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Pakistan

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Doing Business in Pakistan

Market Overview

The United States and Pakistan have a strong economic and commercial relationship, conducting two-way trade of approximately $5.6 billion in 2016. The U.S. is Pakistan's largest trading partner and a leading source of foreign direct investment. U.S. exports to Pakistan reached $2.1 billion in 2016, a 39% increase over the 2014 figure of $1.5 billion. The U.S was Pakistan's largest export market in 2016. Pakistan's exports to the U.S. in 2016 were $3.4 billion, a 9% decrease versus the previous year.

In 2013 Pakistan had its first democratic-to-democratic transition of power between former Pakistani President Asif Zardari of the People's Political Party and current Prime Minister Nawaz Sharif of the Pakistan Muslim League (Nawaz), after decades of intermittent military coups. A new round of elections is currently on track for 2018. This relative political stability has been accompanied by macroeconomic stability, aided by lower global oil prices. Pakistan's recent completion of its IMF program and the strong performance of the Karachi Stock Exchange have made Pakistan a more attractive market for foreign exporters and investors seeking new business opportunities.

With a population of approximately 190 million and an overall GDP close to $300 billion, Pakistan is the seventh-largest market within the Middle East, Africa, and South Asia regions, as measured in PPP. It has experienced GDP growth of more than 4 % in each of the last three years, registering 4.7 percent in 2016, and is forecasted to increase to above 5 % GDP growth in 2017 and 2018. 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 56% 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, but also in infrastructure development. The World Bank's 2017 Doing Business Report, which surveys the ease of doing business in international markets, ranked Pakistan 144th among the 190 economies surveyed. By comparison, regional competitors India and Bangladesh ranked 130 and 176, respectively.

American firms have a 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 intercessional meeting was held in June 2017. 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 about $4 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

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. (In an effort to boost development, Pakistan and China are implementing the "China-Pakistan Economic Corridor", a more than $50 billion investment program targeted towards the energy sector and other infrastructure projects that Islamabad and Beijing had agreed on in early 2013.)

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

With a population of approximately 190 million and a GDP close to $300 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 equipment, telecommunication equipment and services, airport and ancillary facilities, construction/architectural services, agricultural machinery and equipment, franchising and healthcare.

Market Entry Strategy

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 website.

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 website.

Political Environment

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

Selling US Products & Services

Using an Agent to Sell US Products and Services

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

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: The electricity power supply in Pakistan by different agencies, both in the public and private sector. 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, 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.

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:

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

Pakistan Board of Investment

Franchising

The concept of franchising is quickly gaining acceptance in Pakistan, especially in the hospitality and food service sectors. U.S. companies dominate the franchise market in Pakistan in large part due to the fact that U.S. firms are the pioneers in this sector, and have the strongest marketing to support their brands. 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 challenges. Potential areas of dispute 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 certified "Halal" (slaughtered in accordance with proper Islamic ritual).

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 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.

Certain exchange regulations of the State Bank of Pakistan (SBP) also pose challenge to the growth of this sector. The major stumbling block is the central bank's guidelines on commercial remittances which limits the initial franchise fee up to $100,000 (regardless of the number of outlets) for lifetime. Similarly the SBP also limits the continuing franchise fee to five percent of their monthly net sales which suppresses the franchisees at times (since some franchisors charge a fee higher than five percent).

Furthermore, Pakistan's energy crisis and less developed processed food market (meat, chicken, poultry) also pose challenge to the franchisees where they mostly rely on the import of major ingredients.

In spite of these challenges, international franchisers are queuing up to tap this market - where competition / labor cost is low and profit margins are still high. 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, TCBY, Cold Stone Creamery, 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

Until recently, direct marketing in Pakistan was limited to direct mail advertising, with leading pharmaceutical firms, banks and large publishing groups as major users. The pharmaceutical companies employed direct mail to reach out to doctors, hospitals, and other medical professionals. Publishers used direct mail to reach out to their existing subscribers of magazines and publications for repeat business and banks used this tool to market its consumer banking products. 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 cell phone 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

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

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. The procurement rules "Public Procurement Rules, 2004" are well defined and can be found on Procurement Regulatory Authority's website.

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) allow only exclusive agents to submit bids for tenders to ensure that they receive only one quotation from each supplier.

Further details about government tenders may be obtained here.

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to "Project *Financing"* Section in *"Trade and Project Financing"* for more information. [In Salesforce insert a link to the Project Financing Section of the CCG]

Distribution & Sales Channels

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.

Selling Factors & Techniques

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.

eCommerce

Overview

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. Several studies suggest that up to 60% of the economy is informal, 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, 3 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 40 million Internet subscribers in Pakistan and this figure is expected double during the next five years.

There are also more than 20 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 72%, and mobile banking is an area with some promise.

Current Market Trends

E-commerce trends across Pakistan pertaining to in-market segment have remained much inclined towards electronics and mobile phones lately. Since mobile devices such as smartphones and tablets have made a vast number of choices and plenty of information available at fingertips, online customers in Pakistan are mostly interested in searching about and purchasing Consumer Electronics & Mobile Phones, followed by Employment Queries, Online Education & Counseling, Sale / Purchase & Information Gathering for Autos & Vehicles, Computers & Accessories, Financial Services, Laptops & Notebooks, Motor Vehicles by Brand, Test Preparation & Tutoring and last but not the least, Apparel & Accessories.

The e-commerce industry is profoundly impacted by the rise of social networks and the proliferation of mobile devices at an enormously large scale. Since mobile devices such as smartphones and tablets have made a vast number of choices and plenty of information available at fingertips, consumers are leaving behind traces and records of their behaviors, preferences and interests; and this report aims to capture and analyze all these trends.

eCommerce Services

With rapid evolution of technology and the advent of new and advanced software, people make use of different internet browsers to surf the World Wide Web. Different research reveal that Google Chrome is the most popular internet browser in Pakistan with 58% of the total e-commerce visitors using this software, followed by Mozilla Firefox at second place with 17% of total e-commerce visitors in Pakistan. The rest of the 25% e-commerce traffic in Pakistan comes via Android Browser, Internet Explorer, Safari, Opera, Opera Mini, UC Browser, Safari (inn-app) and Maxthon respectively. Moreover, Google Chrome, Mozilla Firefox and Android Browser also lead the list of the average session duration of e-commerce users, respectively.

Popular eCommerce Sites

Some leading eCommerce websites in Pakistan are;

- OLX
- daraz
- PakWheels
- Zameen
- Kaymu
- Shophive
- Homeshopping
- Jumia

Online Payment

According to reports 95pc of e-companies get payments for their orders on cash-on-delivery model. This increases the liquidity requirements for e-commerce companies and also forces them to have dedicated teams that manage cash receipts for the company, thereby raising operational costs. The larger players in the e-commerce space have started to crack the code around digital payments, and are optimistic that the industry will come together to coax consumers into moving away from cash-on-deliver to online payments. Digital payments also represent a hurdle for Pakistan's e-commerce sector. While a number of products like EasyPaisa, EasyPay, etc – mobile banks - are available today, none of them have high market penetration. This, coupled with the fact that only 16pc of the country's population has a bank account, vastly raises the cost of doing business for e-commerce companies.

Mobile eCommerce

With the introduction of 3G/4G services, internet penetration has risen rapidly. Internet subscriber growth in Pakistan is averaging over 10pc per year and total subscribers crossing the 30 million mark in 2016. Cheap smartphones, low cost of 3G/4G services and a consumer-goods obsessed middle class has meant that Pakistan's e-commerce sector is 'mobile first': a number of e-commerce start-ups interviewed said that over 75pc of their total order volume was through mobile devices.

Major Buying Holidays

Just like seasons have their impact on the e-commerce transactions around the world, the special occasions also greatly boost up the sales. The special occasions in Pakistan such as Eid-ul-Adha, Eid-ul-Fitr, Black Friday, New Year and Wedding Season provide great opportunities to e-commerce entrepreneurs across Pakistan for generating adequate profits and sales. The wedding season in Pakistan is usually during the months between October and April.

Similarly, during cricket world cup 2015 (end of first quarter and start of second quarter), there was larger number of sales for Pakistan cricket t-shirts, cricket bats, balls, cricket kits and accessories. Also, sales of football related products started to grow by the end of second quarter of 2014, owing to the upcoming FIFA World Cup.

Social Media

Social media has been gaining vast popularity among the masses in Pakistan mainly due to Facebook, Twitter, Skype, Instagram etc. The introduction of mobile broadband coupled with the influx of affordable smartphones had a catalytic effect on the use of social media in Pakistan. People turn towards social media to voice their opinions, experiences, suggestions and feedback on any topic or constituent of the society.

Among the most popular social platforms, Facebook leads the way with more than 3 billion connections per day. It is by far the most popular social media platform in Pakistan as more than 17.2 million user accounts are estimated to be from Pakistan. Twitter is also fast becoming the preferred social media portal with more than 280 million connections per day. Google, You Tube and Instagram are also among the toppers in the list of most online hits per day

Trade Promotion & Advertising

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 Newsline. The principal English-language weekly economic magazine is the Pakistan & Gulf Economist, published in Karachi, and there is also a widely read English weekly, 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.

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 more than 10 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

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

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

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Protecting Intellectual Property

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 is the government of Pakistan's focal point for IP issues.

In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on Protecting Intellectual Property and also Corruption.

IP Attaché Contact
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:

Senior IP Specialists
South Asia:
Komal Kalha : komal.kalha@trade.gov
Shilpi Jha: EMAIL: shilpi.jha@trade.gov

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

Due Diligence

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

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.

Principle Business Associations

American Business Council:

The American Business Council of Pakistan (ABC), founded in 1984,is one of the largest investors group in Pakistan – currently, we have 68 members and most of them are Fortune 500 companies. They operate in various sectors i.e. healthcare, financial services, information technology, chemicals & fertilizers, energy, FMCG, food & beverage, oil & gas and others. ABC members have cumulative revenues of US$ 3.73 billion.

U.S.-Pakistan Business Council:

An affiliate of the U.S. Chamber of Commerce, the USPBC is the leading business private sector association of U.S. companies with business and investment interests in Pakistan.

Web Resources

U.S. Commercial Service - Pakistan

Leading Sectors for US Exports & Investments

Agricultural Machinery and Equipment

Overview

(US$ Million)

	2014	2015	2016	2017 (Estimated)
Total Local Production	228.30	228.30	229.70	248.07
Total Exports	38.00	38.00	38.30	40.00
Total Imports	153.20	153.20	153.20	165.45
Imports from the US	5.60	5.60	5.70	5.98
Total Market Size	343.50	343.50	344.80	373.52
Exchange Rates	101.53	101.00	102.77	104.77

Pakistan's agriculture sector is the mainstay of the economy and a primary source of livelihoods. During FY 2015-16, the agriculture sector contributed 19.8% to the country's GDP and employs 42.3% of the total workforce. This fiscal year, the sector grew 3.5% in comparison to 2.9% growth last year. There has been moderate growth in the sector over the last several years, which can be attributed to the efforts of the government of Pakistan to establish easy credit facilities, provide training programs, and raise prices for goods purchased by the government. According to the Pakistan Agriculture Machinery Census, the total land area under cultivation is 46.2 million acres, which has increased 3.8% over the last year. According to industry sources, the total size of the agricultural machinery sector is approximately $300 million, consisting of a combination of tractors, harvesters, and other small-scale agricultural machinery. According to the Economic Survey, Pakistan Vision 2025 "envisages seven priority areas of action and Pillar IV are Water, Energy and Food Security". Among the top five objectives for achieving food security is to "Create a modern, efficient and diversified agricultural sector" – that can ensure a stable and adequate provision of basic food supplies for the country's population and provide quality products for export". The provision of modern agricultural machinery and equipment is essential to the government's plan.

In terms of market share, there are five to six countries that are supplying more than 70% of the total imported agricultural machinery and equipment. These include the United States, China, Japan, Italy and Germany. It is important to note that the individual share of United States is about 35%.

Machinery & Equipment

Pakistan's domestic production of tractor units has increased approximately 72.9% during FY 2015-16. Production soured to 37,938 tractor units as compared to 25,890 units last year. The tractors produced locally are under license agreements with foreign companies from the United States, Belarus and China. In addition to tractors, the United States and EU export used large-scale agricultural machinery to Pakistan, including harvesters. The domestic industry has indigenous capacity to produce agricultural machinery and equipment to meet only 25% of the country's total requirements. Production is expected to increase by 15 to 20% annually over the next 4 - 5 years as the local manufacturers, spurred by the increase in demand, gear their output and diversify their product lines. Most of the machinery is based on outdated technology and its efficiency is low. A wide variety of more sophisticated equipment is imported, but agriculturists prefer to have replacement and spare parts copied local due to the relatively low cost of domestically manufactured equipment.

