing ARPU downwards and it stood at an average of \$ 2.11 in the last quarter of 2013- 2014.

The telecommunication sector in Pakistan experienced very rapid growth from 2001 to 2008; however, since most of the infrastructure is already in place, investment in this sector has declined. With the recent auctioning of 3G/4G licenses, further investment in this sector is expected, although it may be noted that the cellular operators had already imported and installed much of the needed equipment before obtaining their licenses.

Web Resources

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Pakistan Telecommunication Authority – <http://www.pta.gov.pk>

Pakistan Telecommunication Company Limited – www.ptcl.com.pk

Electrical Power Systems

Unit: USD Thousands

	2011	2012	2013	2014 (estimated)
Total Market Size	1,777.2	1,812.7	1,903.3	2,093.6
Total Local Production	182.2	182.2	182.2	182.2
Total Exports	10.5	10.5	10.5	10.5
Total Imports	1,605.5	1,637.6	1,719.4	1,819.3
Imports from the U.S.	963.3	982.6	1,012.0	1,113.2
Exchange Rate (Pak Rupees/US)	90.45	99.45	103.45	99.40

Pakistan is suffering from an acute power deficit of approximately 4,700 MW (demand and supply gap). The government of Pakistan is making a concerted effort to close this gap by boosting generation and offering attractive returns on power sector projects, but efficiencies and theft remains a serious problem. Currently, it is estimated that the present power shortage has reduced Pakistan's GDP growth by up to 3-4% on a year-on-year basis.

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

Hydroelectric	6,773 MW
Thermal Public	4,829 MW
Thermal Private	8,835 MW
Nuclear	750 MW
KESC	2,216 MW
Total Installed	23,403-MW

Circular Debt Situation and Steps Taken

The inter-corporate circular debt problem plaguing the power sector stems from a disparity between the cost of generation and the selling price to consumers. The government sets power prices lower than the cost of generation which creates a substantial cost tariff differential. According to industry experts, various suppliers in the energy sector had Rupees 300 billion (about \$3 billion) in circular debt through April 2014. This situation was further complicated by the depreciation of the rupee and the price of oil, 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 and in turn the power producers could not make payments to the fuel suppliers. While the GOP raised the price of electricity in late 2013, , theft and line losses continue to plague the system and impair recovery. y.

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 power projects and related infrastructure including the negotiation of the required 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 liaise 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 encouraged development of power projects focusing on maximum utilization of available local resources.

Growth in Consumers

The number of consumers has been increasing due to expansion of the electric network to villages and other areas. The growth in number of consumers increased by 21.05 million during calendar year 2012-13 against 20.85 million in same period the previous year.

Nuclear Energy

The Pakistan Atomic Energy Commission (PAEC) is responsible for planning, construction and operation of nuclear power plants in the country. Presently, five nuclear power plants; Karachi Nuclear Power Plant (K-1) and Chashma Nuclear Power Plant unit-1, 2,3 4, and 5 (C-1, C-2, C-3, C-4, and C-5) are in operation. Pakistan Atomic Energy has been assigned the task of installing an 8,800-MW nuclear power by the year 2030.

Sub-Sector Best Prospects

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The most promising sub-sectors within this sector for FY2014 are:

Power Generation Equipment: \$70 million

Power Transmission Equipment: \$235 million

Power Distribution Equipment, including equipment for Rural Electrification: \$160 million

Web 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)

Renewable Energy

Pakistan's total energy consumption through renewable energy (RE) sources stood at approximately 450-MW during the fiscal year 2012-13. The available resources - solar, biogas, biomass, micro-hydel, and wind, offer substantial business opportunities for U.S. suppliers. The GOP through its 2006 Renewable Energy Policy heavily emphasizes the development of renewable and clean energy.. The GOP has decided to strengthen the current resource infrastructure through the Alternate Energy Development Board (AEDB) in order to reach a target of 10 percent share of overall energy requirements by 2020.

Alternate Energy Development Board

In its bid to diversify the local energy mix, the GOP has focused great emphasis on the development of Alternative/Renewable Energy (ARE) resources. In 2010 the GOP granted the AEDB the mandate to implement ARE commercial projects unilaterally or through joint ventures with public or private sector entities. Along with the AEDB, the Pakistan Council of Renewable Energy Technologies (PCRET) has also acquired and updated know-how for the promotion and mass propagation of Renewable Energy Technologies. PCRET's main function is to develop, acquire, adapt, promote and disseminate renewable energy technologies in the country.

Mega Wind Power Projects

AEDB has issued Letters of Intent (LOI) to 50 independent power producers pursuing development of wind power projects. Land was allocated to 19 IPPs for 50 MW wind power projects each in Gharo-Keti Bander Wind Corridor. Projects with a cumulative capacity of approx. 950 MW are at various stages of development on these lands. The National Electric Power Regulatory Authority (NEPRA) has recently approved a new feed-in tariff of US\$0.135 per Kilowatt Hour that, despite some shortcomings, is considered commercially viable by local market players and will result in additional investments in the sector. At present, two 50-MW wind power projects are operational in the country.

Biogas

Pakistan generates an enormous amount of municipal waste (up to 50,000 tons/day) and agricultural waste in the form of biogas, cotton sticks, and rice husks. Converting this waste into energy can generate up to 5,000-MW of power. Pakistan offers lucrative opportunities in this sector in which a number of projects are already being implemented.

So far PCRET has installed 4,015 biogas plants (with net generation capacity of 17980 million cubic meters per day) on a cost sharing basis throughout the country. During the period in reference, 234 biogas plants have been installed. PCRET has installed 1000 biogas plants of 5 cubic meters each with annual production of 1.941 Million cubic meters of gas, 1.567 Million kg of manure and 4.7 Million kg of carbon dioxide abatement. In addition the Council has installed 30 commercial-size biogas plants ranging from 50-250 million cubic meters by providing technological support for irrigation and power generation.

A World Bank-funded project to conduct a detailed study for Biomass/Waste-to-Energy projects in 20 cities of Pakistan has been initiated. Another Waste to Energy Study, funded by U.S Trade and Development Agency (USTDA) is being carried out for Karachi to generate 5-10 MW power.

AEDB has issued a Letter of Intent (LOI) to set up a 12-MW Biomass to Energy power project in Sindh, based exclusively on Biogas/Agricultural Waste. The project is jointly sponsored by investors from US and local entrepreneur (the SSJD Bio Energy). Another LOI has been issued to Lumen Energia (Pvt.) Ltd., to set up a 12-MW power plant at Jhang based on agricultural waste including cotton sticks, rice husks, sugarcane trash, biogas, wheat chaff and other crops as multi-fuel sources. AEDB has issued an LOI to Pak Ethanol (Pvt.) Ltd., to set up a 9-MW biogas power project at Matli in Sindh province.

Small/Mini/Micro Hydroelectric

The GOP-sponsored Productive Use of Renewable Energy (PURE) project is being implemented to install 103 hydro power plants in Khyber Pakhtunkhwa (KPK) and Gilgit Baltistan (GB), with a total cost of US\$ 19.5 million. Another project for 250 plants is under preparation for the same areas. Eight small hydro projects have been initiated under the Renewable Energy Development Sector Investment Program (REDSIP) with the support of the Asian Development Bank (ADB). These projects are being implemented in KPK and Punjab with an estimated cost of \$290 million. Another two small hydro power projects have been initiated under REDSIP. The Government of Punjab has issued LOIs to private investors for establishment of 10 small hydro projects with a cumulative capacity of 142-MW at different locations in Punjab. AEDB has initiated a program with the assistance of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to assist the provinces to solicit private investments in the small hydro sector. Under this program prefeasibility studies have been completed for 25 hydro sites in AJK, Sindh, Punjab and KPK with a cumulative capacity of 284.14-MW. Public sector Hydro power projects have been initiated in (a) KPK (valued at US\$ 150.99 Million; 17-MW, 36.6-MW and 2.6-MW); (b) Punjab (valued at US\$ 138.74 Million; 5.38-MW, 4.04-MW, 2.82-MW, 4.16-MW and 7.64-MW) and (c) Gilgit Baltistan (valued at US\$ 71.12 Million; of 26-MW and 4-MW).

Solar

For solar energy, 6 LOIs for a cumulative capacity of 148-MW on-Grid Solar PV power plants have been issued by the AEDB. Additionally 3 LOIs of 70-MW capacities have been issued by the Punjab Power Development Board (PPDB). The sponsors are currently preparing feasibility studies. The Solar Village Electrification Program was initiated under the former Prime Minister's directive and Three thousand solar home systems have been installed in 49 villages in Tharparkar, Sindh. Another 51 villages in Sindh and 300 villages in Balochistan have been approved for electrification using solar energy and will be implemented shortly. AEDB is also conducting the Parliamentary Sponsored Village Electrification Program and has so far prepared and submitted 27 feasibilities for approval. Funds for three schemes have so far been released under People Work Programs-II (PWP-II) and the work is underway.. NEPRA is working on a feed-in tariff for solar power plants. The rapid approvals of the tariff will be likely lead to increased interest in the sector.

In April 2014, Prime Minister Nawaz Sharif inaugurated a 1,000-MW mega solar generation park in the Bhawalpur district, which is expected to commence operation by December 2016.

Bagasse

Studies are underway to assess the generation of biomass-based electric power, primarily from thermal combustion and from biogas digesters. It is believed that bagasse (sugar cane waste) available from sugar mills can be used to generate up to 2,000-MW of electricity. NEPRA has approved feed-in tariffs for bagasse co-generation plants allowing sugar mills to sell electricity directly to the grid at US cents 10.6 per Kilowatt Hour. Sugar mills that opt for the tariff will have two years to reach commercial operations.

Sub-Sector Best Prospects

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U.S. companies are competitive in the local market along with European and Chinese suppliers. Roughly 50 percent of demand is being met through domestic indigenous capacity. The AEDB and PCRET are playing major roles in establishing the current infrastructure of resources in Pakistan.

Opportunities

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The most promising sub-sectors within this sector for FY-2015 are:

- Solar Panels / Photovoltaic Panels
- Dry Batteries
- Wind Farm Equipment (especially turbines)
- Biomass Boilers
- Transmission Equipment
- Distribution Equipment
- Biogas Equipment
- Technical Consultancy

Web Resources

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Alternate Energy Development Board: <http://www.aedb.org>
Pakistan Council for Renewable Energy Technologies: <http://www.pcret.gov.pk>
Renewable & Alternative Energy Association of Pakistan (REAP):
<http://www.reap.org.pk/>

Construction Equipment & Services

Overview

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Unit: \$ Thousands

	2011	2012	2013	2014 (estimated)
Total Market Size	2,020.0	2,183.3	2,270.6	2,338.7
Total Local Production	785.0	846.7	855.2	860.2
Total Exports	35.0	35.0	35.0	35.0
Total Imports	1,270.0	1,371.6	1,426.5	1,469.3
Imports from the U.S.	930.0	930.0	930.0	910.0
Exchange Rate (Pak Rupees/US)	90.45	99.45	103.45	99.40

. 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 the ongoing economic slowdown, the local earthmoving and construction machinery sector has seen declining growth. According to industry sources, the construction machinery sector holds an approximate market share of 45 percent of the overall construction market. During FY 2012-13, the construction machinery sector, with a market totaling of \$2.5 billion, declined by approximately 20 percent compared to the previous fiscal year. The construction machinery market is almost entirely dependent on imports. Major international brands from the United States, Germany, the United Kingdom, Japan, and South Korea, 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. 3.0 percent and represents a total market size of \$ 1.75 billion. The GOP through its housing sector reforms program has launched several initiatives including the policy re-structuring of the real estate sector, distribution of free houses to low-income families, 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 is in need of massive investment. According to the Ministry of Housing and Urban Development, out of a population of 190 million people, 33 percent live in urban areas versus 67 percent in rural communities.. According to available statistics, there are 21 million single-family dwellings currently in existence in Pakistan, and the demand for new single-family dwellings is approx. 6.50 million per annum. This demand has continuously increased at the rate of .60 million housing units per annum. The real estate and housing sector holds an approximate 35 percent share of the overall construction market and in light of future demand projections, this market share is expected to reach 30 percent by the end of 2014.

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, and real estate development in both the public and private sectors. The total market share of this sector is approximately 20 percent, which is expected to grow 1.2 percent by the end of current year.

Best Prospects/Services

The most promising sub-sectors within the local construction market for FY-2015 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 the public and private sectors have initiated projects including high-rise commercial/residential building, small dams and hydropower generation projects, infrastructure, and real estate development. According to industry experts, the local market continues to offer sizeable business opportunities to the local and foreign companies for the coming several years.

