

U.S. - Pakistan Business Council NEWSLETTER

U.S. Chamber of Commerce

December 2002

Chamber of Commerce of United States Inaugurates U.S. - Pakistan Business Council

The United States Chamber of Commerce officially launched the U.S.—Pakistan Business Council (USPBC) On September 30th, 2002. The USPBC is the leader in promoting trade and investment between the United States and Pakistan, and is now an integral



The Honorable Dr. Paul Wolfowitz, Deputy Secretary of Defense, giving the luncheon address at the U. S. - Pakistan Business Council inauguration at the U. S. Chamber of Commerce

component of the South Asia Affairs Department at the U.S. Chamber of Commerce. The primary role of the U.S. – Pakistan Business Council is to foster a greater awareness of business opportunities in Pakistan, as well as to further increase U.S. foreign direct investment in Pakistan. The Council brings together American and Pakistani business leaders for constructive discussions of business conditions and policy related issues.

The official inauguration brought together representatives of leading American companies and high-ranking U.S. and Pakistani government officials. Keynote addresses were delivered by the Honorable Dr. Paul Wolfowitz, Deputy Secretary of Defense and the Honorable Shaukat Aziz, Minister of Finance, Islamic Republic of Pakistan. Dr. Wolfowitz spoke of the strong ties between the U.S. and Pakistan, especially in the area of regional security and Pakistan's strong support for the global war on terrorism. Minister Aziz conveyed Pakistan's commitment to increasing his country's attractiveness as a destination for Foreign Direct Investment (FDI),

pointing to measures such as 100 percent foreign ownership in the manufacturing sector. The themes of continued strengthening of political and economic ties between the two countries was stressed by other speakers, including the Honorable E. Anthony Wayne,



The Honorable Minister of Finance Shaukat Aziz inaugurates the U. S. - Pakistan Business Council on behalf of the Government of Pakistan

Assistant Secretary of State for Economic and Business Affairs; Mr. Ahmet Bozer, President, Eurasia and Middle East Division of the Coca-Cola Company and Chair of the USPBC Board of Directors; H.E. Tariq Ikram, Minister of State and Chairman of the Export Promotion Bureau, Islamic Republic of Pakistan; Mr. Waseem Haqqie, Chairman, Board of Investment, Islamic Republic of Pakistan; and H.E. Ashraf Jehangir Qazi, Ambassador, Islamic Republic of Pakistan. The highlight of the day was a congratulatory message, via videotape, from President Pervez Musharraf, who welcomed U.S. companies to visit Pakistan and invest in one of South Asia's most dynamic and growing economies. Echoing the positive outlook U.S. companies increasingly have regarding business opportunities in Pakistan, Mr. Willard A. Workman, Senior Vice President of International Affairs at the U.S. Chamber of Commerce said, "The Chamber considers the U.S. - Pakistan Business Council to be a concrete manifestation of growing American business interest in Pakistan."



Willard A. Workman gives a brief history of the U.S. Chamber of Commerce at the U. S. - Pakistan Business Council inauguration in the Hall of Flags



The Honorable E. Anthony Wayne, Assistant Secretary of State for Economic and Business Affairs speaking on furthering the U. S. - Pakistan bi-lateral relationship on trade and investment at the U. S. - Pakistan Business Council inauguration at the U. S. Chamber of Commerce



William Lash, Assistant Secretary of Commerce addresses USPBC Plenary Session



Brief Remarks by Mr. Ahmet C. Bozer Chairman, U. S. - Pakistan Business Council, President, Eurasia and Middle East Division, Coca Cola

The U.S.-Pakistan Business Council Mission and Action Plan

The U.S.-Pakistan Business Council is the leading private sector association of U.S. companies with business and investment interest in Pakistan. The Council is part of South Asia Affairs division of the U.S. Chamber of Commerce in Washington, DC, and is run under the administrative aegis of the Chamber. The primary role of the USPBC is to foster a greater awareness of business opportunities in Pakistan and to generate increased direct foreign investment.

Through executive missions and existing business networks, USPBC members will meet regularly with Ministers and Secretaries of the Government of Pakistan. The Council will also involve its members in policy discussions with Pakistan's key business organizations, including the Federation of Pakistan Chambers of Commerce and Industry with which it has a cooperative agreement. A key objective of the Council is to develop policy recommendations for further reforms in the natural gas and energy sector, telecommunications, financial services, insurance, infrastructure, information technology, transportation, and intellectual property rights.

Activities and Services of the U.S. - Pakistan Business Council:

- Cultivate and facilitate constructive relationships among the U.S. and Pakistani business communities and their respective governments;
- Develop and maintain long-term relationships between U.S. company executives and their Pakistani counterparts through business meetings, policy forums, seminars, and social gatherings;
- Organize trade missions to Pakistan for USPBC member for private meetings with senior officials of the Government of Pakistan and the Pakistan business community;
- Host officials of the Government of Pakistan upon their visits to the United States;
- Introduce senior executives of member companies to key business and government leaders in Pakistan;
- Provide information to member companies on economic and political trends and developments in Pakistan leading to effective investment decisions.



(L-R) Iftikhar Ali Malik, Ahmet C. Bozer, the Honorable Minister of Finance Shaukat Aziz, and The Honorable Dr. Paul Wolfowitz at the Signing Ceremony of an "Agreement of Cooperation" between the U.S. - Pakistan Business Council and Federation of Pakistan Chambers of Commerce and Industry



Dr. Herbert Davis welcomes guests to the USPBC Plenary Session



His Excellency Ashraf Jehanghir Qazi, Ambassador of Pakistan gives vote of thanks at the U. S. - Pakistan Business Council inauguration at the U. S. Chamber of Commerce



Iftikhar Ali Malik, President, Federation of Pakistan Chambers of Commerce and Industry addresses the attendees at the U. S. - Pakistan Business Council inauguration at the U. S. Chamber of Commerce



Waseem Haqqie, Chairman Board of Investment, Government of Pakistan

Why Pakistan?