Leading Sub-Sectors

In order to better develop the agriculture sector, the Government of Pakistan, both at the federal and provincial levels, has launched several programs and incentives to modernize the existing capacity. These initiatives include easy and long-term credit facilities, farmer education programs, and subsidized inputs. In addition, the government through budgetary support programs offers low taxation programs on agricultural machinery in an effort to boost agricultural modernization.

The most promising agricultural machinery export prospects for FY 2018 are:

- Tractors
- Combine Harvesters
- Cultivators
- Culti-packer
- Harrow
- Subsoiler
- Rotator
- Broadcast seeder
- Planter
- Seed Driller
- Fertilizer Spreader
- Trans-planter
- Drip Irrigation Systems
- Weight Sorter
- Round Baler
- Sprayers
- Irrigation Pumps

- Pickers, Fruits, Hand, Base Metal
- Diggers, Seeders
- Sprinklers
- Cotton Gins and Parts

Opportunities

With 46.2 million acres of arable land, there is great potential for improving efficiencies and productivity of the agriculture sector with better equipment and machinery. The Government of Pakistan is determined to support this sector, with the hope that Pakistan can increase yields and exports of grain, fruit and vegetables, poultry and dairy products, and in doing so become an important supplier for the region. To achieve this objective, the government is encouraging investment by offering low-interest financing. Both the public and private sectors have or are in the process of taking advantage of these incentives by setting up small to large-scale projects. According to industry experts, the local market will continue to offer sizeable business opportunities for local and foreign companies for the next several years.

Web Resources

Ministry of Finance
Pakistan Bureau of Statistics
Ministry of Planning Development & Reform
Pakistan Economic Survey 2015-16 - Agriculture

Aviation – Airport and Ground Support Equipment

Overview

Pakistan's three airlines -- Pakistan International Airlines (PIA), AirBlue and Shaheen Air International (SAI) -- continued to modernize, replace and expand their fleets and plan to further expand and restructure. These airlines plan to purchase around nine more aircraft in their fleets due to the drop in oil prices and incentives in aviation policy. Their fleet consists of narrow-body aircraft and they intend to subsequently add turbo-prop aircraft to their fleets. A fourth airline, Air Indus, has been suspended for the last two years by the aviation regulator Civil Aviation Authority (CAA) due to non-compliance to safety/security aspects and other regulatory requirements. Another airline, SerneAir, started operations at the start of 2017 with a fleet of three Boeing 737-800 aircrafts.

The Government of Pakistan (GOP) decided to convert Pakistan's ailing national flag carrier the Pakistan International Airlines Corporation into a Public Limited Company Pakistan International Corporation Limited. In an attempt to improve PIA service standards, the GOP has also registered a subsidiary of the national flag carrier with the Securities and Exchange Commission of Pakistan (SECP) with the name of Pakistan Airways Ltd. This subsidiary offers premium services to attract customers and compete with other regional airlines. These steps are taken to pave the way for the privatization of the struggling national airline that enables the government to sell 26 percent to a "strategic partner". 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 airline is running on a depleted fleet with at least 10 aircraft inoperable. PIA added another Boeing 777-200 ER aircraft to its fleet in 2006, taking the total to 38 and seemingly on a pace to reach 40 by the end of the year. There are additional six aircraft that are inactive and being used for cannibalization.

Shaheen Air International (SAI) inducted its fourth new A319 into its fleet this year. The airline will receive three more A319s by the end of the year and would ultimately increase its fleet size to 20 and also plans to induct ATRs. Airblue has a fleet of 8 Airbus aircraft, including the first of its four Airbus 321 received this year. Sialkot Chamber of Commerce and Industry has established a new airline by the name Air Sial and plans to begin operations this year. The chamber has started the registration of the airline and plan to buy Boeing 727-800 aircrafts. The chamber has already established Sialkot international airport.

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

Local production is extremely limited, as are exports. PIA's Precision Engineering Complex provides custom-made parts, engineering and overhaul support 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 the U.K., France, Germany, and the Netherlands.

Leading Sub-Sectors

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

Air Conditioning Vans; Cargo Loaders; Baggage Tractors; Toilet Carts; Water Carts

Opportunities

New Islamabad International Airport/Benazir Bhutto International Airport at Islamabad: Plans are underway to develop the new Islamabad International Airport at an initial project cost of $300 million that is now rose to an estimate of $900 million, of which approximately 40 percent is earmarked for the purchase of airport ground support equipment. After several delays in completion deadlines, the project is now expected to complete by August, 2017.

New Gwadar International Airport: The estimated project cost is $230 million. 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. GOP plans to build the airport on 4,000 acres of land that will be the largest airport in the country. The project has now been included a part of China Pakistan Economic Corridor (CPEC). The plans are to complete the project in October 2017.

New National Aviation Policy 2015: According to the new National Aviation Policy, available on the Civil Aviation Pakistan website, the import of aircraft, engines and spares will be duty and tax free. 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.

The GOP has finalized a new National Aviation Policy after a gap of fifteen years since the last aviation policy 2000. The salient features of the new policy include; (i) outsourcing of all major airports in the country, landside and terminal buildings to world renowned foreign companies in airport business through a transparent process; (ii) initially Lahore terminal site will be outsourced for which International Finance Corporation has been engaged as a consultant; (iii) development of maintenance, repair & overhauling facility in the north of the country;(iv) pursuing bilateral open skies policy on the principle of reciprocity;(iii) establishment of two cargo villages in the north and south of the country;(v) strengthening the safety and security of air traffic by separating Safety Investigation Board, now part of Civil Aviation Authority (CAA), as an independent functioning unit in accordance with International Civil Association Organization (ICAO) guidelines;(vi) paid up capital requirement for airline operators has been enhanced from Pak Rs. 100 million to Pak Rs. 500 million (USD 1.00 equals Pak Rs. 104.77 at the current exchange rate) to attract financially sound investors;(vii) permission for wet leased aircraft has been enhanced from 90 days to 180 days, and the number of wet leased aircrafts shall not increase more than 50% of the fleet capacity;(viii) maximum aircraft calendar age at the time of induction has been fixed at 12 years and aircrafts are to be replaced after 20 years of calendar age and appointment of Chief Operating Officers at airports to establish unity of command over six different agencies.

Under the National Aviation Policy - 2015, Government of Pakistan has exempted duty on the aviation related goods i.e., Aircrafts and Parts etc. imported by Airline Companies/ Industry, subject to certain conditions, besides the special conditions.

Web Resources

Pakistan International Airline (PIA)
Air Blue
Shaheen Air International
Air Indus
Pakistan Civil Aviation Authority

Computers and Peripherals

Overview

(US$ Million)

	2014	2015	2016	2017 (Estimated)
Total Local Production	1.55	1.60	1.61	1.62
Total Exports	0.0	0.0	0.0	0.0
Total Imports	341.0	368.28	375.6	420.67
Imports from the US	45.0	48.0	48.0	55.2
Total Market Size	342.55	369.88	377.21	422.29
Exchange Rates	101.53	101.00	102.77	104.77

Pakistan's market for computers and peripherals has seen moderate growth in the past several years, a trend that is expected to continue. With virtually no domestic production, the country relies on imports. The local market is generally receptive to U.S. brands, mainly due to the quality and reliability of their products; however, other foreign brands from China, Japan, South Korea, Malaysia, and Taiwan also offer strong competition. Major U.S. brands such as Dell, Hewlett Packard, Intel, Apple, and Cisco have established a strong presence in Pakistan.

The information technology (IT) industry in Pakistan has seen a steady growth during last year and the computers and peripherals sector emerged as a major prospective sector in this regard. The public and private sectors in Pakistan places high priority on the introduction, availability, and utilization of computers and other IT equipment in routine and critical workflows. The Government of Pakistan (GOP) through the National IT Policy of 2012 emphasizes computer availability, usage, connectivity, and skills development. 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 ease in equity ownership, and remittance of profits from Pakistan. In addition, the GOP has launched several projects and incentive schemes to ensure widespread availability of computers to the general public. Some of the initiatives include development of software technology parks; the provision of demand-based training; increasing internet penetration through different mediums including broadband, wireless broadband, and fiber optic; research and development; digitization of public-sector records, technology incubation centers, distribution of free laptops to students on the basis of their academic qualifications, and digitization of government records. In FY 2016, the Senate and National Assembly unanimously passed the Pakistan Electronic Crimes Bill to ensure protection of data and prevention of electronic crimes in the country. According to the industry expects the demand of

IT equipment related to cyber security sub-sector is expected to grow in the next few years.

The primary users of computers and peripherals in Pakistan are private businesses; IT services companies, software development houses, call centers, business process outsourcers (BPOs), internet service providers, educational institutions, and private users. There are more than 900 IT and IT-enabled companies, employing over 80,000 qualified IT professionals in Pakistan. Software development, including specialized application development, by BPOs has emerged as a major business sub-sector during the last several years. According to the latest statistics, there are approximately 15,000 qualified professionals associated with this sub-sector and this number is expected to grow at an annual rate of 3% in the coming years.

According to industry experts, the increasing demand for computers and peripherals in Pakistan is also attributed to the wide-scale access to the internet and access to information through social media platforms. The local demand for internet and wireless broadband services and its associated equipment has seen a significant growth in the past 10 years, which is expected to continue the same trend in coming 3 - 5 years. There are currently 50 ISPs operating countrywide, with approximately 55 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, ISDN, fiber optic, and other wireless connections.

Leading Sub-Sectors

The most promising sub-sectors within Computers and Peripherals for FY 2018 are:

- Personal Computers (New/Used)
- Computer laptops and tablets (New/Used)
- Computer Networking Equipment
- Servers/Gateways
- Modems
- Wireless and Broadband Modems
- Power Supplies/Battery Chargers
- Wires, Cables, and connecting equipment
- Liquid Crystal Display (LCD) / Light Emitting Diode (LED) Monitors

Opportunities

Despite moderate 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.

Web Resources

Ministry of Information Technology
Ministry of Economic Affairs & Statistics
Pakistan Software Export Board
Punjab Information Technology Board

Computer Software

Overview

Pakistan's market for computer software has seen a steady growth trajectory for the past several years. According to the Pakistan Software Export Board (PSEB), the total size of the software sector is approximately $3.0 billion, which is expected to grow at least 4 – 5% in the next five years. The local software market is export-orientated; however, it is significantly dependent on imports for the latest technologies and services. During FY 2015-16, Pakistan's software exports were approximately $1.6 billion, which is 6% higher as compared to the previous year. In addition, the domestic consumption of software applications supported by direct imports and local development is approximately $1.4 billion, which has grown approximately four percent as compared to the last year. Major international software brands from the United States, the United Kingdom, Germany, Spain, and China have already established a strong presence in Pakistan.

Local application developers, freelancers, and IT companies are the major driving force behind the success of the computer software sector in Pakistan. There are approximately 1,500 registered local companies who are involved in a variety of application development for both domestic as well as corporate use. A majority of the high-end companies are involved in the development and distribution of enterprise resource management and customized solutions for specific industry sectors. In addition, there is a growing interest of local companies and freelancers to enter into the online space, especially after the launch of 3G and 4G cellular spectrums in Pakistan. The majority of these development activities involve consumer applications based on Android or Apple platforms, website development, e-wallets/payments, e-commerce, and online gaming. Most foreign firms operate either through their appointed local distributor or by having their own office with fully-equipped technical and support teams to cater to their customers' needs.

The Government of Pakistan on both federal and provincial levels places high priority on the development of the IT industry, including the software development sector. According to PSEB, the government has launched several policies to encourage local and foreign companies to invest in Pakistan. Some of these incentives include: (1) 100% ownership of equity; (2) income tax exemption on IT exports revenue until June 2019;(3) 100% repatriation of profits; (4) seven year tax holiday for venture capital funds; (5) accelerated depreciation of 30% on computer equipment; (6) the State Bank of Pakistan (SBP) has allowed banks to open Internet Merchant Accounts; and (7) availability of instant, reliable and high-speed internet connectivity. In addition, the federal government and the private sector have made concerted efforts to improve the existing internet availability and connectivity throughout the country. According to official statistics, approximately 85% of the local telecommunication infrastructure is via fiber-optic lines, which provides internet access to over 2000 cities and towns. In addition, both the government and private sectors have initiated an aggressive strategy to development new IT educational institutions and introduction of new curriculums/short training programs to consistently maintain the local human resource pool.