Web Resources

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Association of Builders and Developers (ABAD): <http://www.abad.com.pk/>
Institute of Architects Pakistan (IAP): <http://www.iap.com.pk/>
Pakistan Council of Architects & Town Planners: <http://www.pcatp.org.pk/>
Ministry of Housing & Works – <http://www.housing.gov.pk>
National Housing Authority – <http://www.pakistan.gov.pk>

Computers & Peripherals

Overview

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(\$ millions)

	2011	2012	2013	2014 (estimated)
Total Market Size	300.4	315.4	326.4	342.7
Total Local Production	1.55	1.55	1.55	1.55
Total Exports	0.0	0.0	0.0	0.0
Total Imports	298.8	313.8	324.8	341.0
Imports from the U.S.	44.0	46.0	47.0	45.0
Exchange Rate (Pak Rupees/US)	90.45	99.45	103.45	99.40

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

The expansion of the information technology industry in Pakistan has seen steady growth during FY 2012-13, with computers and peripherals emerging as a major industry sector. Both the GOP and private businesses place high priority on the availability of computers and other information technology (IT) equipment in regular workflows, research and development, and educational activities. The GOP introduced its new IT Policy in FY 2000, with major emphasis on computer availability, usage, connectivity, 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 initiatives include development of software technology parks, the provision of demand-based training, internet accessibility including broadband, wireless broadband, and fiber optic connectivity to public utilities, research and development,

federal and provincial government web portals, distribution of free laptops to deserving college students, 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 (BPOs), Internet Service Providers, government authorities, educational institutions, and domestic users. At present, there are 900 IT and IT-enabled companies, employing over 70,000 qualified IT professionals in Pakistan. The BPO sector, particularly call center businesses, has emerged as a major sub-sector during the last several years. There are presently 50 call centers operating in all major cities of the country. According to the latest industrial statistics approximately 2,500 to 3,000 qualified professionals are associated with this sector and this number is expected to grow at an annual rate of 3.0 percent in the coming years.

The majority of the international call centers operating in Pakistan are from the U.S. and the United Kingdom. In FY 2013, the cumulative outsourcing business in the country totaled approximately \$4.0 million. According to industry statistics, the BPO sector is expected to grow by at least 2.5 percent in the next five years. Local demand for internet and wireless broadband services and its associated equipment has been very strong, as, at present, there are 85 ISPs operating countrywide, with approximately 30 million total subscribers. Under the GOP's broadband policy, the bandwidth tariff has been drastically reduced for high-speed Internet services, including DSL, ADSL, WiFi, VPN, ISDN, fiber optic, and wireless connections.

Best Prospects

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The most promising sub-sectors within Computers and Peripherals for FY 2015 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) / Light Emitting Diode (LED) Monitors
- Computer Laptops and tablets

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Despite slow economic growth, the past year has seen a growing trend of computer users, especially at home using used/refurbished computers and laptops. 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.

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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>
Pakistan Software Houses Association: <http://pasha.org.pk/>
Pakistan Computer Association: <http://www.pakcomputerassociation.com>

Agricultural Machinery and Implants

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Agriculture is the mainstay of Pakistan's economy and a primary source of livelihood for its citizens.. During FY 2012-13, the agriculture sector contributed 21.0 percent of the country's GDP and employed 43.7 percent of the total labor force. During this period the sector grew 2.1 percent versus 2.9 percent the previous year.

The agriculture machinery and implants sector has seen a moderate growth pattern over the last several years, mainly attributed to easy credit facilities, awareness and training programs, and higher purchase prices from the government. According to the Pakistan Agriculture Machinery Census 2012, the total area under cultivation in the country is 42.6 million acres, which has grown 4.2 percent as compared to the previous year.

According to the Pakistan Economic Survey, the total size of the agricultural machinery sector is approximately US\$180 million, and mainly consists of tractors, harvesters, and other small-scale agricultural machinery. In Pakistan, tractors play a seminal role in farm mechanization. During 2012-13 the manufacturing of tractor units declined due to energy shortages and only 25,185 tractor units were manufactured versus 30,855 during the previous year. The majority of tractor-owning farmers possess cultivators as the only accessory for their tractors. The pace of farm mechanization is constricted mainly because of small farm size, affordability and lack of information.. Tractors are produced locally under license arrangements with the foreign companies including Messy Ferguson Belarus, and Shifeng China. In addition to tractors, other large-scale agricultural machinery including harvesters are imported used from the U.S. and the EU.

Sub-Sector Best Prospects

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The most promising sub-sectors within this sector for FY2015 are:

- Tractors
- Combine Harvesters
- Cultivators

Culti-packer
Harrow
Subsoiler
Rotator
Broadcast seeder
Planter
Seed Driller
Fertilizer Spreader
Transplanter
Drip Irrigation Systems
Weight Sorter
Round Baler
Sprayers

Opportunities

The local agricultural machinery and implants sector has shown moderate growth in terms of volume and investment during the past year. Both the public and private sectors have or are in the process of initiating small and large-scale projects to boost the development of this sector. According to industry experts, the local market will continue to offer sizeable business opportunities for local and foreign suppliers for coming years.

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<http://www.finance.gov.pk> (Ministry of Finance)

<http://www.pbs.gov.pk> (Pakistan Bureau of Statistics)

<http://www.pc.gov.pk> (Ministry of Planning, Development and Reforms)

Aviation - Airport and Ground Support Equipment

Overview

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Despite the slow economy, Pakistan's three established air carriers -- Pakistan International Airlines (PIA), Air Blue, and Shaheen Air -- continue to expand their fleets by acquiring newer aircraft on dry and wet lease. Additionally, Air Indus (Pvt.) Ltd. commenced domestic operations within the last year. Their fleet consists of narrow body aircraft and they intend to add a turboprop aircraft to the fleet. Three more business groups have applied for airline licenses to commence operations in the country.

State-owned PIA posted operating revenue amounting to \$960 million (approx.) in year 2013 with passenger revenue of \$785 million (approx.). PIA has remained in the red for the past several years and relies heavily on government subsidies and government-backed loans to remain afloat.

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

Local production is extremely limited, as are exports. PIA's Precision Engineering Complex provides custom-made parts, engineering and overhaul support for Boeing aircraft. Estimates for the U.S. share of the import market are between 62-65 percent for aircraft, engines and parts. Other suppliers include those from the U.K., France, Germany, and Netherlands.

Sub-Sector Best Prospects

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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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New Islamabad International Airport/Benazir Bhutto International Airport at Islamabad: Construction is underway at the new Islamabad International Airport. The project was initially estimated at a cost of \$300 million and now is estimated at \$900 million, of which approximately 40 percent will be earmarked for the purchase of airport ground support equipment. The project completion date has been delayed several times and is now expected in 2016.

New Gwadar International Airport: The airport was expected to be completed by the end of 2014, but only 27% of the work is completed and further delays are expected.

A new National Aviation Policy is expected to be finalized in this year. According to the existing National Aviation Policy, available on the Civil Aviation Pakistan website (see below), a uniform duty of 10% is levied on the import of aircraft, engines and spare parts. The airline may pay 5% as a down payment and the remaining 5% within two years in installments. Used aircraft engines/parts are allowed to be imported with a 10 percent. The ramp area at airports is a duty free area/zone. Government taxes and duties are subject to review by the Federal Board of Revenue through Special Regulatory Orders (SROs). Current SROs may be viewed at website www.fbr.gov.pk.

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Pakistan International Airline (PIA): <http://www.piac.com.pk>

Air Blue: <http://www.airblue.com>

Shaheen Air International: <http://www.shaheenair.com>

Air Indus: <http://www.airindus.com.pk/introduction-and-scope.html>

Pakistan Civil Aviation Authority: <http://www.caapakistan.com.pk>

United States Trade & Development Agency:

http://www.ustda.gov/news/pressreleases/2010/SouthAsia/Pakistan/PakistanPIAMRO_082510.asp

Franchising

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The concept of franchising has gained wide acceptance in Pakistan. Major U.S. franchise operations in Pakistan include Pizza Hut, KFC, Dunkin Donuts, Domino's Pizza, Papa John's Pizza, Hardees, McDonald's, TGI Friday's, Subway, Taco Maker, Nacho Nana's, Sheraton, Day's Inn, Best Western, Nike Retail, UPS, FedEx, Princeton Review, Berlitz, Gymboree, Gloria Jean's Coffee, Hertz and Avis. KFC already operates 64 outlets in Pakistan and several more are planned. McDonald's has 27 restaurants. Recent franchise entrants include Johnny Rockets, Nine West and Fatburger. U.S. Franchisors either find franchisees directly or through Gulf-based master franchisees.

U.S. companies dominate the franchise market in Pakistan in large part due to the fact that U.S. firms were the pioneers in this sector and have the strongest marketing to

support their brands. Many U.S. brands such as McDonald's and KFC were well-known and recognized in urban areas of Pakistan before commencing local operations. U.S. brands are favored by Pakistanis for their superior quality control and customer service standards.

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 certified "Halal" (slaughtered in accordance with Islamic law).

U.S. firms are advised to identify and evaluate franchisee candidates carefully. Prior to entering into an agreement with a local company, U.S. firms may perform due diligence by using the International Company Profile offered by the Commercial Service.

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.

The Government of Pakistan does not impose any restrictions on investors, but foreign investors are required to inform the Board of Investment and the State Bank of Pakistan, primarily for the purpose of repatriation of franchise fee or any profits accrued.

Sub-Sector Best Prospects

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Food outlets
Hospitality
Education
Retail
Movie Theaters/Entertainment Complexes

Opportunities

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The advent of shopping malls in the larger urban areas of Pakistan will offer further growth opportunities for food outlets, fashion retail and cinema theaters.

For the last 3 years, the Pakistani retail market has been rapidly evolving with the rapid emergence of local and international brands.. Many international brands have captured Pakistan's market and have done well, including Next, Splash, Debenhams, Mango, Monsoon, Giordano, Timberland, Levis, Dockers, Mother care, Baby shop, Accessorize, Body Shop, Crabtree & Evelyn, Nike, Adidas, Puma, Crocs, Nine West, Pedro, Charles & Keith, Clarks and Sketchers.

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International Franchise Association: www.franchise.org

World Franchise Associates Pakistan:

<http://www.worldfranchiseassociates.com/pakistan/>

Francorp Pakistan: <http://www.francorp-pakistan.com/francorpfranchising.html>

Agricultural Sectors

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Agriculture in the Economy

Agriculture is central to economic growth and development in Pakistan. Being the dominant sector it contributed 21.4 percent to GDP in 2013, employs 45 percent of the country's labor force and contributes in the growth of other sectors of the economy. Nearly 62 percent of the country's population resides in rural areas, and is directly or indirectly linked to agriculture for their livelihood. Unlike India, land reform has been limited in Pakistan. There are a large number of landless sharecroppers and agricultural laborers.

Important crops, such as wheat, rice, maize, cotton and sugarcane account for 25.2 percent of the value added in overall agriculture and 5.4 percent to GDP. The other crops account for 12.3 percent of the value added in overall agriculture. Livestock contributes 55.4 percent to agricultural value added much more than the combined contribution of important and other crops (37.6 percent). 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 -- when textiles are included. The nation's dominant export industry is textiles and garments, and therefore raw cotton is of particular importance.

The majority of Pakistan's population lives in the Indus River valley, 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 agricultural sector consists of crops, livestock, fishing and forestry. The crop sector has gradually declined from 65 percent of agricultural activity in 1990-91 to 38 percent in 2012-13. By contrast, the share of livestock in agriculture has increased from 35 percent to 56 percent over the same period.

During 2012-13, the agriculture sector exhibited a growth of 3.3 percent on the back of positive growth in agriculture related sub sectors, Crops grew at 3.2 percent, Livestock 3.7 percent, Forestry 0.1 percent and Fishing 0.7 percent. Cotton, rice, and sugarcane are grown during the "kharif" season, (May-November) and wheat and oilseeds are grown during the "rabi" season (November-May). The majority of Pakistan's crop production is irrigated making water availability a critical issue for future agricultural growth. Years of neglecting repairs of irrigation canals, dams and levees has made Pakistan susceptible to flooding with less water each year.

Domestic Agricultural Policy Overview

Pakistan does not have a formalized agricultural policy. At best agricultural policy can be characterized as strategic intervention for political reasons, not for sustainable growth. About two-thirds of Pakistan's 180 million people live in rural areas and depend on agriculture for their livelihood. 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. Traditionally, these interest groups consider their own particular needs over those of farmers and consumers at large.