Pakistan is a country rich in history, culture and human resources. Today it is also an emerging market rich with opportunities for U.S. direct investment. Pakistan is in an ideal geographic location including immediate access to the Central Asian Republics with a competitively affordable and expanding workforce of 36 million many of whom are well versed in the English language. Since 1999, Pakistan has achieved significant macroeconomic success as recognized by the multilateral lending institutions, in particular, the World Bank. During the past several years the Government of Pakistan has initiated critical fiscal and economic policy reforms.

American companies that are already taking advantage of opportunities in Pakistan include Colgate-Palmolive, Dupont, Johnson & Johnson, Proctor & Gamble, Wal-Mart, El Paso Energy, AES, Ocean Energy, American Express, Boeing, Microsoft and Citibank. Some companies such as Wal-Mart are new to the market, while others such as Coke and Pepsi have operated successfully there for decades. In the first half of fiscal year 2001,

U.S. private investment in Pakistan represented nearly 75 percent of the country's total foreign direct investment. A recent WTO report indicates that Pakistan has, "Resisted protectionist pressure and opted for market-based reforms". Minister Aziz and others stressed that Pakistan is keenly interested in attracting more foreign investment.

Pakistan's Economy

Pakistan's economic structure is in transition from an agricultural base to a service and manufacturing base, which is reflected by the accelerating growth in services and manufacturing as a portion of total employment and GDP. Unemployment and inflation are in check and exports are rising. Pakistan's **Comprehensive Economic Revival Program** was launched three years ago and has reduced state intervention in the economy as well as achieved appreciable gains in economic growth and investment reform. Tariff and non-tariff barriers have been reduced or eliminated. Privatization has been forcefully pursued. Steps to fortify corporate governance have also been taken. Government of Pakistan reform efforts during the past

several years have led both the IMF and the World Bank to express confidence in the Pakistan economy.

An important portion of the **Comprehensive Economic Revival Program** encompasses attracting foreign investors. The Musharraf government is focusing specifically on attracting investment in agriculture, information technology and oil and gas. However, all sectors, with the exception of defense, are open to foreign investment. Foreign firms are allowed 100 percent equity ownership in manufacturing investments, although the government does favor joint ventures which enjoy greater concessions on import duties and more generous tax holidays. Predictably, export oriented industries are afforded the greatest incentives. There are no absolute official restrictions on the acquisition of local firms and construction projects are subject to approval only by the local jurisdiction under which they fall. A wide variety of industry and location specific tax incentives exist to encourage foreign direct investment. Pakistan's foreign investment policy is among the most open and liberal in South Asia.



U.S. - Pakistan Business Council Inauguration Luncheon Attendees at the U. S. Chamber of Commerce



Inauguration Luncheon Speakers in the Hall of Flags at the U. S. Chamber of Commerce

Sector Information

Pakistan is focusing its foreign investment efforts on developing and improving its information technology, oil and gas and agricultural sectors. During 2001, the oil and gas sector was the lead industry in FDI followed by trade, electronics and the financial services sectors.

Oil & Gas

Petroleum products account for half of all energy consumption in Pakistan and domestic demand has been growing at a rate of five percent annually over the last decade. However, domestic production is only able to satisfy 15 percent of demand. In 2000, \$2.4 billion in oil was imported, representing 30 percent of total export earnings. Predictably, the government of Pakistan is emphasizing the need for increased domestic production. The first objective of the government is to attract foreign investment. Consequently, there are 24 exploration companies currently operating in Pakistan and more are on the way. This sector also offers a relatively well-developed transportation, distribution and refining infrastructure. Significant opportunities for foreign companies exist in every aspect of the oil and gas sector in Pakistan.

Information technology

As of January 1, 2003 the state telecom company, PTCL, is scheduled to lose its monopoly status. In preparation, PTCL is searching for a strategic partner to acquire at least a 15 percent interest. Other service providers will also be allowed to enter the market. Among many reasons for the pending liberalization of the telecom industry is Pakistan's desperate need for modernizing its

telecom infrastructure that is inhibiting the development of e-commerce. The government established the Information Technology and Telecommunications Division in 2000 to help support the deployment of a more advanced infrastructure. The development of an expanded IT workforce has also been at the center of government efforts and two new IT universities are now operating.

Agriculture

The agricultural sector is primarily composed of small owner operated farms located within the fertile Indus River basin as well as small forestry and fishing operations. The government is firmly supporting the nascent agribusiness industry in Pakistan with several investment incentives. These include the allowance of 100 percent foreign ownership with no investment minimums, duty free equipment imports and free remittance of capital and profits. In addition, there is ample access to arable land and a reasonably well-developed transportation network.

Privatization

Yet another component of the **Comprehensive Economic Revival Program** is the privatization program. Several state owned companies in a variety of industries are currently slated for partial or total privatization. Over the past ten years Pakistan has privatized nearly \$2 billion in state owned enterprises, most to foreign investors. The Privatization Commission is currently listing more than a dozen companies including oil and gas, financial services, construction and utility concerns.



*U.S. Chamber of Commerce in Washington, D.C.
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Plenary Session at the U.S. - Pakistan Business Council Inauguration