Leading Sub-Sectors

The most promising sub-sectors for U.S. companies within computer software sector for FY-2018 are:

- Company acquisitions and mergers
- IT parks
- Incubators
- Venture Funds
- Software Companies
- Call Centers
- Gaming & Animation Studios
- Data Centers
- Training Centers
- Consulting Centers

Opportunities

According to the Pakistan's Ministry of Finance, during FY 2015-16, the local economy has achieved considerable growth rate of 5.2% despite having chronic challenges including energy crisis and terrorism. The local software market offers substantial business opportunities for U.S. companies, who offer products for corporate sector including financial management and business forecasting, online IT training portals, e-commerce, e-payment, embedded tools, and other web-based applications.

Web Resources

Ministry of Information Technology
Ministry of Economic Affairs & Statistics
Pakistan Software Export Board
Punjab Information Technology Board

Construction Equipment and Services

Overview

(US$ Million)

	2014	2015	2016	2017 (Estimated)
Total Local Production	860.20	865.00	869.30	904.07
Total Exports	35.00	38.00	38.00	37.50
Total Imports	1,469.30	1616.20	1815.44	2,087.75
Imports from the US	910.00	982.80	994.60	1,064.22
Total Market Size	2,294.50	2,443.20	2,646.74	2,954.32
Exchange Rates	101.53	101.00	102.77	104.77

Pakistan's construction market contributed approximately 2.7% of the country's total GDP during FY 2015-16. According to the State Bank of Pakistan (SBP), this sector has shown positive growth trends during the last year, which are mainly on the backdrop of declining prices of raw materials, initiation of public sector infrastructure projects, projects under the China Pakistan Economic Corridor (CPEC), and new real estate development programs. The local construction market is segregated in to three sub-sectors: (1) earthmoving and construction machinery, (2) real estate and housing development, and (3) construction contractor services.

Earthmoving and Construction Machinery: During FY 2015-16, the local earthmoving and construction machinery sector has seen a steady growth trend, which is mainly attributed to initiation of several medium-to-large-scale public and private sector infrastructure development projects. According to industry sources, the construction machinery sub-sector holds an approximate market share of 45% of the overall construction market. During FY 2015-16, this sub-sector, which has a market size of approximately $2.4 billion, increased by approximately 6% as compared to the last fiscal year. Despite having domestic production at a moderate level, this sub-sector is heavily dependent on imports. Major international brands from the United States, Germany, the United Kingdom, Japan, South Korea, and China have established a strong presence in the local market, either through agent/distributorship arrangements or through opening their own offices in the country.

Real Estate and Housing Development: The real estate and housing development sub-sector is showing healthy signs of growth in Pakistan. According to industry experts, during the past year, the real estate sector grew approximately 6.5% and represents a total market size of $3 billion. The Government of Pakistan 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 programs in the rural areas of Pakistan.

However, with a population growth rate of 2.1% per annum, the housing sector in Pakistan needs massive investment. According to the Ministry of Housing and Urban Development, out of a population of approximately 190 million people, 33% of people live in urban areas and the remaining 67% live in rural areas. According to available statistics, there are 24 million single-family dwellings currently in existence in Pakistan, and the demand for new single-family housing units is approximately 6.50 million per annum. This demand has been consistently increasing at a rate of 0.61 million housing units per annum. The real estate and housing sector holds an approximate share of 35% in the overall construction market share and is expected to reach 30% of the market share by the end of 2020.

Construction Contractor Services: This sub-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 projects in both the public and private sectors. The total market share of this sub-sector is approximately 20%, which is expected to grow at least 3% in the next 3 - 4 years.

Leading Sub-Sectors

The most promising sub-sectors within the local construction market for FY 2018 are:

Construction Machinery

- 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 or will initiate small to large-scale projects including high-rise commercial/residential building, small-to-large scale infrastructure projects, and real estate development. According to industry experts, the local market will continue to offer sizeable business opportunities to local and foreign companies for the foreseeable future.

Web Resources

Association of Builders and Developers (ABAD)
Institute of Architects Pakistan (IAP)
Pakistan Council of Architects & Town Planners
Ministry of Housing & Works
National Housing Authority

Electrical Power Systems

Overview

(US$ Million)

	2014	2015	2016	2017 (Estimated)
Total Local Production	182.20	182.20	182.20	190.00
Total Exports	10.50	10.50	10.50	9.50
Total Imports	1,819.30	2,001.20	2,081.20	2,289.32
Imports from the US	1,113.20	1,169.20	1,215.90	1,276.63
Total Market Size	1,991.00	2,172.90	2,252.90	2,469.82
Exchange Rates	101.53	101.00	102.77	104.77

Pakistan is suffering from an acute power deficit of approximately 3,000 MW gap between demand and supply. The Government of Pakistan is making a concerted effort to close this gap by offering attractive returns on power sector projects. Experts estimate that the current power shortage has reduced Pakistan's GDP growth by approximately 1 to 2% a year.

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

Hydroelectric	7,602 MW
Thermal (Public and Private)	17,173 MW
Nuclear	1,065 MW
K-Electric	2,341 MW
Wind	796.5 MW
Solar	486 MW
Other Renewable Sources	564 MW
LNG	1,400 MW
Imported (Iran)	105 MW
Coal	1,628 MW

Total Installed Capacity	**33,161 MW**

The inter-corporate circular debt problem affecting the power sector stems from a disparity between the cost and price (tariff) of energy. The inability to increase the consumers' energy tariff prior to fiscal year 2014-15 even though generation cost kept reducing gave rise to substantial cost tariff differential. According to industry experts, various organizations in the energy sector had approximately $4 billion of inter-corporate circular debt through April 2017. This situation was further complicated by the variations in the international price of oil, a major input in the generation of electricity. As the subsidy element (difference between cost and tariff) grew, a large amount of circular debt was created whereby power producing companies were unable to receive payments from distribution companies, in turn the power producers could not make payments to the fuel suppliers. Currently, the government is regularly revising the power tariffs in line with international crude oil prices to recover the cost of power, as demonstrated from the increase in furnace oil and diesel prices which have increased the price of electricity. While the GOP is serious about raising the tariff, the theft and line losses continue to plague the cost recovery.

The number of consumers has been increasing due to expansion of electricity network to villages and other rural areas. The growth in number of consumers increased by approximately 22 million during calendar year 2015-16 against 21.70 million in same period last year.

The primary energy supply and per capita availability of energy witnessed a decline of 0.65% and 3.50% respectively during FY2015-16 over the same period last year. This decrease in the primary energy supply and per capita availability during the current fiscal year is higher than its fall in the base year of 2010-11 when primary energy supply and per capita availability narrowed down by 0.58% and 2.27% respectively. The fall in energy supply during current period can be attributed to the circular debt problem. During the last ten years (2006-2016) the consumption of petroleum products has increased by an average rate of 0.5% per year. The consumption of gas, electricity, and coal has increased at an average rate of 12%, 10% and 7% per year. This long-term trend suggests that the composition of energy consumption is shifting from petroleum products to other energy sources.

Leading Sub-Sectors

The most promising prospects within this sector for FY 2018 are:

- Power Generation Equipment: $80 million
- Power Transmission Equipment: $245 million
- Power Distribution Equipment, including equipment for Rural Electrification: $165 million

Opportunities

The electrical power system (ELP) has become one of the most important industry sectors in Pakistan from the past several years. It is an indispensable energy source not only for the household sector but also for the industrial and manufacturing sectors. The government through the Ministry of Water and Power has made several structural changes, especially in the electrical power generation and transmission policy framework, attracting investors and equipment suppliers through the incentive-based programs, and eliminating the current power deficit/shortfall by 2018. Keeping in view of these decisions, the Pakistan market will continue to offer substantial business opportunities for U.S. companies in all allied sub-sectors of the local electrical power system.

Web Resources

Private Power & Infrastructure Board
Federal Bureau of Statistics
Water and Power Development Authority
National Electric Power Regulatory Authority

Franchising

Overview

Franchising is among the most appealing sectors for investors and businesses in Pakistan. The concept of franchising gradually gained acceptance in Pakistan, especially in the hospitality sector. Several major U.S. hotel chains, along with a number of major U.S. restaurants and fast food chains are currently represented in Pakistan through franchisees.

Prominent U.S. franchises that operate in Pakistan include Pizza Hut, KFC, Dunkin Donuts, Domino's Pizza, Hardees, McDonald's, TGI Friday's, Subway, Pepsi, Coca Cola, Day's Inn, Best Western, Marriott, Ramada, Nike Retail, UPS, FedEx, Berlitz, Gymboree, Gloria Jean's Coffee, Hertz and Avis. Pizza Hut already has more than 70 units in Pakistan and has recently signed a new master franchise agreement with a local partner to open as many as 150 new units in Pakistan over the next five years. KFC already has 64 outlets in Pakistan and several more in the pipeline. McDonald's has 27 and Subway has 39 restaurants. New franchise concepts are opening all the time, most recently Golden Chick, Marble Store Creamery, Claire's, Burger King, Francorp, Cold Stone Creamery, Nine West and Fatburger.

In Pakistan, the most popular area by far is food and restaurants franchises. According to the World Franchise Association, the current market size of internationally franchised food outlets in Pakistan is estimated at $120 million (in annual sales).

U.S. brands were the first to enter into Pakistan and dominate the sector, backed by strong brand marketing. U.S. brands like McDonald's and KFC had a brand-recognition in the cities of Pakistan even before starting their operations in the country. Pakistanis appreciate their superior quality control and customer services standards.

U.S. firms are advised to identify a number of partner 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.

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.

Leading Sub-Sectors

- Food outlets
- Hospitality
- Education

- Retail
- Convenience stores
- Hotels & Motels
- Courier Services
- Security Service
- Movie Theaters/Entertainment Complexes

Opportunities

Demand for brands remains high. And pronounced growth in the number of shopping malls in larger urban areas will offer further opportunities for food outlets, fashion retail and cinema theaters. There is also growth in the retail sector, with an emergence of many international brands. Examples include Next, Splash, Debenhams, Mango, Monsoon, Giordano, Timberland, Levis, Dockers, Mother care, Baby shop, Accessorize, Body Shop, Crabtree & Evelyn, Nike, Adidas, Puma, Crox, Nine West, Pedro, Charles & Keith, Clarks and Sketchers.

The other factors that make Pakistan a lucrative market are low competition, better margins due to low labor costs, and low cost real estate.

Challenges: The franchising sector in Pakistan has concerns with certain exchange regulations of the State Bank of Pakistan (SBP) that deters the growth of this sector. The major sticking point is the central bank's guidelines on commercial remittances which limits the initial franchise fee up to $100,000 (regardless of the number of outlets) for lifetime. Similarly the SBP also limits the continuing franchise fee to five percent of their monthly net sales which suppresses the franchisees at times (since some franchisors charge a fee higher than five percent).

The laws in Pakistan generally provide for protection of intellectual property rights (IPR). Nevertheless, intellectual property piracy in Pakistan remains widespread. KFC's popular, trademarked Zinger Burger chicken sandwich is oft-copied by local shops, for example.

A key consideration in establishing a franchise operation in Pakistan is quality control, particularly if the enterprise proposes to use locally produced items. In Pakistan, all imported food items; particularly meat items must be certifiably "Halal" (slaughtered in accordance with proper Islamic ritual).

Furthermore, Pakistan's energy crisis and less developed processed food market (meat, fish and poultry) also pose challenge to the franchisees where they mostly rely on the import of major ingredients.

Web Resources

International Franchise Association
World Franchise Associates Pakistan
Francorp Pakistan

Healthcare and Medical Equipment

Overview

Healthcare services and medical devices are in high demand in Pakistan, especially in the growing private healthcare market. Healthcare providers include the government, NGOs, and the private sector. The Government of Pakistan (GOP) spent about US$2.15 billion] on healthcare in the fiscal year ending June 2016, an increase of 13.05 percent over the previous year. GOP spent US$ 1.39 in 2016-17 (July-March), an increase of 9 percent for the corresponding period in the last year. But private hospitals and clinics are also expanding rapidly, especially in cities, catering to a rapidly growing middle class. According to Business Monitor International, the medical devices market in Pakistan is worth USD 457.1 million and projected to increase to USD 537.5 million by 2020, a CAGR of 6.2 %. U.S. healthcare services and medical equipment are generally well-received in Pakistan, known for high-quality.

The GOP imposes no restrictions on foreign direct investment in healthcare services, and allows medical equipment imports under its "Open General" regulations. (Imports of radioactive equipment require Pakistan Nuclear Regulatory Authority approval). Import tariffs range from 0 to 25 percent, depending on category. Some medical equipment is exempt from sales taxes. Price, quality and after-sales service support are major factors in medical equipment purchase decisions. A letter of credit is usually the mode of payment for imports. Government tenders can be time-consuming, while decision-making is typically faster in private hospitals.