In June 2011, the GOP eliminated the Ministry of Food and Agriculture (MinFA) as mandated by Parliament due to a constitutional amendment to devolve responsibilities of select services to the provincial governments. Unfortunately, the transition of authorities under Amendment 18 has been difficult as the provinces found they were not adequately funded and their personnel were not trained to handle the new responsibilities.

In October 2011, the GOP created the Ministry of National Food Security and Research (MNFSR) to deal with some of the Provinces' shortcomings and ensure that Pakistan has ample food for its population and is accessible by the most food insecure. The new ministry, while sanctioned by the Prime Minister and approved by Parliament, is struggling in defining its role to implement its mandate. The Ministry's main focus is ensuring food availability through boosting domestic food production in coordination with the provincial agriculture, food and livestock departments. In the face of higher food prices, it has been emphasized that additional efforts would be required for supporting the marginalized and vulnerable segments of society. There is also a greater appreciation that integrated efforts should be taken to improve nutrition and the quality of food and to ensure better food utilization. The Ministry of National Food Security and Research plans to focus more on improving productivity of food crops and enhancing food access. MNFSR is also drafting a policy "National Food & Nutritional Security Policy" (2013-15) in line with the recommendations of Task Force on Food Security.

Agricultural Trade Environment

Pakistan is a founding member of the World Trade Association (WTO) and an active member of various trade blocs and alliances. Pakistan, as a G-20 member, is supportive of the G-20's collective position of improving market access to western markets by eliminating their export subsidies and reducing their tariffs, and subsidies.

Pakistan has free trade agreements (FTA) with China, Malaysia and Sri Lanka, and a transit trade agreement with Afghanistan. Pakistan also has a preferential trade agreement with Iran and is party to two regional trade agreements: the Economic Cooperation Organization (ECO) and the South Asian Association for Regional Cooperation (SAARC). Pakistan is working to grant India Most Favored Nation (MFN) status, however, due to mounting opposition from several trade blocs, final approval is moving ahead slowly.

On December 05, 2013 the European Union (EU) Parliament approved the Generalized Scheme of Preferences (GSP) Plus status to Pakistan. Access to GSP Plus status means duty-free or lower duty access for almost all Pakistani products with almost 20% of exports entering the 27 European countries at zero tariff and 70% at preferential rates.

The effort to establish GSP Plus for Pakistan began as part of the EU's efforts to help Pakistan's economy recover from losses from devastating floods in 2010. The GSP plus Act comes into force on January 1, 2014 and will be effective through 2017. Trade sources anticipate a growth of \$1 billion in textile exports per year over the next several years.

In Pakistan, much of the food items are imported through Dubai where products are consolidated and shipped in approximately four days. A number of U.S. food items are imported this way, allowing importers to better control inventory and reduce the need for expensive storage costs. Pakistan lacks an adequate cold chain system that limits the import and movement of produce, meat, fish and dairy products throughout the country.

During FY 2012/13, Pakistan's imports of all products totaled \$40.22 billion and total exports were valued at \$24.79 billion. Textiles dominated exports, accounting for 48 percent of total export value. Other major exports included rice, seafood and products, sporting goods, leather products and carpets. Major imports included petroleum, machinery, edible oil, cotton, chemicals and transport equipment. The GOP has had limited success in bridging the trade deficit.

In FY 2012/13, Pakistan's imports of agricultural commodities and products were valued at over \$3.91 billion. Major imports included vegetable oil (\$1.95 billion), cotton (\$969.74 million), pulses (\$329.66 million), tea (\$372.66 million), dry fruits (\$81.83 million), spices (\$65.77 million), and sugar (\$6.16 million). Pakistan's exports of agricultural commodities and products were valued at over \$4.14 billion in FY 2012/13. Major exports included rice (\$1.87 billion), raw cotton (\$167.44 million), fruits and vegetables (\$423.73 million), fish and fish preparations (\$336.15 million), meat and meat products (\$224.43 million), spices (\$41.07 million), oilseeds /nuts/kernels (\$49.75 million), Tobacco (\$27.84 million), and sugar (\$431.16 million).

Agricultural Trade with the United States

U.S. exports of agricultural and related goods to Pakistan increased 24.6 percent in the last five years from \$293 million in 2009 to \$388.6 million in 2013. The value of agricultural trade between the United States and Pakistan during FY 2012/13 totaled \$388.6 million. Agricultural exports from the United States to Pakistan totaled \$360.7 million, a 10 percent increase from FY 2011/12 due mostly to large young population, rapid urbanization, and a fast growing middle class. Exports were led by cotton (\$199.2 million), consumer oriented products (\$67.1 million), vegetable oils (\$9.4 million), and planting seeds (\$27.2 million), while agricultural exports from Pakistan to the United States totaled \$121.8 million, led by exports of rice (\$28.4 million), consumer oriented products (\$24.7 million), and sugar/sweeteners (\$22 million).

Pakistan is a major market for various bulk commodities, especially cotton, vegetable oil, and inputs for traditional food products. However, the increase in demand for consumer oriented products and forestry products are impressive. A record \$67 million of consumer oriented food and beverage products were exported from the United States to Pakistan in 2013. Driven by the growing middle class demand for western products, sales were strong for dairy products, peas and lentils, tree nuts, and processed products and we expect additional growth in the demand for organic products, snack foods, and

high quality ingredients. Pakistan is now the second largest importer of U.S. hard wood products as a result of a thriving construction boom.

Post has identified dairy cattle, animal genetics, wood, pulses, planting seeds, pima cotton, and consumer ready products as best prospect exports to Pakistan due to overall need and U.S. competitiveness in these products. However, a current lack of regulatory controls in intellectual property rights has limited the ability of U.S. biotech seed to be sold in Pakistan and the current ban on live cattle imports has denied the United States access to a growing dairy sector. Current political instability continues to deter U.S. exporters from visiting Pakistan to develop potential markets and build business relationships. Nevertheless, the Office of Agricultural Affairs/Islamabad (OAA) believes that there is a growing interest in U.S. agricultural and food products in Pakistan. As the United States begins to draw down its forces in Afghanistan and U.S. Pakistani relations strengthen, there will be increased opportunities for U.S. agricultural exports. The OAA has begun an outreach program to familiarize Pakistani food processors, farmers, dairy producers and agro-industry representatives of the services USDA provides.

Duties on Agricultural Products

Pakistan tariffs range from zero to 35 percent. The GOP also levies additional surcharges on imports of most items. Revenue collection remains problematic due to a narrow tax base and a culture of tax evasion. As a result, the GOP collects a 17 percent sales tax on imports upon arrival.

Leading Sectors for U.S. Exports

Cotton

Pakistan imports a significant quantity of better grade, cleaner cotton for producing quality fabrics for export market. Post expects a significant increase in imports of U.S. ELS/Pima and upland cotton in MY 2014/15 in response to the growing exports. Pakistan's cotton consumption for MY 2014/15 is forecast at 12 million (480 lbs.) bales, one of the highest in the past six years and is marginally higher than MY 2013/14 revised estimate of 11.88 million bales, up 7 percent compared with the last ten years average of 11.2 million bales.

Pakistan is a net importer of cotton, primarily because of strong demand for better grades of cotton for blending and for producing export oriented quality textile products. MY 2014/15 imports are projected at 2.6 million bales, 23 percent lower than MY 2013/14 estimates. With offtake outstripping local production, Post's estimate of MY 2013/14 cotton imports were increased 25 percent to 3.37 million bales, up 53 percent over the previous year. Significant increase in imports estimate is also the result of enhanced demand by the industrial sector after the grant of GSP plus by the EU. So far, exporters from India have taken maximum advantage from Pakistani market by arranging export of more than two million bales of raw cotton and the yarn through land route. Pakistani importers are benefiting from this opportunity from India due to lower

transaction cost(less than 2 percent) compared with more than 5 percent cost on cotton imports from the North.

Dairy Products

In spite of being one of largest producer of milk in the world, Pakistan is a growing market for dairy products due to country's rapidly industrializing dairy sector, as consumer preferences shift from traditional to hypermarkets which require processed dairy products in their shelves. This trend will continue as large number of population still relies on traditional markets to meet their needs. In 2013, Pakistan imported \$165 million worth of dairy products with the United States as the lead country-of-origin at \$31 million, followed by India with \$29 million, and New Zealand with \$26 million. Most of the imports are dry milk, which constitute 70 percent of total imports, as it's being reconstituted and mixed with fresh milk to meet local demand. Whey consists of 20 percent of dairy imports which is mostly used as a food ingredient in the bakery sector. This trend will continue as urban consumer still relies on specialty products.

Wood Products

Pakistan is emerging as a leading destination for American wood products. During the last five years U.S. wood product exports to Pakistan increased 400% (\$7 million in 2008 versus \$28 million in 2013) with 2014 trade expected to surpass \$30 million (U.S. wood product exports saw a 23% increase in Jan-Nov 2013). In 2012, the United States was the largest exporter of wood products to Pakistan, accounting for \$28 million out of total of \$93 million in imports. The imported wood species from the U.S. are mainly hardwood and softwood logs, lumber, veneer, red oak, maple, walnut, eastern white pine, and ponderosa pine etc.

The wood market continues to enjoy high rates of growth because of the shift from local wood products to high quality imported products due to an increasing demand by Pakistani consumers for higher quality imported products. Increasing awareness among Pakistani buyers of the availability and quality of U.S. wood products are important factors driving increased U.S. wood product exports to Pakistan. Given its strong domestic demand for construction, furniture, panel products, and paper industry and the lack of modern forestry production and management techniques, Pakistan will remain dependent on wood products imports for the foreseeable future.

Peas and Lentils

Pulses have been a staple in the Pakistani diet for decades. They are often referred to as the "common man's meat" and an important source of protein for the poor. In 2013, Pakistan imported \$375 million worth of peas and lentils, with India as the lead origin with \$220 million, followed by Canada with \$38 million and the United States ranked sixth, with sales of \$9 million. The market demand for US yellow peas, chickpeas, and lentils is increasing in Pakistan; therefore US should capitalize in this sector by increasing its market share.

Dried Nuts

U.S. dried nuts have been able to attain considerable market penetration as demand, mostly for almonds and pistachios, increased 100 fold to 40,000 metric tons in the last ten years. However, Iran, the U.S.'s closest competitor, has a preferential tariff rate due to its trade agreement with Pakistan, and it has a zero percent tariff rate versus an

applied 10 percent tariff rate for U.S. almonds. Exports of dried nuts will remain strong as bakeries and supermarkets proliferate throughout Pakistan. We expect U.S. dried nut exports to Pakistan grow between seven to ten percent annually for the next 5 years.

Food Ingredients and Processed Products

The market demand for food ingredients in Pakistan is steadily increasing in the high-end hotels, restaurants, and bakeries. In 2012, Pakistan imported \$195 million worth of food ingredients and processed products with China as the top exporter at \$24 million, followed by the Netherlands with \$23 million, and the US ranked fifth with sales of \$12 million.

The U.S. has gained considerable market share as demand for processed food products has increased in Pakistan due to increasing urbanization, large young population, and growing middle class. The U.S. should capitalize in this market due to increasing popularity of imported products vs shortage of quality domestic products in the market.

Planting Seeds

In 2013, Pakistan imported \$94 million worth of planting seeds, with the United States as the lead suppliers with \$37 million, followed by India with \$19 million, and Egypt with \$16 million. The key sector is the hybrid corn market which accounts for 75 percent of all U.S. planting seeds. According to Pakistani trade sources, the seed industry in Pakistan at present is providing less than 20 percent of the potential seed demand through both local production and import. Therefore, there is potential for the U.S. in the ever-growing agrarian sector of Pakistan, however in order to see significant increases in trade, improvements need to be made with the current seed legislation in order to make sure that the seed company's intellectual property rights are protected.