Key regulators in the sector are the Drug Regulatory Authority of Pakistan (DRAP) and the Ministry of National Health Services Regulation and Coordination (MNHSRC). As of 2015, DRAP oversees regulations of medical devices as well. These new regulations include new medical device and in vitro diagnostic (IVD) products, and include requirements for conformity assessments, quality management systems, classification guidelines, authorized representation for foreign manufacturers and related registration steps. The rules cover procedures for registration of medical devices and conformity assessment bodies, licensing of establishments, classification and grouping of devices, post-market surveillance, import and export, labeling requirements, advertisement and ancillary matters. MNHSRC is expected to reduce the costs of certain drugs by 30 percent, however the policy is yet to be implemented.

Leading Sub-Sectors

With the number of hospitals, dispensaries, healthcare units expected to increase owing to the Government of Pakistan's plans of expanding the Healthcare network, market demand for equipment listed below is expected to grow:

- Respirators (HS 9019)

- Monitors, Ventilators
- Dental Veterinary Instruments and Appliances (HS 9018)
- Orthopedic Appliances, Hearing Aids (HS 9021)
- X-Rays, Radiography/ Radio Therapy Apparatus (HS 9022)
- Second hand and used X-Ray machines, dialysis machine, anesthesia apparatus Health IT/Telemedicine/eHealth

Opportunities

Public sector expenditures in health facilities are progressive across the country. The following facilities are expected to grow:

- General Hospitals
- Specialized Hospitals
- Cancer
- Cardiac
- Kidney Transplant
- Lever Transplant
- Dialysis Centers
- Chest Diseases
- E.N.T
- Neurology
- Orthopedic
- Skin Diseases
- Up gradation -Cum- Privatization of Government Hospitals
- Diagnostics
- Diagnostic Labs
- X-Rays & Ultra- Sonography Labs / Clinics
- Fitness Centers
- Manufacturing
- Electro Medical Equipment
- Auto-disable Syringes/Safety Syringes

The impending construction of a number of hospitals in Pakistan will bring opportunities for suppliers of medical devices.

Challenges: Competitors include manufacturers from Europe, China, Japan, South Korea and other countries. In general, U.S. goods and technologies are well regarded and have a reputation for quality and reliability. But local agents note the market is often seeking low cost, and quick decision-making on terms, which can put American companies at a disadvantage. In addition, inconsistent policies and regulations, and political factors, can present market challenges.

Healthcare in Pakistan is still in the early stages of development. And a weak health system underlies the poor health status of the population. Government funding on health as a percentage of GDP continues to lag other countries at similar stages of development. Also, moves to decentralize the healthcare system, from federal to

provincial governments, have led to wider disparities, with medical device approvals not uniform across the country.

Other issues include low health manpower levels, a lack of training on the use of medical equipment - much of which is poorly maintained or in disuse - and the underutilization of primary health facilities.

Web Resources

Healthcare Procurement
Government Health Plans
Ministry of National Health Services, Regulations & Coordination
Drug Regulation Authority of Pakistan
eHealth Association of Pakistan

Oil and Gas Equipment

Overview

Despite increasing local production and imports of oil and LNG, Pakistan does not have a sufficient supply of energy to meets its demand. The shortfall currently runs at about 2 Billion Cubic Feet per day. Pakistan imports 65 percent of its need. Industry sources believe this deficit will remain for the next 5-10 years. Oil and gas, both locally produced and imported, make up 75 percent of Pakistan's energy mix. Maintaining and expanding this sector is strategically important for Pakistan's economic growth.

The Oil and Gas (O&G) sector operates under the umbrella of the Federal Ministry of Petroleum and Natural Resources (MPNR).The MPNR's Petroleum Exploration & Production Policy 2012, generally known as Pakistan Petroleum Policy 2012 (see web resources section), offers one of the best incentives for E&P companies, according to the industry experts. Government of Pakistan (GoP) guarantees purchase of whatever is produced by the O&G companies, at the well head. All proceeds to foreign companies are paid in USD.

The Upstream Oil and Gas sector is led by the state-owned, listed companies, namely, Oil and Gas Development Corporation Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Pakistan Oilfields Limited (POL). These companies have announced their intention to increase exploration and production. Pakistan's upstream sector has not attracted as much foreign investment as expected, despite attractive policies and high equity returns. Operational difficulties due to sluggish response by government authorities on operational and policy issues are a major reason, according to private sector experts. Security challenges do exist in Pakistan; however industry sources believe that they are manageable.

Pakistan midstream and downstream sectors also offer business opportunities. Pakistan has a total refining capacity to process around 400,000 barrels per day or about 19 million tonnes/year of crude oil, against the current demand of 24 million tonnes/year. The gap will widen in coming years, due to minimum 5 percent demand growth per annum. To meet fast growing demand of petroleum oil and lubricant products, GoP has announced setting up new refinery projects, besides undertaking capacity expansion of the existing refineries that offer good opportunities for the US companies.

Last year Pakistan signed a 15 year LNG import agreement with Qatar to import 2.25 Million Tonnes of LNG in 2016 and 3.75 Million Tonnes per year afterwards. GoP plans to increase Pakistan's capacity to handle more LNG imports by setting up 3-4 more LNG terminals including FSRU units and other accompanying infrastructure like a new jetty and pipelines in the southern part of Pakistan.

Leading Sub-Sectors

- Oil & Gas Drilling Equipment
- Chemicals
- Instrumentation
- Pipes & Compressors
- Safety Equipment & Systems
- Petrochemical Equipment
- Mud chemicals
- Oil & Gas Field Services
- Pipeline Systems and Equipment
- Floating Storage and Re-gasification Unit (FSRU)

Opportunities

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 here.

Web Resources

Ministry of Petroleum & Natural Gas Resources of Pakistan
Oil & Gas Development Company Limited
Hydrocarbon Development Institute of Pakistan

Renewable Energy

Overview

Pakistan, like other developing countries of the region, is facing a challenge of energy deficit. The current demand and supply gap stands between 3,000-4,000 MW as country's demand has grown at an annual consumption growth rate of 6-7 percent in the past years. At present, energy mix of power generation is heavily dependent on thermal power generation (approximately 70% of generation mix). However, Renewable Energy (RE) resources can play an important role in bridging the deficit. Pakistan's total energy consumption through renewable energy (RE) sources stood at approximately 1,846.50 MW during the fiscal year 2015-16. The available resources i.e. Solar, Wind, Biogas, Biomass, and Micro-hydel, offer substantial business opportunities for the U.S. manufacturers and exporters. The Government of Pakistan (GOP) through its Renewable Energy Policy 2006 emphasizes on developing a strong footprint of renewable and clean energy in the country. The GOP has decided to strengthen the current infrastructure of resources through the Alternate Energy Development Board (AEDB), so that it can contribute around 10 percent share in meeting the country's overall energy requirements by 2020.

Alternate Energy Development Board (AEDB)

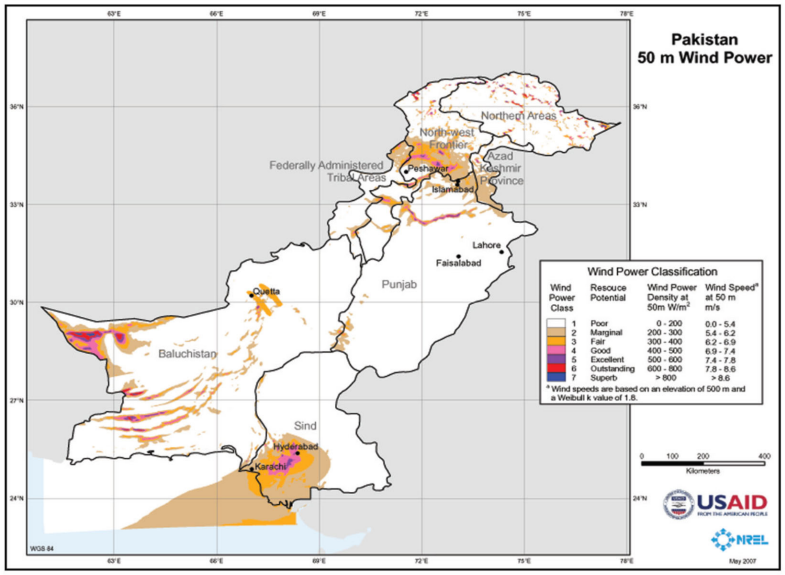
The government in its efforts to diversify country's energy mix and utilizing untapped generation resources is prioritizing the development of Alternative/Renewable Energy (ARE) resources in the country. In May 2010, the government of Pakistan has given a development mandate to AEDB for exploration and implementation of renewable commercial projects with involvement of both public and private sector entities. Along with the AEDB, the Pakistan Council of Renewable Energy Technologies (PCRET) has also been acquiring and updating technical expertise for the promotion and mass propagation of Renewable Energy Technologies in the field of Solar, Micro-hydel, and Wind etc. The main function of PCRET is to develop, acquire, adapt, promote and disseminate Renewable Energy Technologies in the country.

Wind Energy

Pakistan has considerable potential for using wind energy in the coastal belt of Sindh and Baluchistan (South of the country). The GOP has decided to develop wind power energy sources due to problems supplying energy to the southern coastal regions of Sindh and Baluchistan with assistance of the government of China. Wind data, provided by Pakistan's Meteorological Department suggests that Pakistan has a coastal belt of 60km (Gharo-Keti Bandar) and 180km long. This corridor has exploitable potential of 50,000MW of electricity generation through wind turbines. Currently there are six private wind projects operating, producing approx. 300MW. Nine additional projects are anticipated to produce approx. 470MW by early next year. These projects offer potential for the U.S. companies as some of the projects commissioned are employing U.S. manufactured turbines.

Mega Wind Power Projects

AEDB has issued Letters of Intent (LoIs) to several 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 cents 13.5 per Kilowatt Hour that despite a few shortcomings, is considered as commercially viable by local market players and will result in additional investments in the sector. At present, fifteen wind power projects with each 50-MW installed capacity have already started their commercial operation, whereas, 35 projects are in construction phase.



Source: USAID

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Biogas

Pakistan produces a huge amount of municipal waste (up to 50,000 tons/day) animal waste, and agricultural waste in the form of livestock dung, Cotton Sticks, and Rice Husk etc. Converting this waste into energy can generate up to 5,000MW of power.

Pakistan offers lucrative opportunities in this sector in which a number of projects are already being implemented.

So far PCRET has installed 4015 biogas plants (with net generation capacity of 17980 million cubic meters per day) on 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 meter 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 executing technological support for irrigation and power generation.

A World Bank funded project for carrying out 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 like cotton sticks, rice husk, sugarcane trash, biogas, wheat chaff and other crops as multi-fuel sources. AEDB has issued a LOI to Pak Ethanol (Pvt.) Ltd., to set up a 9-MW biogas power project at Matli in Sindh province.

Small/Mini/Micro Hydroelectric

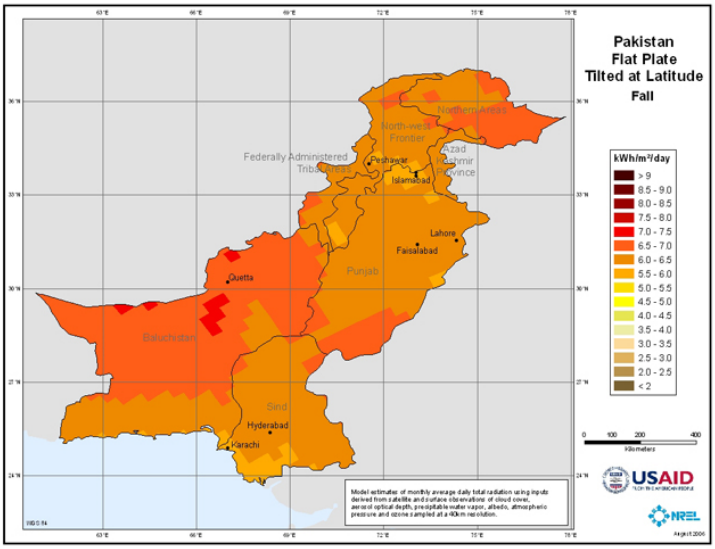
Productive Use of Renewable Energy (PURE) Project is being implemented to install 103 hydro power plants in Khyber Pakhtunkhwa (KPK), Azad Jammu & Kashmir, and Gilgit Baltistan (GB), with the total cost of US$ 19.5 million. Eight small hydro projects have been initiated under the Renewable Energy Development 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 US$290 million. 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.

Solar

The average time of daily sunlight in Pakistan is nine and a half hours. Opportunities are unlimited in this sector and challenges are many. The biggest challenge in an on-grid solution is the pragmatic renewable energy policy and then its implementation through an autonomous energy authority. Unpredictable Feed-in-Tariff and intricacy in getting an LOI dampens enthusiasm for investment in this sector. However, scalable and off-grid solutions have huge potential. There have been some efforts to install and

expand the use of solar energy at national level. Quaid-e-Azam Solar Park – a photovoltaic power station - was established last year with a designed capacity to generate 1000MW. However, at present, this project is producing 400 MW with plans to enhance its generation capacity. In addition, 6 LOIs for cumulative capacity of 148-MW on-Grid Solar PV power plants have been issued by AEDB. Additionally 3 LOIs of 70-MW capacities have been issued by Punjab Power Development Board (PPDB). The sponsors are in process of preparing feasibility studies. Solar Village Electrification Program was initiated under the former Prime Minister's directive. Three thousand Solar Home Systems have been installed in 49 villages of district 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.

With the rising costs of electricity in Pakistan and unreliable grid supply, more industries and commercial organizations are turning to captive solar solutions. There has been a strong surge in domestic installation of rooftop PV panels in large cities of the country. For projects under 1 MW, net metering regulations came into effect in September, 2015. This sector is expected to see significant growth in the coming years, and Pakistan is targeting at least 1 million customers and adding approximately 3000 MW of solar power through net metering.



Source: USAID

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Bagasse

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

Small/Mini/Micro Hydroelectric

Hydroelectricity produces more renewable energy in Pakistan than any other renewable resource. Productive Use of Renewable Energy (PURE) Project is being implemented to install 103 hydro power plants in Khyber Pakhtunkhwa (KPK), Azad Jammu & Kashmir, and Gilgit Baltistan (GB), with the total cost of US$ 19.5 million. 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 US$290 million. 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.

Leading Sub-Sectors

U.S. companies are dominating the local market with almost 35 percent market share, followed by European and Chinese companies with 10 percent and 5 percent shares respectively. The remaining 60 percent demand is being fulfilled through domestic indigenous capacity. AEDB and Pakistan Council of Renewable Energy Technologies (PCRET) are playing a major role in establishing the current infrastructure of resources in Pakistan.

Opportunities

The most promising sub-sectors within this sector for FY-2018 are:

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

Web Resources

Alternate Energy Development Board
Pakistan Council for Renewable Energy Technologies
Renewable & Alternative Energy Association of Pakistan (REAP)

Telecommunication Equipment and Services

Overview

The liberalization in the telecom sector during the previous years has made telecommunications one of the most promising sectors in Pakistan. Today, 4 cellular companies are operating in the country with a customer base approaching 140 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.

Pakistan's Telecom sector has enormous growth potential. A major development in the telecom sector was the auction of 3G/4G license by the Government of Pakistan. All the cellular operators participated in the auction and 3G licenses were awarded to Mobilink, Ufone, and Telenor and 3G/4G license was awarded to Zong. With telecom operators rolling out 3G/4g services, the number of its subscription has grown at a very fast pace and stands at 15.6 million as of July 2016. This surge has created a huge demand for smartphones, which is the top selling category across all major e-commerce platforms.

Telecom Infrastructure:

Pakistan's telecommunications infrastructure includes: Microwave radio relay, coaxial cable, fiber-optic cable, cellular, and satellite networks. International links include: landing points for the SEA-ME-WE-3 and SEA-ME-WE-4 submarine cable systems that provide links to Asia, the Middle East, and Europe.

Teledensity:

At the end of FY-16, Pakistan's total teledensity increased to 71 percent, showing a growth of 8 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.

Telecommunication Equipment:

The present market size for the import of telecommunication equipment (including handsets) is estimated at $970 million. The world's leading telecom infrastructure providers like Ericsson, 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.

Leading Sub-Sectors

- Telecom switches
- Radio communication links
- Fiber optic cables
- Towers, poles, ducts and pits used in conjunction with other infrastructure facilities
- Tower sharing services
- Broadband services
- Back-up power for telecommunication towers

Opportunities

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

Pakistan Telecommunication Authority
Pakistan Telecommunication Company Limited

Waste Management

Overview

Pakistan generates about 30 million tons of solid waste a year, which has been increasing more than 2 percent annually. Like other developing countries, Pakistan lacks waste management infrastructure, creating serious environmental problems. Most municipal waste is either burned, dumped or buried on vacant lots, threatening the health and welfare of the general population. The Government of Pakistan (GOP) estimates that 71,000 tons of solid waste is generated per day, mostly from major metropolitan areas. Karachi, Pakistan's largest city generates more than 9,000 tons of municipal waste daily. All major cities face enormous challenges on how to manage urban waste. Bureaucratic hurdles, lack of urban planning, inadequate waste management equipment, and low public awareness contribute to the problem.

Existing Solid Waste Management System in Pakistan

Local and municipal governments are responsible for collecting waste throughout most of Pakistan's major cities. About 60-70% of solid waste in the cities is collected. The waste collection fleet typically comprises handcarts and donkey pull-carts for primary collection; then open trucks, tractor/trolley systems, arm roll containers/trucks for secondary collection and transport. Some municipalities hire street sweepers and sanitary workers to augment other collection methods. They use wheelbarrows and brooms to collect solid waste from small heaps and dustbins, then store in formal and informal depots.

Karachi, Pakistan's largest city, utilizes three sanitary landfill sites, while Lahore, the country's second-largest metropolis, has two. Other major cities plan to build proper landfill sites. But in many areas, solid waste is simply dumped outside the city limits. Solid waste management capabilities and systems vary by province. In Punjab, Lahore is the only city with a proper solid waste management, treatment and disposal system. The system was outsourced to Albayrak and OzPak (Turkish companies). Other, similar systems are planned for other big Punjab cities. In Sindh, the Asian Development Bank's (ADB) Infrastructure and Service Delivery Reform Program has provided US$400 million to the Sindh Cities Improvement Investment Program (SCIP), which aims to improve solid waste management services in 20 secondary cities, and has issued tenders for a wide range of waste management projects (Source: Government of Sindh, http://scip.gos.pk/website; http://scip.gos.pk/eoi.php). In Khyber Pakhtunkhwa, the Water and Sanitation Services Peshawar (WSSP) is planning to build a sanitary landfill. Balochistan, the largest province with a population of 6.9 million, has no significant infrastructure for waste management system.

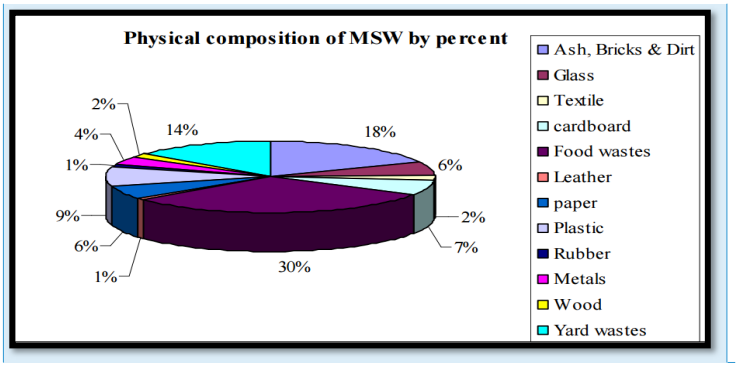
Much of Pakistan's solid waste does not reach final disposal sites. In developed countries, most solid waste generated winds up in landfills, incinerators, or other recycling centers. In Pakistan, much of the waste generated is recovered for recycling, mostly by scavengers, before it ever reaches disposal points.

Solid Waste Generation in Major Cities

City	Population in million	Solid waste generation/day in tons
Karachi	20,500,000	9,440
Lahore	10,000,000	6,510
Faisalabad	7,500,000	4,883
Rawalpindi	5,900,000	3,841
Hyderabad	5,500,000	3,581
Multan	5,200,000	3,385
Gujranwala	4,800,000	3,125
Sargodha	4,500,000	2,930
Peshawar	2,900,000	1,888
Quetta	600,000	326

Source: Mr. Saadat Ali, USCS Pakistan contact from Project Procurement International, Pakistan.

Composition of Municipal Solid Waste (MSW) in Pakistan



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Source: United Nations Environment Programme, report on waste management in Pakistan (June 2016)

Leading Sub-Sectors

- Equipment: Waste Collection & transportation
- Chemicals: To remove waste odor for open landfill sites all-over the country
- Instrumentation
- Waste to Energy plants & equipment's
- Waste recycling plants
- Bio Hazard waste equipment
- Industrial waste water treatment machineries

Opportunities

The local market has shown moderate growth in terms of its volume and FDI contribution during the past few years. Both the public and private sectors have or will

initiate small to large-scale projects, small-to-large scale waste collection and waste treatment projects. According to industry experts, the local market will continue to offer sizeable business opportunities to local and foreign companies for the foreseeable future.

Web Resources

Pakistan environmental protection agency (Pak- EPA)
Pakistan Alternate Energy Development Board
Punjab environment protection department
Pakistan Council for Renewable Energy Technologies
Federal Bureau of Statistics

Customs, Regulations & Standards

Trade Barriers

Pakistan's 2016 Import Policy Order bans the import of 43 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.

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 Tariffs

Pakistan uses the Harmonized System to classify goods. Customs duties are levied on ad-valorem basis. Pakistan's overall average applied tariff in 2016 was 12.71 percent. In the 2017 budget, the government reduced the maximum general tariff rate from 25 percent to 20 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 Pak 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.

Import Requirements & Documentation

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.

Labeling/Marking Requirements

Pakistan has no uniform or universal system of imposing labeling and marking requirements on products. However, individual industries or sectors are subject to the regulations of specific bodies. For example, the Ministry of National Health Services, Regulation & Coordination sets

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

U.S. Export Control

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

Temporary Entry

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 permit 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.

Prohibited & Restricted Imports

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

Customs Regulations

Customs regulations and contact information may be obtained from the website.

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 for Trade

Overview

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 here.

Standards

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.

Conformity Assessment

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

Testing, Inspection, and Certification

Product Certification

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

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
Ground Floor, 1-C, Constitution Avenue,
Opposite Prime Minister Office, G-5/2
Islamabad, Pakistan
Tel: 92-51-922-2310
Fax: 92-51-922-2312
E-mail: dg@pnac.org.pk

Publication of technical regulations

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

Contact Information

All government ministries and departments may be accessed through the website.

Trade Agreements

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

Pakistan government portal
Trade Development Agency of Pakistan
Pakistan Ministry of Commerce

Investment Climate Statement

Executive Summary

Despite a relatively open foreign investment regime, Pakistan remains a challenging environment for foreign investors. An improving but unpredictable security situation, chronic energy shortages, and a difficult business climate – including lengthy dispute resolution processes, poor intellectual property rights (IPR) enforcement, and inconsistent taxation policies – have contributed to a drop in Foreign Direct Investment (FDI) in recent years. Pakistan ranked 144 out of 190 countries in the World Bank's Doing Business 2017 rankings, improving two places from the previous year.

The Pakistan Muslim League-Nawaz (PML-N) government was elected in May 2013 on pledges to improve Pakistan's economy, enhance trade and investment, and resolve the chronic energy shortages. In September 2013, the Government of Pakistan and the International Monetary Fund (IMF) entered a three-year $6.8 billion Extended Fund Facility (EFF) arrangement which included a series of reform benchmarks. The government successfully completed the EFF program in September 2016, and with the help of the IMF, implemented some macroeconomic reforms. Progress on other key areas, however, including privatization, has been slow, impeded by strong domestic political pressures.

The United States has consistently been one of the largest sources of FDI in Pakistan and one of its most significant trading partners. Two-way trade in goods between the United States and Pakistan exceeded $5.5 billion in 2016, including a 14 percent increase in U.S. exports to Pakistan over 2015. The Karachi-based American Business Council, an affiliate of the U.S. Chamber of Commerce, has a membership of 68 U.S. companies, most of which are Fortune 500 companies, operating in Pakistan across a range of industries. The Lahore-based American Business Forum also provides assistance to U.S. investors. American companies have profitable investments across a range of sectors, notably, but not limited to, fast-moving consumer goods and financial services. Other sectors attracting U.S. interest have been: franchising, information and communications technology (ICT), thermal and renewable energy, and healthcare services.

In 2003, the United States and Pakistan signed a Trade and Investment Framework Agreement (TIFA) to serve as a key forum for bilateral trade and investment discussion. The TIFA seeks to address impediments to greater trade and investment flows and increase economic linkages between our respective business interests. TIFA meetings are held annually, the most recent of which was led by USTR Michael Froman in October 2016 in Islamabad.