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Import Tariffs

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Pakistan uses the Harmonized System to classify goods. Customs duties are levied on ad-valorem basis. Pakistan's overall average applied tariff in 2013 was 14.4 percent. In the 2014 budget, the government reduced the maximum general tariff rate from 30 percent to 25 percent (except for vehicles) and simplified the tariff structure by reducing the number of duty brackets 7 to 6. Other than customs duty, the government charges sales tax (17.0 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 2013 Import Policy Order bans the import of 44 categories of products, mostly on religious, environmental, security, and health grounds. Pakistan also bans the import of live animals i.e. cattle, buffalo, sheep and goats, meat and bone meal, tallow containing protein and feed ingredients from any BSE affected countries; however, the ban on the import of live animals from the United States has now been lifted. Any dispute or clarifications regarding import status of any product which cannot be resolved by the Customs Authorities are referred to Ministry of Commerce for a final decision. 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, Pakistan implemented the WTO Customs Valuation agreement and modified its system for valuation of goods. Since then, a number of traders in the food and consumer products sectors have expressed concerns regarding a lack of uniformity

in customs valuation. Similarly, a few major U.S. companies in the machinery and materials sector have reported specific concerns that customs officials have erroneously assessed goods based on a set of minimum values rather than the declared transactional value.

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 web site:

www.bis.doc.gov

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. The chief executives of companies have to certify that their contractors, sub-contractors and services companies are importing products for tests, trials and re-export.

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. 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 permits 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 National Health Services, Regulation & Coordination 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) is the national standards body. The functions of PSQCA include the establishment and enforcement of national standards, registration of inspection agencies, and assessment of industrial raw materials and finished products for compliance with international standards.

PSQCA has been designated as the WTO-TBT National Enquiry Point on Technical Barriers to Trade (TBT) of Pakistan under the TBT Agreement (Article 10.1, 10.2 and 10.3) to facilitate the exporters/traders/ manufacturers in the country and also importers from WTO member countries. This enquiry point is responsible to disseminate information on TBT notifications, deals with queries regarding standards, technical regulations, and conformity assessment procedures.

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 product certification. 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

Accreditation

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The Pakistan National Accreditation Council (PNAC), Ministry of Science and Technology, Islamabad handles accreditation matters. Pakistan National Accreditation Council signed the Mutual Recognition Arrangement with International Laboratory Accreditation Cooperation (ILAC) and Asia Pacific Laboratory Accreditation Cooperation (APLAC), which has put Pakistan at par with the members of these organizations including U.S.A and E.U in terms of accreditation of testing and calibration laboratories. The contact for PNAC is as follows:

Pakistan National Accreditation Council
Evacuee Property Complex
Aga Khan Road, F-5/1
Islamabad, Pakistan
Tel: 92-51-9209509
Fax: 92-51-9209510
E-mail: pnac@isb.paknet.com

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.

Contacts

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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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Pakistan and the United States began negotiating a Bilateral Investment Treaty (BIT) in 2004. Negotiations have proceeded intermittently since. Pakistan has bilateral investment agreements with Australia, Azerbaijan, Mauritius, Bahrain, Bangladesh, Morocco, Belarus, Netherlands, Belgo-Luxemburg Economic Union, Oman, 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.

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.

Pakistan has free trade agreements with Sri Lanka, China, and Malaysia. Pakistan is also a part of South Asian Association for Regional Cooperation (SAARC) and has preferential trade agreements with Iran and Mauritius.

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.

Web Resources

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Pakistan government portal: www.pakistan.gov.pk

Trade Development Agency of Pakistan: www.tdap.gov.pk

Pakistan Ministry of Commerce: www.commerce.gov.pk

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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The Government of Pakistan welcomes foreign investment and offers some incentives to attract new capital inflows, including tax exemptions, reduced tariffs, and infrastructure and investor facilitation services in designated special economic zones. Since 1997, Pakistan has established and maintained a largely open investment regime. In order to increase its competitiveness as an investment destination, the GOP announced the Investment Policy 2013, which further liberalizes investment policies to nearly all sectors.

Despite this openness to foreign direct investment (FDI), net inflows of FDI declined sharply in Pakistan from 2008 to 2013, from a peak of \$5.4 billion in fiscal year (FY) 2008 to \$1.46 billion in FY 2013. (Pakistani fiscal year runs July-June.) Analysts attribute this overall decline to the deteriorating security environment, the chronic energy crisis, and macroeconomic instability, among other factors. Pakistan remains a profitable market for fast moving consumer goods, and multinational corporations have a robust presence in this sector and a number of others. Future foreign investment inflows will depend on how the GOP addresses the above challenges. There is need for an improved law and order situation, enhanced legal protection for foreign investment, including intellectual property rights, and a clear and consistent policy of upholding contractual obligations and settlement of tax disputes.

The current government, which took office in June 2013, is actively seeking to reverse the decline in FDI by courting international investors through the Board of Investment (BOI). In the first nine months (July-March) of FY 2014, net FDI inflows were \$669.8 million, up 6 percent year on year. Pakistan's Overseas Chamber of Commerce and Industry (OICCI), which represents 196 foreign investors in Pakistan, released a "Perception and Investment Survey" in January 2014 which showed that more than 80 percent of its members were optimistic that the new government would improve the business climate. (<http://oicci.org/wp-content/uploads/2013/08/OICCI-Perception-Investment-Survey-2013.pdf>).

Foreign investors in the **services** sector may retain 100% equity "for the life of the investment." Pakistan eliminated minimum initial capital investment requirements in all sectors including **services** in its 2013 Investment Policy. Now there is no minimum requirement for the amount of foreign equity investment in any sector. Also, there is no upper limit on the share of foreign equity allowed, except in specific sectors including **airline, banking, agriculture** and **media**. 100% repatriation of profits is allowed in the **services** sector. Investors need to obtain licenses from the Pakistan Telecommunication Authority in order to start a cellular operation network. In the social and infrastructure sectors, 100% foreign ownership is allowed. In the agricultural sector, 60% foreign ownership is allowed. Corporate farming is permitted, though only companies incorporated in Pakistan can own land used for this use. 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 raw material and machinery for agricultural and agro-based industries can be imported at 0% custom duty. 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." Only Pakistanis can invest in small scale mining valued at less than Rs. 300 million (about \$3 million).

In FY 2007, Pakistan eliminated some tariff incentives provided for various manufacturing sub-sectors, specifically the value-added, priority, and high-tech industries. Currently, the manufacturing sector pays up to 5% customs duty on imported plant and machinery. In its FY 2007 budget, the government eliminated sales tax on all types of plant and machinery. Export industries are entitled to duty-free import of raw materials. There is no minimum equity investment or national ownership requirement for investments in the manufacturing sector and the GOP allows a 25% first-year depreciation allowance for all fixed assets. The agriculture sector is entitled to the import of plant and machinery free of duty. The GOP also allows 25% of the cost of plant and machinery as first year depreciation allowance in infrastructure and social sectors.

Foreign investors in Pakistan sometimes complain of a confusing array of federal and provincial taxes and controls. These taxes are often assessed with considerable administrative discretion, resulting in discrimination among taxpayers, inefficiency, and corruption. Attempts to reform the tax system date back to the 1980s and have failed to yield any significant results. Pakistan has one of the lowest tax-to-GDP ratios in the world (about 9% in 2013). The tax regime is discriminatory and poorly connected multinational corporations shoulder a large portion of the tax burden. The number of approvals, permits, and licenses required from various governmental entities prior to

launching a business project posed a significant hurdle to investment in Pakistan in the past, but many of these licenses and permits have been removed over the last several years. Mandatory Board of Investment (BOI) investor registration is no longer required, but investors still must register with the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP).

Since 1997, the GOP no longer screens industrial sector foreign investment unless investors apply for special incentive packages or government tariff protection and price guarantees. The same year, the GOP also eliminated requirements that foreign investors seek provincial government clearance for project location.

The GOP 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 and other legal enforcement can be problematic given the domestic court system's inefficiency and lack of transparency. The SECP regulates the insurance industry, while the SBP oversees the banking sector. The GOP opened the insurance industry as part of its financial sector reforms. In 2007, the government allowed 100% foreign equity in the insurance business subject to the condition that foreign investors are required to bring in minimum paid up capital of \$5.3 million in life insurance and \$3.1 million in non-life/general insurance.

Pakistan improved its financial services commitments after signing the WTO Financial Services Agreement in December 1997. Foreign firms have the right to establish new banks, and foreign banks and securities firms can grandfather previously owned 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 \$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 that do not meet these conditions are capped at a 49% foreign equity stake. 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 required to open 20% of their new branches in small cities, towns, and villages.

The **financial sector** in Pakistan was opened to private sector (both for local and foreign investment) in 1989 as a part of Federal Government's policy of deregulation and privatization. The State Bank of Pakistan has placed a moratorium on setting up of commercial banks owned 100% by local sponsors. Following the World Trade Organization commitments, Pakistan permits foreign financial institutions/entities either directly or in collaboration with local partners/sponsors to open commercial banks.

With the prior approval of the SBP, foreign banks whose headquarters hold paid up capital (free of losses) of at least \$300 million and have a capital adequacy ratio of at

least 8% are allowed to maintain the following minimum capital requirements: foreign banks operating up to 5 branches are required to maintain their assigned capital at \$28 million and foreign banks operating 6 to 50 branches are required to maintain assigned capital at \$56 million. Foreign banks operating above 50 branches are required to maintain assigned capital at \$94 million. In 2009, the SBP also raised the required minimum capital adequacy ratio for banks and development finance institutions to 10%.

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 are subject to the same regulatory requirements as traditional banks.

The GOP's privatization of state-owned enterprises (SOEs) stalled in 2008, and the GOP did not earn any money through privatization in FY 2013. Between 2002 and 2007, Pakistan attracted significant foreign investment through the privatization of SOEs in the **financial services** and **telecommunications sectors**. The current government has resumed privatization efforts and committed in the IMF Extended Fund Facility to privatize 31 SOEs by the end of 2014, beginning with the sale of government stakes in high-performing publicly-traded firms via capital markets transactions. Plans to privatize large state-owned firms including Pakistan Railways, Pakistan International Airlines (PIA) and Pakistan Steel will require significant restructuring prior to privatization and are likely to face substantial political resistance. 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.

Mergers are allowed between multinationals as well as between multinationals and local companies. The 1984 Companies Ordinance governs mergers and takeovers.

TABLE 1:

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	(127 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(126 of 177)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(110 of 189)	http://doingbusiness.org/rankings
Global Innovation Index	2013	(137 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener

World Bank GNI per capita	2012	\$1,260	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD
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TABLE - 1B Scorecards: The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) of \$4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards_

Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf>

Conversion and Transfer Policies

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The SBP maintains tight control on the exchange rate and imposes informal controls on transferring foreign exchange. De jure, there are no limits on dividends, remittance of profits, debt service, capital, capital gains, returns on intellectual property, or payment for imported inputs; however, banks report that they must justify all outward flows of foreign currency with underlying trade documents. Additionally, the Government recently reduced the maximum limit of carrying physical cash abroad to \$5,000 from \$10,000. 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 \$100,000 and capping subsequent royalty payments to 5% of net sales for 5 years. Royalty and technical payments are subject to 15% income tax. Investor remittances can only be made against a valid contract or agreement that must be registered with the SBP within 30 days of execution.

Seeking to support cross-border payments of interest, profits, dividends, and royalties, the SBP eliminated the requirement that commercial banks notify it before issuing foreign exchange in 2002. Banks still have to report loan information to the SBP, which then verifies that remittances match the repayment schedule.

In June 2004, the State Bank of Pakistan required informal money changers to register as foreign exchange companies, and these companies became subject to auditing by the SBP. This resulted in the 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. In partnership with State Bank of Pakistan, the Ministry of Overseas Pakistanis and the Ministry of Finance, the Pakistan Remittance Initiative (PRI) was established in 2009 to achieve the objective of facilitating a faster, cheaper, and more efficient flow of remittances. As per Section 114 (4) of the 2001 Income Tax Ordinance of Pakistan, the government has given tax exemption to any amount of foreign exchange

remitted from outside Pakistan through normal banking channels which are converted into rupees.

Expropriation and Compensation

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Foreign direct 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. Commercial cases in the courts typically take years to resolve, and most foreign investors typically write into their contracts the right to international arbitration. Pakistan does not have a bankruptcy law. Bankruptcy is usually handled through court-appointed liquidators who sell off the property of a bankrupt company, but this process is slow and can take many 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"). The New York Convention was then ratified by Pakistan's Cabinet in 2005, but the ordinance implementing the Convention expired in August 2010. Pakistan's National Assembly reenacted the New York Convention on July 15, 2011.

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 a mechanism for arbitrating commercial disputes. A previous dispute between a major U.S. multinational and its local Pakistani partner raised concerns in the international investor community over how arbitration clauses are handled in Pakistan. In 1998, this company filed a lawsuit, and 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 continued litigating the matter in Pakistani courts for many years. The Lahore High Court eventually ruled in favor of the U.S. multinational company and upheld the original arbitration settlement. The case was finally resolved when the local party withdrew its appeal of the decision in June 2009.