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 per capita gross national income (GNI) of $4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here.

Details on each of the MCC's indicators and a guide to reading the scorecards are available here.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2016	116 of 175	Corruption Perception Index
World Bank's Doing Business Report	2017	144 of 190	Doing Business Report
Global Innovation Index	2016	119 of 128	Global Innovation Index
U.S. FDI in partner country ($M USD, stock positions)	2016	USD 392	BEA Data State Bank of Pakistan Data
World Bank GNI per capita	2016	USD 1,440	GNI Per Capita

Openness to and Restrictions upon Foreign Investment

Policies Towards Foreign Direct Investment

The government welcomes foreign investment and offers incentives to attract new capital inflows. Incentives are largely industry-specific and include tax breaks, tax refunds, tariff reductions, the provision of dedicated infrastructure, and investor facilitation services. In addition, Pakistan's designated special economic zones (SEZs), none of which are currently fully operational but have attracted some investment, offer a separate basket of incentives to potential investors. In 2013, the PML-N

government introduced an updated Investment Policy which further liberalized investment policies in most sectors.

Net inflows of FDI peaked at $5.4 billion in fiscal year (FY) 2008. In FY 2016, net FDI was $1.9 billion, roughly double that of the prior year. According to the State Bank of Pakistan (SBP), the largest share of FDI – $291 million – was in the thermal power sector, followed by $290 million in the coal-based power sector, and $290 million in the financial sector. Analysts identified the improved security environment, large energy projects included in the China-Pakistan Economic Corridor (CPEC), and improved macro-economic stability as the biggest drivers for the improvement of FDI in FY 2016. (The fiscal year in Pakistan runs from July 1 – June 30).

Pakistan as a market presents a mixed picture. Multinational companies in the consumer goods sector have witnessed steady profits, but other industries, including the pharmaceutical sector, have been stymied by onerous government regulation and lack of intellectual property (IP) protections, which has led several U.S. firms to leave Pakistan. Power generation companies have experienced an uptick in business activity, but mostly by conventional energy providers, as renewable energy providers have encountered obstacles. The ICT sector is growing steadily, especially companies outsourcing services and software development.

Pakistan has one of the lowest tax-to-gross domestic product (GDP) ratios in the world – approximately 11.0 percent in 2016 – and multinational corporations shoulder a significant portion of the tax burden. In addition, foreign investors in Pakistan report that both the federal and provincial tax regulations are difficult to navigate. The World Bank's *Doing Business 2017* report notes that companies must pay 47 different taxes, compared to an average 29.6 in other South Asian countries. On average, calculating these payments requires that business spend, on average, over 300 man hours per year. In addition, companies frequently lament the lack of transparency in the assessment of taxes. In some cases, the government has requested advance tax payments from companies, which can complicate these businesses' operations. The government has long promised to introduce tax reforms, but these efforts have thus far failed to deliver meaningful results, with the notable exception of an increase in indirect (sales) taxes.

Limits on Foreign Control and Right to Private Ownership and Establishment

The 2013 Investment Policy eliminated the minimum initial capital investment requirements for all sectors. Currently, there is no minimum investment requirement or upper limit on the share of foreign equity allowed, with the exception of the airline, banking, agriculture, and media sectors. Foreign investors in the services sector may retain 100 percent equity for the life of the investment, as well as the ability to repatriate 100 percent of profits. In the education, health, and infrastructure sectors, 100 percent foreign ownership is allowed, while in the agricultural sector, the threshold is 60 percent. There are no restrictions on payments of royalties and

technical fees for the manufacturing sector, but there are restrictions on other sectors, including a $100,000 limit on initial franchise investments and a cap on subsequent royalty payments of five percent of net sales for five years. Royalties and technical payments are subject to a 15 percent income tax. The tourism, housing, construction, and ICT sectors have been granted "industry status," which makes them eligible for lower tax and utility rates compared with businesses categorized as "commercial sector" enterprises, including banks and insurance companies. Small-scale mining valued less than Rs. 300 million (roughly $3 million) is restricted to Pakistani investors.

Other Investment Policy Reviews

Pakistan has improved its financial services commitments after signing the World Trade Organization (WTO) Financial Services Agreement in December 1997. Foreign financial services companies can establish offices within Pakistan, and foreign banks are permitted to establish locally incorporated subsidiaries and branches, provided they have the minimum global tier-one capital of $5 billion or belong to one of the regional organizations or associations to which Pakistan is a member (e.g. Economic Cooperation Organization [ECO] or the South Asian Association for Regional Cooperation [SAARC]). Absent these requirements, foreign banks are limited to a maximum 49-percent equity stake in locally incorporated subsidiaries. Foreign and local banks must submit an annual branch expansion plan to the SBP for approval. The SBP approves branch openings depending on the bank's net worth, adequacy of capital structure, future earnings prospects, credit discipline, and the need of the local population. All banks are required to open 20 percent of their new branches in small cities, towns, and villages.

The government provides the same treatment and legal protection to foreign and domestic investments in all sectors, except for defense and broadcasting. The 1976 Foreign Private Investment Promotion and Protection Act, Economic Reforms Act, and Investment Plan address foreign investors' rights. The Foreign Private Investment Promotion and Protection Act stipulates that foreign investments will not be subject to higher income taxes than similar investments made by Pakistani citizens. While Pakistan's legal code and economic policy does not discriminate against foreign investments, enforcement of contracts remains problematic due to a weak and inefficient judiciary.

Business Facilitation

The Companies Ordinance of 1984 stipulates that the Securities and Exchange Commission of Pakistan (SECP) manages the registration of companies. Both foreign and domestic companies begin the registration process by registering a unique name and paying the requisite registration fees to the SECP. Companies then supply documentation regarding the proposed business, including lists of corporate offices, location of company headquarters, and a copy of the company charter. In addition,

companies must apply for national tax numbers with the Federal Board of Revenue (FBR) to facilitate payment of income and sales taxes. Industrial or commercial establishments with five or more employees must also register with Pakistan's Federal Employees Old Age Benefits Institution (EOBI) for social security purposes. Depending on the location, companies may also need to register with a variety of provincial-level government organizations.

Pakistan's federal and provincial Boards of Investment exist to provide potential investors with guidance and assistance in establishing and registering a company in Pakistan. Despite these entities' services, the business registration process can be challenging and cumbersome. In fact, Pakistan ranked 141 out of 190 countries in the 2017 World Bank *Doing Business* report's "Starting a Business" category.

The government's investment policy provides both domestic and foreign investors with the same incentives, concessions, and facilities for industrial development. Though some incentives are included in the federal budget, most incentives are issued through a Statutory Regulatory Order (SRO) – a bureaucratic mechanism for issuing special or narrowly-tailored taxes or incentives. For example, an SRO issued in 2016 abolished sales tax on industrial machinery and customs duties on imported agricultural machinery.

Outward Investment

Pakistan does not promote or incentivize outward investment. Although the government does not prohibit Pakistanis from investing abroad, the process for obtaining approvals from the required government agencies is cumbersome and, in some cases, can last years.

Bilateral Investment Agreements and Taxation Treaties

Pakistan and the United States began negotiating a Bilateral Investment Treaty (BIT) in 2004, and closed and initialed the text in 2012, but never signed the agreement due to reservations from some Pakistani government stakeholders. Pakistan has signed BITs with 50 countries but only 27 of those agreements have entered into force, according to the BOI.

The United States and Pakistan signed a bilateral tax treaty in 1959. Pakistan also has double taxation agreements with 63 other countries. A multilateral tax treaty between the SAARC countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka) came into force in 2011. The treaty provides additional provisions for cooperation among the countries in the administration of taxes.

In 2016, Pakistan signed the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The Convention is expected to help Pakistan exchange banking details with the other 80 signatory countries to locate untaxed money in foreign banks. The OECD's invitation to Pakistan to sign the Convention followed two years of peer reviews and amendments to Pakistan's tax laws to meet OECD standards. Pakistan is a member of the Base Erosion and Profit Shifting (BEPS) framework and will automatically exchange country-by-country reporting as required by the BEPS package.

Legal Regime

International Regulatory Considerations

Pakistan has bilateral trade agreements with China, Indonesia, Iran, Malaysia, Mauritius and Sri Lanka, although most of these agreements are limited to a few hundred tariff lines and do not cover all trade. Pakistan is currently negotiating additional trade agreements with Turkey, Thailand, and South Korea. It is a member of the South Asia Free Trade Area. In addition, Pakistani is a member of SAARC, the Central Asia Regional Economic Cooperation (CAREC), and Economic Cooperation Organization (ECO).

Pakistan has been a World Trade Organization (WTO) member since January 1, 1995 and provides most favored nation (MFN) treatment to all member states, except India and Israel. Since 2012, the government has maintained a "negative list," which specifies a list of products that cannot be imported from India. This list currently contains approximately 1,200 products. Pakistan does not recognize the State of Israel and thus does not trade with Israel.

In October 2015, Pakistan ratified the WTO's Trade Facilitation Agreement (TFA). Pakistan is also one of 23 WTO countries negotiating the Trade in Services Agreement.

Legal System and Judicial Independence

Pakistan's legal system is based on British common law. Laws governing domestic or personal matters are also strongly influenced by Islamic Sharia Law. There are two classes of courts: the superior (high) courts and the subordinate (lower) courts. The superior judiciary is composed of the Supreme Court, the Federal Sharia Court, and five High Courts, Lahore High Court, Sindh High Court, Balochistan High Court, Islamabad High Court, and Peshawar High Court, whose decisions have national standing. The Supreme Court is Pakistan's highest court and has jurisdiction over the provincial courts, referrals from the federal government, and cases involving disputes among provinces or between a province and the federal government. Neither the Supreme Court nor a High Court has jurisdiction in matters relating to Pakistan's Tribal Areas, except in limited circumstances. The lower courts are composed of civil and

criminal district courts, as well as various specialized courts, including courts devoted to banking, intellectual property, customs and excise, smuggling, drug trafficking, terrorism, tax law, environmental law, consumer protection, insurance, and cases of corruption.

Laws and Regulations on Foreign Direct Investment

Pakistan's investment and corporate laws permit wholly-owned subsidiaries with 100 percent foreign equity in all sectors of the economy, including manufacturing, trading, and service sectors, with full repatriation rights for capital and dividends remittable through a commercial bank.

Most of the foreign companies operating in Pakistan are "private limited companies," which can be incorporated by a minimum of two shareholders and two directors by registering with the SECP. In order to attract additional FDI, the government eliminated in 2013 a previous requirement that foreign companies invest a minimum of $150,000.

While a company director does not need to be a resident in Pakistan, the chief executive is expected to reside in Pakistan to conduct the company's routine affairs. If the chief executive is a foreign national, he/she is required to obtain a "multiple work visa," which is a combination of "work permit" and "multiple-entry visa." Companies are statutorily required to retain full-time audit services and legal representation. Changes to the name, registered address, directors, shareholders, CEO, auditors/lawyers, etc. must be registered with the SECP within 15 days of the change.

To address investors' concerns about visa delay and uncertainty, SECP Instruction No. 4 of 2011 was amended in 2013 to permit the issuance of a provisional "Certificate of Incorporation" prior to the final issuance of the NOC as part of the incorporation process. The Certificate has the provision that company shares would be transferred to another shareholder if the foreign shareholder(s) and/or director(s) fail to obtain a NOC. SECP Instruction No.4 of 2011 had previously required companies with foreign shareholders and directors to obtain a "No Objection Certificate" (NOC) from the Ministry of Interior as a part of the company incorporation process. The process, which included a review by multiple Pakistani government agencies, took between 3-4 months to complete and negatively affected foreign investors' perceptions of Pakistan's business climate.

A variety of special courts and tribunals handle the issues of taxation, banking, labor, and IPR enforcement. Nonetheless, due to the weak and inefficient judiciary, many foreign investors include contract provisions that provide for international arbitration in order to avoid protracted disputes.

Pakistan's Board of Investment (BOI) is the primary government entity that assists foreign investors in understanding applicable laws, procedures, and reporting requirements. The Board of Investment Ordinance 2001 establishes the BOI to promote, encourage and facilitate local and foreign investment inflow in Pakistan. In October 2009, BOI was placed under the administrative control of the Prime Minister's Secretariat.

Competition and Anti-Trust Laws

The Competition Commission of Pakistan (CCP), established in 2007, is responsible for regulating the anti-competitive and monopolistic practices of both private and public sector organizations. The CCP was established on October 2, 2007, through the Competition Ordinance, which replaced 1970s-era anti-trust legislation. Complaints regarding anti-competition practices can be lodged with CCP, which is responsible for conducting the investigation and is legally empowered to award penalties, which are reviewable by the CCP's appellate tribunal in Islamabad. The tribunal is bound to issue decisions on any anti-competition practice within six months from the date in which they become aware of the practice.