Several other high profile foreign investment disputes in the **mining** and **energy** sectors remain active cases in Pakistani courts.

Performance Requirements and Incentives

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Current GOP investment policy provides that all incentives, concessions, and facilities for industrial development be equally available to domestic and foreign investors. Prior year budgets have contained some additional incentives for export industries, but most tax incentives are promulgated by Special Regulatory Order (SRO) by the Federal Board of Revenue (FBR). For example, sales taxes on plant and machinery were abolished, as were customs duties on imported **agricultural machinery**. Customs duties for machinery imported by the manufacturing and social service sectors range between 0-5%. Export-oriented industries have also been granted customs duty exemptions on the import and purchase of raw materials.

The FY 2014 budget retained all these incentives. In 2011, the GOP imposed sales taxes ranging between 4- 6% on unregistered supply chain goods of export-oriented sectors including **textiles, surgical, sports, leather, and carpets**. Registered supply chain goods of these sectors remain exempt from sales tax, but retailers in these sectors are charged a 4% sales tax irrespective of registration. Close to 94 percent of the tariff lines fall in the 0-30 percent tariff rates range. Vehicles attract the highest duties. The GOP reduced the number of duty slabs from 8 to 7. The GOP further reduced customs duty on 88 pharmaceutical raw materials and other input goods from 10% to 5%. As part of its IMF program, Pakistan has pledged to reduce the number of tariff slabs.

Petroleum companies receive royalties at the rate of 12.5% of the value of petroleum at the field gate.

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. According to the Investment Policy 2013, industrial units bringing in **technology** that is not available in Pakistan for the first time shall be declared as pioneer industry and will be provided the same incentives that are available in Special Economic Zones (SEZs).

The 2007-08 trade policy duplicated export processing zone (EPZ) incentives. Existing enterprises exporting at least 80% of their production are eligible for incentives under this program, but new enterprises are required to export 100% of their production in order to be eligible. In 2013, the GOP issued a Strategic Trade Policy Framework 2012-15, which also retains these measures. For new investments, a 25% 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 25% 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. businesspeople are granted multiple entry visas valid for five years with a three-month stay at Pakistani Embassies and Consulates. Technical and managerial personnel are

not required to obtain special work permits in sectors that are open to foreign investment, including the **manufacturing, infrastructure, agricultural, services, health, and education** sectors. The duration of work visas for technical and managerial personnel are one year and can be extended on a yearly basis.

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 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.

Investment in the **energy** sector, particularly conventional gas, is stymied by a policy that underprices resources and fails to safeguard contracts, and by an evolving relationship between and among the federal and provincial governments, whose views on the disposition of natural resources do not always match. The 2012 Petroleum Policy, adopted in August 2012, increased the wellhead price for natural gas to \$6 per million British thermal units (mmbtu), as part of an effort to increase exploration and attract new investors to this sector.

Protection of Property Rights

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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 provisions of the law. The order protects both local and foreign investment. The 1976 Foreign Private Investment Promotion and Protection Act guarantees remittance of profits earned through sale and appreciation in value of property.

Pakistan remained on USTR's Priority Watch List in the 2014 Special 301 review. The report cites weak protection and enforcement of intellectual property rights (IPR), particularly with respect to copyrights, **pharmaceutical** data, and **media** piracy. Pakistan did not take any significant steps to improve copyright enforcement, especially with respect to addressing book and optical disc piracy in 2013. Only a very small proportion of arrests resulted in prosecutions, and the few verdicts issued resulted in minor sentences. To address this, Pakistan should take steps to fully implement the Intellectual Property Organization of Pakistan Act of 2012 (IPO Act), particularly by establishing specialized IP Tribunals and an operational Policy Board. The GOP has identified intellectual property protection as a key area for its "second generation" economic reforms.

Pakistan has enacted five major laws relating to patents, copyrights, trademarks, industrial designs and layout designs for integrated circuits, but the laws' impact has been 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 received specialized training in intellectual property enforcement and technologies, which enabled the agency to expand enforcement operations to target manufacturers of pirated goods. Expanding manpower and training at the FIA remains a key challenge. The Federal Board of Revenue (FBR), which manages customs authority in Pakistan, faces numerous challenges in properly identifying and interdicting counterfeit material at Pakistan's borders. However, in a promising sign, it recently established an IPR Directorate with the aim to improve capacity and increase interdiction of counterfeit goods.

Also in 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 Organization (IPO). IPO, a semi-autonomous body under the administrative control of the Pakistani Cabinet, consolidates into one government agency the 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, or prompt action to address specific legislative and policy weaknesses. IPO has conducted training courses for IP professionals in accordance with WIPO standards. The Intellectual Property Organization law was adopted in November 2012, and provides for specialized IPR tribunals to adjudicate cases and a policy board with private sector representation to assess policy decisions. The GOP made no progress in implementing the provisions of the Law during the last one year. The Intellectual Property Organization forwarded the proposal to form the Policy Board to the Cabinet, but the Cabinet still has not approved it. The establishment of the IPR tribunals remains pending with the Ministry of Law. Pakistan has made some progress against large-scale illegal optical disc production and retail sales of pirated and counterfeit products, but needs to increase enforcement actions against book piracy, aggressively prosecute IPR crimes, and ensure that its courts issue deterrent-level sentences for IPR infringers.

Pakistan's government has made no tangible progress to further protect **agricultural** IPR. Pakistan does not enforce intellectual property rights for genetically modified organisms (GMO). This has deterred U.S. seed companies from entering the Pakistani market. In 2006, the (now defunct) Ministry of Food & Agriculture introduced legislation to Parliament outlining Breeders Rights for Planting Seeds to set standards to protect against illegal multiplication of seeds and better controls on seed certification. The Ministry also introduced legislation to place tighter controls on seed companies in registering certified seed and producing quality seed. Parliament has not yet voted on either piece of legislation, and it is unlikely to take up the legislation in the short term. Seed labeled "certified" often has less than a 50% germination rate, compared to well

over 90% in the United States. U.S. seed companies have failed to negotiate a deal with government officials to allow for the legal introduction of biotech cotton seed into Pakistan.

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.

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. 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. In addition, the GOP has not implemented patent linkages, effectively authorizing the sale of pharmaceuticals without requiring checks to confirm that another firm does not hold an active patent on the compound. Pakistan has failed to make progress in providing effective protection against unfair commercial use of undisclosed test and other data generated to obtain marketing approval for pharmaceutical products. Although draft data protection regulations were formulated in 2009, the regulations remain under GOP review and have not been promulgated. Pakistan currently 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. This ordinance has frustrated the pharmaceutical industry, as many companies have already been waiting for years for approval of their product patents. The GOP maintains that other countries do not adhere to an 18-month application processing period. While the former Health Ministry claimed that this change was made to avoid litigation in view of capacity constraints, the ordinance has effectively created an environment where the potential for discriminatory treatment exists.

Trademarks

Pakistan promulgated its Trademarks Ordinance in 2000, which provides for the registration and better protection of trademarks, and restricts the use of fraudulent trademarks. The ordinance has been enforced since April 2004, after the enactment of implementing rules. The GOP 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. The Competition Commission of Pakistan (CCP) has authority under Section 10 of the Competition Act to take action against companies for "deceptive marketing practices" for using other companies' trademarks in advertising. The CCP is working on an MOU with the IPO regarding authority over such cases.

Copyrights

Pakistan remains a predominantly pirate book market, although print piracy is slowly giving way to pirate photocopying. The informal markets (“Bazaars”) in Karachi and Lahore, once major sources of pirated books, were raided in 2013, although book piracy has continued to spread. Pirates now focus attention on illegal photocopies made from one master/source copy legitimately purchased online or overseas, and slapping on a higher-quality color-printed book cover. The printing of title covers has taken on a new dimension, since pirates now often print the pirated book obscuring the author’s names, publisher’s names, logos, ISBN numbers, etc. Print piracy consists of smuggled books from Iran and Afghanistan by land, Saudi Arabia by air, or overruns by legitimate printers in Pakistan. Unauthorized India-only reprints are also being imported into Pakistan. All types of books are pirated, from English language novels to fiction and non-fiction trade books. Pirate booksellers are highly organized, well-connected, and often succeed in convincing authorities to drop cases immediately after any enforcement action or avoid enforcement action altogether. In some cases, they have even resorted to threats of violence and intimidation to avoid enforcement. Some pirate enterprises are now able to produce fairly high-quality counterfeit copies that are difficult to differentiate from legitimate versions. Additionally, the National Book Foundation continues to claim it may avail itself of compulsory licenses to copy books even though doing so is incompatible with Pakistan’s international obligations under the Berne Convention. According to the International Property Alliance, the **publishers** operating in Pakistan report that overall the situation in Pakistan has improved slightly due to increased enforcement activity, claiming that piracy levels are proportionately similar to Bangladesh, Iran, and Sri Lanka. Pakistani authorities, especially the Federal Investigations Agency (FIA) in Islamabad, have taken some actions against book piracy in the Bazaars and throughout Pakistan.

Despite significant public awareness and enforcement drives by the Business Software Alliance over the past several years, enterprise end-user software piracy remains a serious problem. The GOP did not take any significant steps to improve copyright enforcement in 2013, especially with respect to optical disc piracy. Not all of arrests resulted in prosecutions, and the few verdicts that were issued resulted in imposition of insignificant sentences. Optical **media** piracy remains a major concern in Pakistan. The import and export of pirated **media** was banned under the 1969 Customs Act. However, the easy import of pirated movies and music CDs and DVDs continues in large quantities from China.

Pakistan’s Federal Investigation Agency (FIA) continues to conduct occasional raids. The accused parties, however, engage highly paid and high-profile lawyers while the services of FIA’s Prosecutors are confined to limited courts. In most of the cases, higher courts have stayed the investigation / prosecution proceedings and justice was deterred for want of special prosecutors demanding very high fee. 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. Since 2008, the factory production of pirated optical software has become less prevalent as vendors have started manufacturing and selling their merchandise from residential locations, which they continue to do with impunity. Occasional enforcement action has done little to dent the market for pirated goods, as pirated CDs, books, movies, and software remain readily available in most local markets in Pakistan.

Internet use continues to rise in Pakistan, and online piracy in Pakistan is also a problem. Publishers report that reference books, online journals, and trade books are being digitized and provided by schools. Thus far, no steps have been taken to address

increasing online piracy or illegal digitization. Pakistan has thousands of mostly local and small-scale cable television operators nationwide. The Pakistan Electronic Media Regulation Authority (PEMRA) has prohibited cable operators from displaying pirated content, but the FIA has been unable to enforce this provision. Cable operators frequently broadcast pirated material.

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. In 2009, the Cabinet approved a draft Plant Breeder's Rights Law and an amendment to the Seed Act of 1976, both of which are pending approval in Parliament and passage from the provincial assemblies.

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 Board of Investment (BOI) and the State Bank of Pakistan (SBP). 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. Winding up of the companies takes place under Companies Ordinance 1984 and banking companies exit takes place under Banking Companies Ordinance 1962. SECP and SBP have further streamlined the process for filing for bankruptcy and liquidation.

A Takeover Ordinance was enacted in 2002. 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 of Pakistan (CCP) is responsible for regulating the anti-competitive and monopolistic practices of both private sector and public sector organizations. A competition ordinance, drafted with technical assistance from the World Bank, was approved by Pakistani Cabinet in June 2007, and resulted in the creation of the CCP. Previously, competition law in Pakistan was under the jurisdiction of the Monopoly Control Authority, an independent regulatory authority that lacked enforcement capacity.

The Monopoly Control Authority regulatory oversight suffered from resource constraints, and state-owned enterprises (SOEs) were exempt from its provisions. Thus, in Pakistan, where SOEs dominate several sectors, competition regulation remained incomplete. A

new Competition Commission Bill was signed by the President and became law on October 6, 2010. This law codified the mandate of the CCP into law, and revised the appeals process to include an Appellate Tribunal in Islamabad consisting of a retired judge and three private sector participants, who are tasked to deliberate and issue decisions within six months. The law also reduced the fine on offenders from 15% of turnover to 10%, and authorized the CCP to collect 3% of the earnings of other major regulatory agencies to supplement their budget. CCP has issued 65 orders against the monopolies and anti-competitive practices during the period April 2008 through November 2013.

With the end of licensing regimes, the rationalization of bureaucratic controls, and broad-based market liberalizations, market entry barriers have been reduced but not fully eliminated.

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 SBP and the SECP continue to expand their regulation and oversight of financial and capital markets. The banking sector is moderately concentrated with the top five banks by asset size representing 52.6 % of sector assets, and of these banks only one is state-owned. In 2013, banking sector assets totaled \$107 billion. As of December 2013, net non-performing bank loans (NPLs) total approximately \$1.3 billion, or 3.1 % of net total loans.

Credit is allocated on market terms, and the State Bank has kept the monetary policy stable since November 2013 by keeping its policy interest rate at 10%. Foreign-controlled **manufacturing**, **semi-manufacturing** (i.e. goods that require additional processing before marketing), and **non-manufacturing** concerns are allowed to borrow from the domestic banking system without regulated limits. The banks are required to ensure that total exposure to any domestic or foreign entity should not exceed 25% of banks' 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. According to the Investment Policy 2013, foreign investors in all sectors are allowed to access domestic borrowing subject to prevailing rules/ regulations of SECP and SBP and observance of debt-equity ratio. The Investment Policy 2013 extends the use of loans to any purpose. Previously it was limited to import plant and machinery.

The Karachi Stock Exchange (KSE) 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. Pakistan's stock markets performed very well in FY 2013, outperforming global stock markets including those of India, China, Hong Kong, Tokyo, the U.S. and UK. The stock market performance was driven by portfolio investment inflows, in addition to the better rates of return on Pakistani stocks. The KSE currently has 571 listed firms, but only five firms (three of which are state-owned enterprises) account for 38.4% of market capitalization.

The GOP implemented a capital gains tax, effective July 1, 2010. The capital gains tax is applied at 10% on stocks held for less than six months, and 7.5% on stocks which are held for more than six months, but less than a year. A capital gains tax is not applied on holdings that exceed 12 months. The Capital Gains Tax Ordinance, promulgated on April 24, 2012, appointed the National Clearing Company of Pakistan Limited to compute, determine, collect and deposit the capital gains tax. 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% 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. The SECP implemented a number of other regulations, including rules for clearing house regulations, margin trading regulations, proprietary trading regulations, and abolition of the group account facility. 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 the majority international accounting standards and international financial reporting standards. Pakistan Mercantile Exchange Limited, formerly known as the National Commodity Exchange, has been functioning since May 2007. Currently, the Mercantile Exchange deals in gold, silver, rice, sugar, cotton palm oil, and crude oil futures. The SBP, in its role as bank regulatory authority, has established a formal process of consultations with banks on draft regulations. Under Section 40 of the 1997 SECP Act, the SECP also publishes draft regulations to seek public comment prior to finalization.

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

Per the Foreign Exchange Regulations, any foreign investor can invest in shares and securities listed on Stock Exchanges in Pakistan, and can repatriate profits, dividends, or disinvestment proceeds. The investor has to open a Special Convertible Rupee Account with any bank in Pakistan in order to make portfolio investments.

Competition from State Owned Enterprises

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The GOP's extensive 15-year privatization campaign came to an abrupt halt after 2006 when the Supreme Court reversed a proposed deal for the privatization of Pakistan Steel Mills, setting a precedent for future offerings. As a result, large and inefficient SOEs have retained monopolistic powers in a few key sectors, requiring the GOP to provide annual subsidies to cover SOEs' losses. Three of the largest SOE's are Pakistan Railways, Pakistan International Airlines, and Pakistan Steel Mills. Since the Sharif Administration took office in June 2013, it has restarted privatization efforts, pledged to

privatize 31 state-owned companies, and hired transaction advisors for the first several transactions that are expected before the end of 2014.

Pakistan Railways (PR): PR is the only provider of rail services in Pakistan, and is also the largest public sector employer with close to 90,000 employees. Decades of corruption and mismanagement have caused PR's market share in total freight traffic to fall from more than 80% in the 1970s, to less than 4% today. Of PR's 500 locomotives, only 107 are reported to be in operation. The 2010 floods also caused extensive damage to Pakistan's rail network. PR posts a loss of \$0.75 million per day. The company relies on government bailouts of \$2.8 million a month to pay salaries and pensions. In the FY2014 budget, total government grant payments to PR are budgeted at \$316 million. In 2012, Pakistan initiated three public-private partnerships to manage, improve, and develop its passenger service train service.

Pakistan International Airlines (PIA): PIA continues to struggle and is criticized for poor management, excessive staffing, inefficient operations, and a non-competitive market strategy. PIA's aging and fuel-inefficient fleet are suffering in the current competitive global environment. In contrast to PR, PIA is technically not operating as a monopoly, with Air Blue and Shaheen Air as popular, private sector alternatives. The Economic Coordination Committee of the Cabinet in a February 2013 meeting approved a financing plan for PIA including guarantees for repayment of \$104 million loans during 2013, extension of GOP guarantees measuring \$482 million and new guarantees against loans of \$127 million, additional funding of \$113 million and provision of \$46 million for acquisition of narrow body aircraft on dry lease. PIA's current known debt is \$1.5 billion. PIA's recently released 2014 first quarter results shows that it attained an operating profit of \$17 million, versus against a loss of \$57.4 million in the corresponding period last year. The Privatization Commission recently advertised for a financial advisor to take the lead in restructuring PIA prior to partial privatization of up to 26 percent.

Pakistan Steel Mills (PSM): Established by the GOP as a cheaper option than importing steel, PSM has deteriorated into a money-losing enterprise that relies on a ban on steel imports to remain afloat. The proposed \$360 million sale of a 75% stake in PSM was halted by the Supreme Court in 2006 because of strong union and public opposition and a perception that the transaction undervalued PSM. . At present, the mill is operating at 11% of its capacity and its current liabilities approximate \$1.15 billion.

Corporate Social Responsibility

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Awareness of corporate social responsibility among both producers and consumers in Pakistan is growing, and foreign and some local enterprises generally follow accepted CSR principles. Proctor and Gamble-Pakistan was the 2011 recipient of the Secretary of State's Award for Corporate Excellence (ACE) for demonstrating CSR in flood relief, support of education and orphans, implementation of science and technology standards, reduction of carbon dioxide emission at its facilities, and collaboration with universities to develop young business leaders.

Political Violence

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The presence of several foreign and indigenous terrorist groups poses a potential danger to U.S. citizens throughout Pakistan. Across the country, terrorist attacks frequently occur against civilian, government, and foreign targets. Attacks have included armed assaults on heavily guarded sites, including Pakistani military installations. The Government of Pakistan maintains heightened **security** measures, particularly in the major cities. Threat reporting indicates terrorist groups continue to seek opportunities to attack locations where U.S. citizens and Westerners are known to congregate or visit. Terrorists and criminal groups regularly resort to kidnapping for ransom and extortion. Protests against the United States are not uncommon and have the potential to turn violent. Embassies of most western countries, including the United States, United Kingdom, Canada, Australia, and New Zealand Embassies have issued travel advisories recommending against non-essential travel to Pakistan. Consequently, western businesses operating in Pakistan will require extra security measures and should budget accordingly.

The Board of Investment, in coordination with Provincial Investment Promotion Agencies coordinates for “airport-to-airport” **security** for foreign investors. To avail this service, registered foreign investors or bona fide potential investors should make the request to the BOI with adequate notice and details of the itinerary. The service includes coordination with local police for escort and advice on making secure lodging and transportation arrangements.

Corruption

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Corruption remains widespread in Pakistan, especially in the areas of government procurement, international contracts, and taxation. Giving and accepting bribes are criminal acts punishable by confiscation of property, imprisonment, recovery of ill-gotten gains, dismissal from governmental service, and reduction in governmental rank. In 2013, Pakistan ranked 127 in the Transparency International Corruption Perceptions Index.

Pakistani law provides for criminal penalties for official corruption; however, implementation of the law is ineffective, and officials frequently engage in corrupt practices with impunity. The National Accountability Bureau (NAB), organized under the 1999 National Accountability Ordinance, serves as the highest-level anti-corruption organization, with a mandate to eliminate corruption through awareness, prevention, and enforcement. Initially focusing its efforts on well-known politicians and government officials guilty of gross abuses of power and stealing public funds, the NAB refocused its strategy in 2002 after citizens and human rights groups accused the agency of being a political tool for the detention of former officials and party leaders, as well as serving as a means to deviate from the normal justice system. The NAB struggles with poor funding and limited staffing.

The Competition Commission of Pakistan seeks to prohibit corrupt activities, such as collusive practices, abuse of market dominance, and deceptive marketing. Despite dynamic leadership, active community engagement, and lower-level court decisions against businesses engaged in anticompetitive activities, the Competition Commission is hindered by insufficient government funding and slow progress of its cases in the judicial

court of appeals. Corruption is pervasive in politics and government, and various politicians and public office holders have faced allegations of corruption, including bribery, extortion, cronyism, nepotism, patronage, graft, and embezzlement.

A 2007 National Reconciliation Ordinance (NRO), promulgated under former president Pervez Musharraf, provided an amnesty mechanism for public officials who were accused of corruption, embezzlement, money laundering, murder, and terrorism between January 1, 1986, and October 12, 1999. In December 2009, the Supreme Court declared the NRO null and void, and reopened all 8,000 cases against those who had received amnesty, including the president, ministers, and parliamentarians. The Supreme Court decisions about the beneficiaries of NRO are still pending implementation.

Corruption within the lower levels of the police and customs officials is common. Transparency International notes that the major cause of corruption was lack of accountability and enforcement of penalties, followed by lack of merit and low salaries. According to a survey, some police charge fees to register genuine complaints and accept money for registering false complaints. Bribes to avoid charges are commonplace. Critics charge that the appointment of station house officers (SHOs) is politicized.

Widespread allegations of corruption plagued the government's rental power plant projects (RPP), which were a priority in 2008-2009 to address the country's acute energy shortage. Citizens and parliamentarians accused government officials of providing financial kickbacks and awarding extravagantly priced rental power plants to their close acquaintances. In December 2010 and January 2011, the Supreme Court found two power companies guilty of receiving more than 970 million rupees (then \$11.2 million) in advance payments to provide electricity but failing to commence commercial operations by the agreed date. The court ordered both companies to return the funds advanced, and the government abandoned the RPP power project as a policy priority. The Supreme Court of Pakistan gave a decision against RPPs on March 30, 2012 declaring their contracts null and void and their intentions as mala fide. Currently the National Accountability Bureau is investigating the RPP case.

Anecdotal reports persist about corruption in the district and sessions courts, including reports of small-scale facilitation payments requested by court staff. Lower-court judges lack the requisite independence and sometimes are pressured by superior court judges as to how to decide a case. Lower courts remain corrupt, inefficient, and subject to pressure from prominent wealthy, religious, and political figures. Government involvement in judicial appointments increases the government's control over the court system.

The 2002 Freedom of Information Ordinance allows any citizen access to public records held by a public body of the federal government, including ministries, departments, boards, councils, courts, and tribunals. It does not apply to government-owned corporations or provincial governments. The bodies must respond to requests for access within 21 days. Certain records are restricted from public access, including classified documents, those that would be harmful to a law enforcement case or an individual, or those that would cause grave and significant damage to the economy or the interests of the nation. NGOs criticized the ordinance for having too many exempt categories and for not encouraging proactive disclosure.

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.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Anti-bribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Anti-bribery Convention: The OECD Anti-bribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Anti-bribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into

force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements.>]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Anti-bribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Anti-bribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department’s annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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Pakistan and the United States began negotiating a Bilateral Investment Treaty (BIT) in 2004 and negotiations have continued intermittently. Pakistan has bilateral investment agreements with Australia, Azerbaijan, Mauritius, Bahrain, Bangladesh, Morocco, Belarus, Netherlands, Belgo-Luxemburg Economic Union, Oman, 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.

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.

OPIC and Other Investment Insurance Programs

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Overseas Private Investment Corporation (OPIC) insurance and financing are available for commercial transactions, and OPIC has an active portfolio of projects in Pakistan. Projects must meet OPIC eligibility guidelines.

Labor

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The Pakistan civilian work force consists of approximately 60.5 million workers, but this estimate does not include the informal sector or child labor. The majority of the labor force works in the **agricultural** sector (45%), followed by the **services** sector (34.2%), and **manufacturing** (13.8%). Officially, the unemployment rate hovers around 6%, but this is widely believed to be significantly understated, and a large number of the employed are underemployed. Pakistan is also an extensive exporter of labor, particularly to the Middle East.