Expropriation and Compensation

The Protection of Economic Reforms Act 1992 and the Foreign Private Investment Promotion and Protection Act 1976 protect foreign investment in Pakistan from expropriation. In addition, the Investment Policy of 2013 reinforced the government's commitment to protecting the interests of foreign investors.

Dispute Settlement

Pakistan is a member of the International Center for the Settlement of Investment Disputes (ICSID). In 2005, Pakistan ratified the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

Foreign investors have noted, however, that the lack of clear, transparent, and timely investment dispute mechanisms directly impacts their investment calculations. Investors have also expressed concerns over the consistency, impartiality, and protracted duration of arbitration cases. Pakistan's Arbitration Act of 1940 provides guidance for arbitration in commercial disputes, but court cases typically take years to resolve. To mitigate these risks, most foreign investors include contract provisions that provide for international arbitration.

Bankruptcy Regulations

Pakistan does not have a single, comprehensive bankruptcy law. Currently, foreclosures are governed under the Companies Ordinance of 1984 and administered

by the SECP, while the Banking Companies Ordinance of 1962 governs liquidations of banks and financial institutions. Court-appointed liquidators auction bankrupt companies' property and organize the actual bankruptcy process, which can take years to complete.

The Companies Ordinance of 1984 regulates mergers and acquisitions. Mergers are allowed between international companies, as well as between international and local companies. In 2012, the government enacted legislation providing a legal framework for friendly and hostile takeovers. The law requires companies to disclose any concentration of share ownership over 25 percent. There are no laws or regulations to authorize private firms to adopt articles of incorporation that discriminate against foreign investment.

Industrial Policies

There is no minimum equity investment or national ownership requirement for investments in the manufacturing sector and the government allows 25 percent first-year depreciation for all fixed assets in this sector. The government also allows 25 percent of the cost of a plant and machinery to be counted as the first-year depreciation in infrastructure and social sectors.

The government does not offer any incentives to encourage research and development. However, certain technology-focused industries, including information technology and solar energy, benefit from a wide range of fiscal incentives.

Investment Incentives

In 2016, Pakistan introduced temporary tariff concessions for certain manufacturing sub-sectors. These incentives, in part, reduce or eliminate custom duties on the importation of equipment and machinery and duty-free importation of certain raw materials.

Foreign Trade Zones/Free Ports/Trade Facilitation

The government established the first Export Processing Zone (EPZ) in Karachi in 1989, providing special fiscal and institutional incentives exclusively for export-oriented industries. Subsequent EPZs were established in seven other locations: Risalpur, Gujranwala, Sialkot, Saindak, Gwadar, RekoDek, and Duddar; only the zones in Karachi, Risalpur, Sialkot, and Saindak remain operational. EPZs offer investors tax and duty exemptions on equipment, machinery, and materials (including components, spare parts, and packing material); indefinite loss carry-forward; and access to the EPZ Authority (EPZA) "Single Window" that facilitates the issuance of import and export

authorizations. In 2012, Pakistan implemented the Special Economic Zones (SEZ) Act, which established the regulatory framework under which SEZs operate within Pakistan today. The SEZ act allows both domestically-focused and export-oriented enterprises to establish companies and public-private partnerships within SEZs. Despite offering substantial financial, investor service, and infrastructure incentives to reduce the cost of doing business, Pakistan's SEZs have struggled to attract investment due lack of basic infrastructure.

Apart from SEZ-related incentives, the government offers special incentives for Export-Oriented Units (EOU) – a stand-alone industrial entity that exports 100 percent of its production. EOU incentives include duty and tax exemptions for imported machinery and raw materials, as well as the duty-free import of vehicles. EOUs are allowed to operate anywhere in the country. Pakistan provides the same investment opportunities to foreign investors and local investors.

Performance and Data Localization Requirements

Foreign investors are not required to use domestic content in goods or technology or hire Pakistani nationals, either as laborers or as representatives on the company's board of directors. Likewise, there are no specific performance requirements for foreign entities operating in the country, and the same investment incentives are available to both local and foreign investors. Similarly, there are no special performance requirements on the bases of origin of the investment.

Representatives of U.S. businesses often have difficulty securing visas to visit Pakistan, and if the visas are granted in a timely manner, they are typically single-entry with short duration validity. Additionally, the Pakistani government requires a NOC for Americans wanting to visit locations outside of Islamabad, Karachi, or Lahore, making it difficult to inspect factories, supply chains, or goods outside of these three cities. Technical and managerial personnel working in sectors that are open to foreign investments are typically not required to obtain special work permits. For their part, Pakistani officials often complain that the U.S. travel warning for Pakistan discourages U.S. business people traveling to Pakistan, thereby hurting Pakistani exports.

Foreign investors are allowed to sign technical agreements with local investors without disclosing proprietary information. According to the country's 2013 Investment Policy, manufacturers that introduce new technologies (which are currently unavailable in Pakistan) receive the same incentives available to companies operating in Pakistan's Special Economic Zones (SEZs).

Post has not received complaints about encryption issues from IT companies operating in Pakistan. Officially, Pakistan requires entities using encryption and cryptography services to obtain accreditation from the Electronic Certification Accreditation Council, which falls under the Ministry of Information Technology. In practice, this requirement

is not consistently enforced. For example, WhatsApp is widely used in Pakistan, despite the company's April 2016 announcement that it would employ end-to-end encryption. However, Research in Motion (RIM), the makers of BlackBerry mobile devices, faced scrutiny from the government regarding its use of encryption. In July 2015, Pakistan Telecommunication Authority (PTA) demanded RIM provide access to its BlackBerry Enterprise Services, which encrypts data transmissions on these devices. PTA initially demanded unfettered access to BlackBerry customer information, and the issue was resolved when RIM agreed to assist law enforcement agencies in the investigation of criminal activities.

PTA and State Bank of Pakistan (SBP) prohibit telecom and financial companies from transferring customer data overseas. Other data, including emails, can be legally transmitted and stored outside the country.

Protection of Property Rights

Real Property

Pakistan's legal system largely supports enforcement of property rights and interests for both local and foreign owners. However, the legal system offers incomplete protection for the acquisition and disposition of property rights. There are no specific regulations regarding land lease or acquisition by foreign or non-resident investors, with the exception of the agricultural sector, in which foreign ownership is limited to 60 percent. Corporate farming by foreign-controlled companies is permitted, though these companies must have subsidiaries incorporated in Pakistan. There are no limits on the size of corporate farmland holdings, and foreign companies can lease farmland for up to 50 years, with renewal options. The 1979 Industrial Property Order safeguards industrial property in Pakistan against government use of eminent domain without sufficient compensation for both foreign and domestic investors. The 1976 Foreign Private Investment Promotion and Protection Act guarantees the remittance of profits earned through the sale or appreciation in value of property.

Pakistan's legal system provides protection for legal purchasers of land, even if the purchased land remains unoccupied, but clarity of land titles is a significant challenge in Pakistan. The provincial governments of Punjab, Sindh, and Khyber Pakhtunkhwa have recently devoted significant resources to digitize land records, which has led to an overall improvement in land titling issues.

Intellectual Property Rights

The government has identified intellectual property protection as a key area for its "second generation" economic reforms. In 2005, Pakistan created the Intellectual Property Organization (IPO) to consolidate the government control over trademarks,

patents, and copyrights – areas that were previously handled by offices in three separate ministries. IPO's mission also includes monitoring the enforcement and protection of intellectual property rights through law enforcement agencies. Although the establishment of IPO represents an important step in the government's recognition of IPR, the organization has not yet delivered meaningful results in the enforcement of the widespread violations throughout Pakistan.

In 2015, the government established IP tribunals in Lahore, which covers the Punjab region; in Karachi, which covers Sindh and Balochistan; and in Islamabad, which covers Islamabad and Khyber Pakhtunkhwa. While the Lahore and Islamabad IP tribunals are considered fully operational, it is too early to assess their overall impact on the IP environment in Pakistan. The Karachi IP Tribunal, however, is not yet functioning due to a variety of administrative delays. In addition, Pakistan has amended five major laws relating to patents, copyrights, trademarks, and industrial designs, but weak enforcement has limited these laws' impact on the IPR environment. IPO, in collaboration with the U.S. Commercial Law Development Program, is comprehensively reviewing and updating Pakistan's intellectual property legislation to better align the country's laws with international standards.

In 2016, the government enacted the Plant Breeders' Rights Act, a law which if implemented, will provide a framework for patent protection to the breeders of a new variety of plant. The Act has been the most forward looking in establishing potential IPR protection by enabling firms to register their plant varieties.

IPO is also charged with increasing awareness about IP, in part, through collaboration with the private sector. A cross section of contacts, including academics and private attorneys, have noted that, in contrast with previous years, IPO's public awareness efforts have started to yield tangible results. While difficult to quantify, they point to broader awareness of IPR, specifically increased local demand for IPR protections from small businesses and startups.

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). In July 2004, Pakistan acceded to the Paris Convention for the Protection of Industrial Property. Pakistan has not yet ratified the WIPO Copyright Treaty or the WIPO Performance and Phonograms Treaty.

In 2016, Pakistan was upgraded from Priority Watch List to Watch List with an Out-of-Cycle Review on the U.S. Trade Representative's Special 301 Report. The report acknowledged certain achievements by the government but highlighted the lack of enforcement of violations, particularly with respect to copyrights, pharmaceutical data, and media piracy.

Pakistan does not track and report on seizure of counterfeit goods.

Financial Sector

Capital Markets and Portfolio Investment

Pakistan's financial sector policies support the free flow of financial resources for domestic and foreign investors. The SBP and SECP continue to expand their regulatory oversight of financial and capital markets. Interest rates depend, in large part, on the reverse repo rate (also called the policy rate). The SBP steadily lowered the policy rate from a high of 10 percent at the fourth quarter 2014 to 5.75 percent in February 2017. The five largest banks, one of which is state owned, control 52.6 percent of all banking sector assets. In FY 2016, total assets of the banking industry were $15.4 billion. As of December 2016, net non-performing bank loans totaled approximately $604 million, roughly 1.5 percent of net total loans.

Banks are required to ensure that total debt exposure to any domestic or foreign entity does not exceed 25 percent of the bank's equity. The private sector predominantly accesses credit from commercial banks, but credit can be difficult to secure for all but the most credit-worthy companies. Commercial banks lend a large portion of their deposits to the government rather than the private sector, and although this proportion has begun decreasing recently, much of the new lending is to large-scale government-directed energy and infrastructure projects. Pakistan's domestic corporate bonds, commercial papers, and derivative markets remain in the early stages of development. According to the 2013 Investment Policy, foreign investors in all sectors are allowed domestic credit lines subject to prevailing the rules and regulations of the SECP and SBP, and observance of the required debt-to-equity ratio. The policy also extends the use of loans, previously limited to import of industrial plant machinery, to any business purpose.

In 2016, Pakistan's three stock exchanges (Lahore, Islamabad, and Karachi) merged to form the Pakistan Stock Exchange (PSE). The PSE is a member of the Federation of Euro-Asian Stock Exchanges (FEAS) and the South Asian Federation of Exchanges (SAFE). The PSE is also an affiliated member of the World Federation of Exchanges and the International Organization of Securities Commissions. In 2016, the PSE was Asia's best performing stock market.

In 2010, the government implemented a capital gains tax of 10 percent on stocks held for less than six months and eight percent on stocks held for more than six months but less than a year. Capital gains tax does not apply to holdings that exceed 12 months. The 2012 Capital Gains Tax Ordinance appointed the National Clearing Company of Pakistan Limited to compute, determine, collect, and deposit the capital gains tax.

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

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, the introduction of system audit regulations (mandating audit of 60 percent of brokers), the introduction of over the-counter (OTC) markets to facilitate registration of new companies with less paid-up capital, and the establishment of a National Clearing and Settlement system. In 2015, the SECP implemented a number of other regulations, including on clearing houses, margin trading, proprietary trading, and abolition of the group account facility. Capital market legal, regulatory, and accounting systems are consistent with international norms.

Pakistan has adopted and adheres to international accounting and reporting standards, with comprehensive disclosure requirements for companies and financial sector entities.

Money and Banking System

The SBP requires that foreign banks have at least $300 million in capital reserves at their flagship location in Pakistan and a minimum of eight percent capital adequacy ratio. In addition, foreign banks are required to maintain the following minimum capital requirements, which vary based on the number of branches they are operating:

- 1 to 5 branches: $28 million in assigned capital;
- 6 to 50 branches: $56 million in assigned capital;
- Over 50 branches: $94 million in assigned capital.