Because of Pakistan's 18th Amendment which "devolved" certain federal power to the provinces, labor law is now under the jurisdiction of the provinces. Punjab's minimum wage is Rs. 9,000 per month (\$91), and the other three provinces along with the Islamabad Capital Territory have a minimum wage of Rs. 8,000 per month (\$81). Enforcement of labor laws was patchy at best under federal law, and the provinces are in an even weaker position to regulate the labor market. Inspections are almost non-existent, and the low-level labor courts are generally considered corrupt and strongly biased in favor of employers. Furthermore, labor protections do not extend to a majority

of the labor force, most notably agricultural workers. Pakistan's compliance with ILO conventions is challenging in the wake of devolution. Multinational employers and exporters often have international certifications that demonstrate that they meet labor obligations, while 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 employee, but does allow collective bargaining. However, this Act seldom has 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. The Industrial Relations Ordinance of 2002 was revised in 2008 and expired on April 30, 2010. The Industrial Relations Ordinance was again enacted by the President on July 18, 2011. Under the 18th Amendment, responsibility for labor regulation and enforcement, in addition to industrial relations, has been devolved to the provinces. All the provinces have enacted the Industrial Relations Acts. According to GOP estimates, union membership consists of approximately 5% of the industrial labor force and 2% of the total workforce.

The GOP has ratified 34 ILO conventions relating to human rights, workers' rights, and working conditions. The GOP announced labor welfare measures three years back including extending Social Security eligibility to workers earning up to Rs. 10,000 (\$101) a month, the establishment of a Complaint Cell to address workers complaints, allowing full wages to workers while on suspension, expanding the coverage of a GOP retirement benefits plan to establishments employing 5 or more workers, increasing marriage and death grants, and increasing workers' eligibility for company profit-sharing awards. This package is being implemented by the provinces. As part of its commitments to the EU under the Generalized System of Preferences (GSP) Plus preferential trade scheme, Pakistan has agreed to ratify and implement 27 core international conventions on human and labor rights, sustainable development, and good governance.

Foreign-Trade Zones/Free Ports

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The GOP established the first Export Processing Zone (EPZ) in Karachi in 1989, making special fiscal and institutional incentives available to encourage the establishment of exclusively export-oriented industries. The GOP subsequently established seven other EPZs in Risalpur, Gujranwala, Sialkot, Saindak, Gwadar, Reko Dek and Duddar. Of these, only Karachi, Risalpur, Sialkot and Saindak are operational. Principal GOP incentives for EPZ investors include an exemption from all taxes and duties on equipment, machinery, and materials (including components, spare parts, and packing material); indefinite loss carry-forward; and access to Export Processing Zone Authority One Window services, including facilitated issuance of import permits and export authorizations. The Export Processing Zone Authority (EPZA) is authorized to collect taxes totaling between 0.5-1.25% of total profits when goods are exported, in addition to a 0.5% development surcharge. There is otherwise an exemption from all federal, provincial, and municipal taxes for production dedicated to exports, and full repatriation of capital and profits for foreign investors is allowed. Investors eligible to establish businesses in EPZs have no minimum or maximum limits on investment. However,

despite the substantial incentives offered, most of these zones have failed to attract significant investment. The GOP adopted Special Economic Zones (SEZ) legislation in 2012. The SEZ Law aims at creating industrial clusters with liberal incentives, infrastructure and investor facilitation services to reduce cost of doing business. The law allows private parties to establish these zones in addition to public/private partnerships used for the establishment of SEZs. The SEZs have yet to attract significant foreign investment, as many suffer from a lack of reliable gas, electricity and water supply.

The GOP offers incentives for other categories of export manufacturing. An Export-Oriented Unit (EOU) is a stand-alone industrial concern that exports 100% of its production; it is allowed to operate anywhere in the country. EOU incentives include duty and tax exemptions for imported machinery and raw materials and duty-free import of two vehicles per project.

Foreign Direct Investment Statistics

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TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source*		USG or international statistical source		USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (<i>Millions U.S. Dollars</i>)	Fiscal Year 2013 (July-June)	237,000	2012	225,100	http://www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (<i>Millions U.S. Dollars, stock positions</i>)	Fiscal Year 2013 (July-June)	319.1	2012	218	(BEA) click selections to reach. <ul style="list-style-type: none"> • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Host country's FDI in the United States (<i>Millions U.S.</i>)	Fiscal Year 2013	92	2012	66	(BEA) click selections to reach <ul style="list-style-type: none"> • Balance of Payments and Direct Investment Position

<i>Dollars, stock positions)</i>	(July-June)				Data <ul style="list-style-type: none"> Foreign Direct Investment Position in the United States on a Historical-Cost Basis By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as % host GDP (<i>calculate</i>)	0.13%	Fiscal Year 2013 (July-June)	0.10%	2012	

- Source of Host Country: State Bank Of Pakistan
<http://sbp.org.pk/ecodata/index2.asp>

TABLE 3: Sources and Destination of FDI

Pakistan 2012

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	17,726	100%	Total Outward	1,279	100%
United Kingdom	4,572	26%	United Arab Emirates	253	20%
Switzerland	3,470	20%	United Kingdom	96	7%
United Arab Emirates	1,867	11%	Bangladesh	92	7%
United States	1,192	7%	Bahrain, Kingdom of	68	5%
Netherlands	763	4%	Oman	65	5%

"0" reflects amounts rounded to +/- USD 500,000.

Source: <http://cdis.imf.org>

**TABLE 4: Sources of Portfolio Investment
Pakistan, End June 2013**

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
World	445	100%	World	155	100%	World	289	100%
Saudi Arabia	152	34%	Saudi Arabia	126	81%	United Arab Emirates	58	20%
United Arab Emirates	62	14%	Virgin Islands,	12	8%	Qatar	30	10%

			British					
Qatar	30	7%	United Kingdom	9	6%	Saudi Arabia	27	9%
United Kingdom	21	5%	United Arab Emirates	4	2%	Japan	19	7%
Japan	19	4%	Cayman Islands	3	2%	Brazil	16	6%

Source: <http://cpis.imf.org/>

Summary - Sources for USG/International Statistics:

U.S. Bureau of Economic Analysis (<http://www.bea.gov/international/index.htm>) produces two types of direct investment statistics:

- International transactions & direct investment position statistics
- Activities of multinational enterprise statistics

Can be used to assess the effects of multinationals in local economies

<http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/index.aspx>

- Treasury International Capital (TIC) System collects data on portfolio investment – companion data to direct investment, less than 10% ownership.
- Data collected on banking, securities, and non-bank assets and liabilities.
- Country-level detail available.

<http://cdis.imf.org/>

- IMF compiles data on direct investment from and to individual countries.
- Publishes cross tabulations of data.
- Users can see at a glance multi-country direct investment data.
- Metadata, or methodology, also available.
- One stop shopping for direct investment position data

Less detailed than BEA – only total, equity, and debt position data available.

www.ec.europa.eu/eurostat

AMNE Statistics

Click “Statistics,” “Structural Business Statistics,” “Foreign-controlled Enterprises,” “Foreign Affiliates Statistics (FATS)”. For methodologies see “Recommendations Manual”

Direct Investment (part of Balance of Payments)

Click “Statistics,” “Balance of Payments,” “Main Tables,” “European Union Direct Investments”. Methodology also available

Contact Point at Post

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Islamabad, Pakistan
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Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
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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. Until recently, "Certificates of origin" were not legally required but recently there have been cases where the Customs authorities have asked for it. Also, 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 banks have increased their loans to the government and the private sector credit has decreased in last two years. Though the banks' investments in government securities are not as productive as lending to businesses and households, it has provided an avenue for banks for risk-free earnings and enabled them to post profits even in weak economic environment. The banking sector earnings continued to accumulate on the back of healthy returns on growing stocks of risk free government

securities. In addition, the lower provisions also contributed towards buildup of profits. The financial sector in Pakistan is going through a major transition period. 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, Islamic banks, development finance institutions (DFI's), and micro-finance banks. Presently there are 24 commercial banks, eight DFI's, and nine micro-finance banks operating in the country.

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 four years, the rupee has depreciated.

U.S. Banks and Local Correspondent Banks

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Citibank is the only U.S. bank with operations in Pakistan, although, recently Citibank closed its consumer banking 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:

Al Baraka Bank (Pakistan) Limited
Barclays Bank PLC
Citibank N.A. - Pakistan Operations
Deutsche Bank AG
Dubai Islamic Bank (Pakistan) Limited
HSBC Bank Middle East Limited
Industrial and Commercial Bank of China Limited
Oman International Bank SAOG
Standard Chartered Bank Limited
The Bank of Tokyo-Mitsubishi UFJ Limited

Project Financing

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Credit is allocated on market terms. Credit is allocated on market terms, and domestic interest rates have declined following interest-rate cuts by the central bank; the policy rate has fallen from 12% in June 2012 to 10% in November 2012. Foreign-controlled manufacturing, semi-manufacturing (i.e. goods that require additional processing before marketing), and non-manufacturing concerns are allowed to borrow from the domestic banking system without regulated limits.

The banks are required to ensure that total exposure to any domestic or foreign entity should not exceed 25% of banks' equity with effect from December 2013. 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. 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 all 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>
http://travel.state.gov/travel/cis_pa_tw/cis/cis_992.html

Visa Requirements

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U.S. citizens are required to obtain a visa for Pakistan before arrival in the country and are advised to apply for their visas well ahead of their anticipated travel. Further information on obtaining a Pakistani visa in the U.S. may be obtained from the following website:

<http://www.embassyofpakistanusa.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

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

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

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 rate structures in the region. The average tariff for the United States, using a pre-paid calling card, is currently Rs. 2.5 per minute (approximately 2.5cents per minute). Internet is widely available throughout the country, and there are several companies that offer fairly good DSL and Broadband connections. Most upscale hotels have business centers that offer a complete range of telecommunication facilities; most hotels now offer Wi-Fi networks for their guests.

Transportation

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In all large Pakistani cities, taxis are readily available and the fares are quite reasonable, although in most case the fare has to be negotiated in advance. 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 or make use of the radio cab services, which is available in Karachi, Lahore and Islamabad. 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. All the major airports in Pakistan offer radio cab service at a fixed, non-negotiable rate.

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 (with one stopover in Europe). Other than PIA, Etihad, Emirates and Qatar Airways provide convenient connections to New York, Chicago, Houston and Washington, DC via Abu Dhabi, Dubai and Doha. The Pakistan International Airlines offers the largest network of domestic and international destinations. In addition to PIA, there are three other private airlines - namely Airblue, Shaheen Air International and the recently introduced Air Indus. There are also private air charter services, one of which is 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 twelve self-owned Boeing 737-200's in its fleet, and there are plans to acquire more in the near future. Shaheen Air International operates to a total of 14 destinations of which 5 are domestic and 9 international, 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 A320s and two A321s 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.

Air Indus:

Air Indus is another private airline with its headquarters based out of Karachi. Air Indus operates 3 Boeing 737-300 aircraft and started operations since 28 July 2013. With a very small fleet, airline links all major cities in Pakistan.

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.

Health

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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.

Polio Vaccination: Effective from June 1, 2014, passengers traveling outside of Pakistan will be required to provide proof of polio vaccination at the time of departing the country. This requirement has been mandated by the World Health Organization (WHO).

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, Doctor's Hospital in Lahore and the Shifa International Hospital in Islamabad have several foreign trained doctors.

Local Time, Business Hours, and Holidays

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Most private offices in Pakistan work from 9:00 a.m. to 6:00 p.m., with the week starting on Mondays and ending on Fridays. Some private sector offices observe a 6-day week and are open on Saturdays, but banks are generally closed on Saturdays. 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 weekly Friday prayers. Business visitors planning a trip to Pakistan should take into account the following local holidays before finalizing their travel itinerary:

2014 Pakistani Holidays:

- Pakistan Independence: Day August 14
- *Eid-ul-Fitr: July 29, 30, & 31
- *Eid ul Azha: Oct. 5, 6 & 7
- Iqbal Day: Nov. 9
- *9th & 10th of Muharram Nov. 3 & 4
- 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 – please check before travel or making appointments)

During the Islamic month of 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. Ramadan begins 29 or 30 days before the festival of Eid-ul-Fitr. The month of Ramadan will commence on or about June 29 and end on July 28, 2014.

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>

Web Resources

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Pakistan Embassy, Washington, DC: <http://www.embassyofpakistanusa.org/>

Pakistan International Airlines: www.piac.com.pk

Air Blue: www.airblue.com

Shaheen Airlines: www.shaheenair.com

Air Indus: www.airindus.com.pk

JS Air: www.jsair.com.pk

Princely Jets: www.princelyjets.com

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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: David McNeill
U.S. Commercial Service
United States Embassy
Diplomatic Enclave, Ramna 5
Islamabad, Pakistan
Tel: 92-51-208-2449
Fax: 92-52-282-3981
E-mail: David.McNeill@trade.gov
E-mail: Cheryl.Dukelow@trade.gov (effective October 1, 2014)

Senior Commercial Specialist: Tariq Sayeed
U.S. Commercial Service
United States Embassy
Diplomatic Enclave, Ramna 5
Islamabad, Pakistan
Tel: 92-51-208-2064
Fax: 92-52-282-3981
E-mail: Tariq.Sayeed@trade.gov

Commercial Specialist: Ayan Ali Khan
U.S. Commercial Service
United States Embassy
Diplomatic Enclave, Ramna 5
Islamabad, Pakistan
Tel: 92-51-208-2963
Fax: 92-52-282-3981
E-mail: Ayanali.Khan@trade.gov

Commercial Specialist – Karachi: Malik Attiq
US Commercial Service
American Consulate General
Plot No. 3.4.5. New TPX Area
Mai Kolachi Road
Karachi- Pakistan
Tel: 92-21-3527-5017
Fax: 92-21-3561-2413\

E-mail: Malik.Attiq@trade.gov

Commercial Specialist – Lahore: Aftab Qamar
U.S. Commercial Service
U.S. Consulate General
50 Empress Road
Lahore, Pakistan
Tel: 92-42-3603-4082
Fax: 92-42-3603-4229
E-mail: Aftab.Qamar@trade.gov

Commercial Assistant – Lahore: Hassan Raza
U.S. Commercial Service
U.S. Consulate General
50 Empress Road
Lahore, Pakistan
Tel: 92-42-3603-4271
Fax: 92-42-3603-4229
E-mail: Hassan.Raza@trade.gov

USDA Agriculture Counselor for Pakistan: Clay Hamilton
U.S. Foreign and Agriculture Service
United States Embassy
Diplomatic Enclave, Ramna 5
Islamabad, Pakistan
Tel: 92-51-208-2274
Fax: 92-51-227-8142
Email: HamiltonCM@state.gov
Email: Clay.Hamilton@fas.usda.gov

AMERICAN CONSULATE
11-HOSPITAL ROAD
PESHAWAR CANTT
Peshawar, Pakistan
Tel: 92-91-526-8800
Fax: 92-91-527-6712 & 528-4171

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

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

Trade Information Center (TIC)
U.S. and Foreign Commercial Service
International Trade Administration
U.S. Department of Commerce

E-mail: tic@trade.gov
Website: www.export.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: 202-243-6500
Fax: 202-686-6373
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: 212-879-5800
Fax: 212-517-6987
E-mail: info@pakistanconsulateny.org
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: 92-21-3587-7351 and 52; 3587-7390
Fax: 92-21-3587-7391
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 (ext: 413)
Fax: 92-42-3570-1063
Website: <http://www.abf.com.pk>

Federation of Pakistan Chambers of Commerce and Industry
Federation House, Main Clifton Road
Karachi, Pakistan
Tel: 92-21-3587-3691, 93, 94;
(President's Office Direct Tel: 92-21-3587-3640)
Fax: 92-21-3587-4332;
(President's Office Direct Fax: 92-21-35873131)
Email: info@spcci.com.pk
Website: 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: 92-21-3241-0814 and 15
Fax: 92-21-3242-7315
Email: Janet@oicci.org
Website: www.oicci.org

Karachi Chamber of Commerce and Industry
Aiwan-e-Tijarat Road, Off Shahrah-e-Liaquat
P.O. Box 4158
Karachi, Pakistan
Tel: 92-21-9921-8020; 9921-8030
Fax: 92-21-9921-8040
Email: president@kcci.com.pk
Website: www.kcci.com.pk

Islamabad Chamber of Commerce and Industry
Chamber House
Aiwan-e-Sanat-o-Tijarat Road
Sector G-8/1
Islamabad, Pakistan
Tel: 92-51-225-0526; 225-3145
Fax: 92-51-225-2950
Email: icci@brain.net.pk
Website: www.icci.com.pk

Rawalpindi Chamber of Commerce and Industry
39 Mayo Road, Civil Lines
Rawalpindi, Pakistan
Tel: 92-51-511-1051-54
Fax: 92-51-511-1055
Email: rcci@rcci.org.pk
Website: www.rcci.org.pk

Lahore Chamber of Commerce and Industry
11 Shahrah-e-Aiwan-e-Tijarat
Lahore, Pakistan
Tel: 92-42-111-222-499

Fax: 92-42-3636-8854
Website: www.lcci.com.pk

Sarhad Chamber of Commerce and Industry
G.T. Road
Peshawar, Pakistan
Tel: 92-91-921-3313 up to 15
Fax: 92-91-921-3316
Email: sccip.psh@gmail.com
Website: www.kpcci.org.pk

Quetta Chamber of Commerce and Industry
Zarghoon Road, P.O. Box 117
Quetta Cantt.
Tel: 92-81-282-1943; 283-5717
Fax: 92-81-282-1948
Email: qcci1@hotmail.com
Website: www.qcci.com.pk

Executive Director: Esperanza Gomez Jelalian
U.S. - Pakistan Business Council
U.S. Chamber of Commerce
1615 H Street, N.W.
Washington, D.C. 20062-2000
Fax: (202) 822-2491
E-Mail: uspsc@uschamber.com
Website: <http://www.uspakistan.org>

Government of Pakistan Offices

Secretary
Ministry of Commerce
Room 402, 4th Floor
Block-A, Pakistan Secretariat
Islamabad, Pakistan
Tel: 92-51-921-0277 and 910-3949
Fax: 92-51-920-3104
Email: secy@commerce.gov.pk
Website: www.commerce.gov.pk

Secretary
Ministry of Industries, Production & Special Initiatives
Room 110, 1st Floor
Block-A, Pakistan Secretariat
Islamabad, Pakistan
Tel: 92-51-921-1709 and 921-0192
Fax: 92-51-920-7748
Email: secretary@moip.gov.pk
Website: www.moip.gov.pk

Secretary
Ministry of National Food Security & Research
Room 311, 3rd Floor
Block-B, Pakistan Secretariat
Islamabad, Pakistan
Tel: 92-51-920-3307 and 921-0351
Fax: 92-51-920-6689
Email: secretarynfsr@Yahoo.com

Secretary
Ministry of Finance & Revenue
Room 213, 2nd Floor, Q-Block, Pakistan Secretariat
Islamabad, Pakistan
Tel: 92-51-920-2373; 920-3424
Fax: 92-51-920-1857
Email: secretary@finance.gov.pk
Website: www.finance.gov.pk

Punjab Board of Investment and Trade
23-Aikman Road, GOR-1
Lahore, Pakistan
Tel: 92-42-9920-5201 Ext 102; 92-42- 9920-4114
Fax: 92-42-9920-5171
Website: <http://www.pbit.gop.pk>

Sindh Board of Investment
Government of Sindh
1st Floor, Tower B
Finance & Trade Center
Shahra-e-Faisal, Karachi
Tel: 92-21-9920-7512 up to 4
Fax: 92-21-9920-7515
Email: info@sbi.gos.pk
Website: <http://www.sbi.gos.pk>

Director General, Americas
Ministry of Foreign Affairs
Constitution Avenue
Islamabad, Pakistan
Tel: 92-51-920-6206; 905-6634
Fax: 92-51-920-6206
Website: www.mofa.gov.pk

Director General
Civil Aviation Authority Headquarters
Terminal 1 Building
Quaid-e-Azam International Airport
Karachi
Phone: 92-21-9924-2002-3; 9907-1111; Ext 2001
Fax: 92-21- 9924-2004

Email: dgcaa@caapakistan.com.pk
Website: www.caapakistan.com.pk

Chairman
Securities and Exchange Commission of Pakistan
Ministry of Finance
NIC Building, Jinnah Avenue
Islamabad-44000, Pakistan
Tel: 92-51-920-3609 4; Ext 203 /920-7598
Fax: 92-51-920-4915
Website: www.secp.gov.pk

Directorate General Defense Purchase (DGDP)
Ministry of Defense Purchase
Pakistan Secretariat No. II
Adam Jee Road
Saddar, Rawalpindi
Pakistan
Tel: 92-51-927-0967
Fax: 92-51-927-0964

Chief Executive
Trade Development Authority of Pakistan (TDAP)
Government of Pakistan
5th Floor, Block A, Finance & Trade Centre
P.O. Box No. 1293, Shahrah-e-Faisal,
Karachi 75200, Pakistan.
Tel: 92-21-9920-6806
UAN: 92-21-111-444-111
Fax: 92-21-9920-2718
Email: tdap@tdap.gov.pk
Website: <http://www.tdap.gov.pk>

Chairman
Board of Investment (BOI)
Attaturk Avenue, G-5/1
Islamabad
Ph: 92-51-920-8717; 92-51-921-1999
Fax: 92-51-921-8323
Email: Chairman@boi.gov.pk
Website: www.pakboi.gov.pk

Federal Board of Revenue
FBR House
Constitution Avenue, Sector G-5
Islamabad, Pakistan
Ph: 92-51-920-1938; 920-8827
Fax: 92-51-920-5307; 920-5308
Website: www.fbr.gov.pk

Chairman

Karachi Port Trust
KPT Head Office
2nd Floor, Karachi
Ph: 92-21-9921-4310; 92-21-9921-4315
Fax: 92-21-9921-4330
Email: Chairman@kpt.gov.pk
Website: www.kpt.gov.pk

Chairman
Port Mohammad Bin Qasim Authority
Bin Qasim
Karachi – 75020, Pakistan
Ph: 92-21-9927-2147; 92-21-3473-0110
Fax: 92-21-3473-0109
Email: secretary@pqa.gov.pk
Website: www.pqa.gov.pk

Chief Collector Customs
Pakistan Customs
Customs House
Karachi
Ph: 92-21-9921-4170; 92-21-9921-4166; 21-9921-4980
Fax: 92-21-9921-4134; 92-21-9921-4172
Website: www.fbr.gov.pk

Managing Director
Pakistan International Airlines (PIA)
PIA Head Office
Jinnah International Airport
Karachi-75200, Pakistan
Ph: 92-21-3457-5900; 111-786-786
Fax: 92-21-3457-2225
Email: info@piac.aero
Email: mdpiac@piac.aero
Website: www.piac.com.pk

Governor
State Bank of Pakistan
3rd Floor, Central Directorate
State Bank Building
I.I. Chundrigar Road
Karachi, Pakistan
Ph: 92-21-9921-2447 and 448
Fax: 92-21-9921-2446.
Email: Governor.office@sbp.org.pk
Website: www.sbp.org.pk

Managing Director
Pakistan Tourism Development Corporation (PTDC)
Flashman's Hotel, The Mall
Rawalpindi - Pakistan

Ph: 92-51-9272017-18,
Fax: 92-51-9272020
Email: Paktourslimited@gmail.com
Website: www.tourism.gov.pk

Federal Secretary
Privatization Commission
Ministry of Privatization
5-A, Expert Advisory Cell (EDB) Building
Constitution Avenue
Islamabad, Pakistan
Ph: 92-51-920-5146 to 9
Fax: 92-51-920-3076 and 9211692
Website: www.privatisation.gov.pk

Chairman
Water & Power Development Authority
Room 701, WAPDA House
Shahrah-e-Quaid-e-Azam
Lahore
Ph: 92-42-9920-2222 and 23
Fax: 92-42-9920-2505
Email: chairman@wapda.gov.pk
Website: www.wapda.gov.pk

Multilateral Development Bank Offices

The World Bank
20-A, Shahrah-e-Jamhuriat
Ramna 5, P.O. Box 1025, G-5/1
Islamabad- Pakistan
Ph: 92-51-227-9641 up to 46
Fax: 92-51-227-9648 and 49
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, P.O. Box 1863
Islamabad, Pakistan
Ph: 92-51-260-0351-69; 208-7300
Fax: 92-51-260-0365 and 66
Email: adbprm@adb.org
Website: www.adb.org/PRM

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.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, and is free.

Trade Events

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

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

<http://www.ecgateway.net/ver1.0/calender.php>

<http://www.pegasusconsultancy.com/Upcoming%20Events.htm>

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Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. 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
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center at (800) USA-TRAD(E)**.

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.

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