Foreign Exchange and Remittances

Foreign Exchange

The SBP maintains strict controls over the exchange rate and monitors foreign exchange transactions in the open market. Banks are required to report and justify outflows of foreign currency. Travelers leaving or entering Pakistan are allowed to physically carry a maximum of $10,000 in cash.

In 2002, the SBP began allowing cross-border payments of interests, profits, dividends, and royalties, without submitting prior notification. Banks are still required to report loan information, which allows the SBP to verify remittances against repayment schedules.

Exchange companies are permitted to buy and sell foreign currencies for individuals, banks, and other exchange companies, and can also sell foreign currencies to incorporated companies to facilitate the remittance of royalty, franchise, and technical fees. Exchange companies play an increasingly important role in facilitating remittances from Pakistanis working overseas.

Remittance Policies

The government allows the remittance of full capital, profits, and dividends over $5 million. Dividends are tax-exempt. There are no limits on dividends, remittance of profits, debt service, capital, capital gains, returns on intellectual property, or payment for imported equipment in Pakistani law. However, large transactions – those which could impact Pakistan's foreign exchange reserves – require approval from the government's Economic Coordination Committee. Banks are required to report and justify outflows of foreign currency and investor remittances can only be made against a valid contract or agreement registered with the SBP within 30 days of execution.

The SBP, Ministry of Overseas Pakistanis, and Ministry of Finance created the Pakistan Remittance Initiative in 2009 to facilitate faster, cheaper, and more efficient flow of remittances and in recent years, and remittances from overseas workers through the formal financial sector have increased. Likewise, the 2001 Income Tax Ordinance of Pakistan exempts taxes on any amount of foreign currency remitted from outside Pakistan through normal banking channels.

The 1976 Foreign Private Investment Promotion and Protection Act guarantees the outward remittance of profits earned through the sale and appreciation in value of property.

Sovereign Wealth Funds

Pakistan does not have its own sovereign wealth fund (SWF) and no specific exemptions for foreign SWFs exist in Pakistan's tax law. Foreign SWFs are taxed like any other non-resident person unless specific concessions have been granted under an applicable tax treaty to which Pakistan is a signatory.

State Owned Enterprises

Large and inefficient state-owned enterprises (SOE) exist in several key sectors, and the government regularly subsidizes the SOEs' losses. Three of the country's largest SOEs include Pakistan Railways (PR), Pakistan International Airlines (PIA), and Pakistan Steel Mills (PSM). When the PML-N assumed office in June 2013, SOE privatization figured prominently in the party's economic reform agenda and the country's IMF EFF

program, and PM Sharif identified 31 state-owned companies for privatization. These efforts, however, have largely failed to deliver the promised results, in part due to stiff resistance from labor unions and opposition political parties.

PR is the only provider of rail services in Pakistan and the largest public sector employer with approximately 90,000 employees. PR's freight traffic has declined by over 75 percent since 1970 and, of PR's 458 locomotives, only about 250 are serviceable. PR has recently attempted to recapture the market share previously ceded to the trucking industry, and in 2016, it purchased 55 new locomotives from GE for its freight operations. PR relies on monthly government subsidies of approximately $2.8 million to cover its obligations. In the FY 2016 budget, government payments to PR totaled approximately $410 million. Pakistan no longer intends to privatize PR, and the Privatization Commission has removed it from the list of SOEs slated for privatization.

Although the government maintains that its efforts to sell a 26 percent stake in PIA will resume in the near future, the process has been stalled since early 2016 when three labor union members were killed during a protest that turned violent. The protest was in response to the GOP's decision to issue an ordinance (rather than a bill subject to Parliamentary approval) to convert PIA into a limited company, thus allowing shares to be transferred to a non-government entity and paving the way for privatization. The ordinance was ultimately repealed and a bill put forward and passed by the legislature, which became law. However, in the course of negotiations, the government agreed not to include management control with any stake offered for sale, which made the potential sale much less appealing to potential buyers. PIA owns diverse non-core assets, including two luxury hotels in New York and Paris.

PSM was established by the GOP in order to avoid importing foreign steel, but PSM deteriorated into a money-losing enterprise. In the first quarter of FY 2014, the government granted PSM a government-backed financial restructuring package worth $185 million, but these efforts were not sufficient to sustain PSM's operations, which ceased in June 2015. PSM has accumulated losses of approximately $1.56 billion and other outstanding debts. The company loses $5 million a week, and has not produced steel since June 2015, when the national gas company cut power supplies due to over $340 million in outstanding bills. Like PIA, the government attempted to privatize PSM under the IMF EFF program but was stymied by domestic and political opposition. With decades of under-investment, PSM would require significant capital investments to be competitive with foreign steel makers. Facing this reality, the government is reportedly considering the lease of PSM, coupled with a basket of incentives that would provide for a 10-year tax holiday and duty-free import of any machinery and equipment upgrades to potential lessees.

Privatization Program

Pakistan allows foreign and local investors to purchase public shares of SOEs and financial institutions on equal terms. From 2002-2007, Pakistan attracted significant foreign investment through the privatization of SOEs in the financial services and telecommunications sectors, though privatization stalled from 2008-2013. Under the most recent IMF EFF program, the government identified 31 SOEs for either partial or total privatization. In 2015, the government successfully offloaded its stakes in several banks and publicly-traded firms and the following year, also sold its 40 percent stakes in the Pakistan Stock Exchange. However, due to significant political resistance, the government has postponed plans to privatize its largest and most inefficient SOEs, namely PIA, PSM, and several power generation and distribution companies.

Responsible Business Conduct

There are no unified set of standards defining responsible business conduct in Pakistan.

Corruption

In 2016, Pakistan ranked 116 out of 175 countries on Transparency International's *Corruption Perceptions Index*. Although the PML-N has made progress in its anti-corruption agenda, including introducing new anti-corruption policies and prosecuting officials accused of illegal activity, corruption remains a widespread and pervasive problem in Pakistan. Moreover, anecdotal evidence suggests that corruption has increased at the provincial level following the 2010 constitutional amendment that devolved certain authorities from the federal to the provincial governments. According to Transparency International, major causes of corruption are the lack of accountability and enforcement of penalties, followed by the lack of merit-based promotion, and relatively low salaries.

Offering and accepting bribes are criminal acts punishable by law. Nonetheless, corruption within the lower levels of the government bureaucracy is common, and even considered normal by most Pakistanis. Lower courts are often considered corrupt, inefficient, and subject to pressure from prominent wealthy, religious, and political figures. Political involvement in judicial appointments increases the government's influence over the court system.

Established under the 1999 National Accountability Ordinance, the National Accountability Bureau (NAB) is the country's premier anti-corruption organization, with a mandate to expose and prevent corrupt activities and to enforce anti-corruption laws, but the organization suffers from insufficient funding and staffing. In addition to NAB, the CCP's mandate also includes anti-corruption authorities, but like NAB, CCP's effectiveness is hindered by resource constraints.

The 2007 National Reconciliation Ordinance (NRO) provided for amnesty to certain public officials accused of corruption, embezzlement, money laundering, murder, and terrorism between January 1, 1986, and October 12, 1999. In December 2009, the Supreme Court invalidated the NRO and reopened all 8,000 cases against those who had received amnesty, including President Musharraf. The implementation of Supreme Court's decisions about the NRO beneficiaries is still pending.

UN Anticorruption Convention, OECD Convention on Combating Bribery

Pakistan is not a signatory to the OECD Convention on Combating Bribery, but is a signatory to the Asian Development Bank/OECD Anti-Corruption Initiative. Pakistan has also ratified the UN Convention against Corruption.

Resources to Report Corruption

Major Qamar Zaman Chaudhary
Chairman
National Accountability Bureau
Ataturk Avenue, G-5/2, Islamabad
+92-51-111-622-622
chairman@nab.gov.pk

Sohail Muzaffar
Chairman
Transparency International
5-C, 2nd Floor,Khayaban-e-Ittehad, Phase VII, D.H.A., Karachi
0092-21-35390408-9
ti.pakistan@gmail.com

Political and Security Environment

The presence of foreign and domestic terrorist groups within Pakistan poses a significant danger to U.S. interests and citizens. Terrorist attacks have targeted civilians, government and military officials, and foreign personnel and organizations. The Embassies of many countries, including the United States, United Kingdom, Canada, Australia, and New Zealand, have issued travel advisories against non-essential travel to Pakistan, and many multinational companies operating in Pakistan often employ private security and risk management firms to mitigate the significant threats to their business operations.

The BOI, in collaboration with Provincial Investment Promotion Agencies, has, in the past, coordinated airport-to-airport security and secure lodging for foreign investors. To inquire about this service, investors can contact the BOI for additional information.

Labor Policies and Practices

Pakistan's civilian workforce consists of approximately 63 million workers, not including child laborers or the sizable informal sector. The majority of the labor force works in the agricultural sector (42 percent), followed by the services (35 percent), and manufacturing (23 percent) sectors. Pakistan is also an extensive exporter of labor, particularly to the Middle East. Officially, the unemployment rate hovers at around 6.5 percent, but the actual figure is likely significantly higher. Additionally, underemployment is a significant problem.

The 18th Amendment to the Constitution, passed in 2010, devolves jurisdiction over labor matters to the provinces. In Punjab, Sindh, Baluchistan, and Islamabad, the minimum wage is PKR 14,000 per month ($140). In Khyber Pakhtunkhwa, it is PKR 12,000 per month ($120). Legal protections for laborers are weak, both at the federal and provincial levels. Required labor inspections are infrequent, and labor courts are generally considered corrupt and strongly biased in favor of employers.

OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) maintains an active portfolio of projects worth $900 million in Pakistan, including new investments in renewable energy and electricity distribution efficiency.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

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) ($M USD)	2016	$281,885	2016	$281,885	IMF

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 ($M USD, stock positions)	2016	$353.1	2016	$392	BEA (Bureau of Economic Analysis) Direct Investment and Multinational Enterprises Statistics: Direct Investment and MNEs
Host country's FDI in the United States ($M USD, stock positions)	2016	$312.6	2016	$ -117	BEA (Bureau of Economic Analysis) Direct Investment and Multinational Enterprises Statistics: Direct Investment and MNEs
Total inbound stock of FDI as % host GDP	2016	12.8%	2016	0.008	IMF

Table 3: Sources and Destination of FDI

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	2,761	100%	Total Outward	859.9	100%
China	671.4	24.3%	United States	312.6	36.4%
United States	353.1	12.8%	United Kingdom	141.2	16.4%
United Kingdom	279.5	10.1%	U.A.E	131.5	15.3%
U.A.E	270.1	9.8%	China	45.2	5.3%
Norway	172.5	6.2%	Netherland	34.1	4.0%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	404.2	100%	All Countries	113.58	100%	All Countries	290.60	100%
Saudi Arabia	117.5	29%	Saudi Arabia	85.29	75%	U.A.E	81.40	28%
U.A.E	85.02	21%	United Kingdom	13.40	12%	Turkey	45.47	16%
Turkey	45.47	11%	Cayman Islands	5.47	5%	Saudi Arabia	32.21	11%
Cayman Islands	30.74	8%	U.A.E	3.62	3%	Qatar	25.36	9%
Qatar	25.36	6%	United States	1.79	2%	Cayman Islands	25.27	9%

Contact for More Information on the Investment Climate Statement

Trade and Investment Officer
U.S. Embassy, Islamabad
(+92) 051-201-4000

Trade & Project Financing

Methods of Payment

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.

Banking Systems

The banks have increased their loans to the government and the private sector credit has decreased in last few 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 26 commercial banks, 6 DFI's, and 11 micro-finance banks operating in the country.

Further details about banking in Pakistan are available here.

Foreign Exchange Controls

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 not significantly depreciated, rather remained stable.

US Banks & Local Correspondent Banks

Citibank is the only U.S. bank with operations in Pakistan, although, 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
- Industrial and Commercial Bank of China Limited
- Standard Chartered Bank Limited
- The Bank of Tokyo-Mitsubishi UFJ Limited

Project Financing

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 6.0% in May 2016 to 5.75% in May 2017. 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.

Multilateral Development Banks:

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (Asian Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the Asian Development Bank and the World Bank.

Web Resources

Commercial Liaison Office to the Asian Development Bank

Commercial Liaison Office to the World Bank

Financing Web Resources

Export-Import Bank of the United States

Country Limitation Schedule

OPIC

Trade and Development Agency

SBA's Office of International Trade

U.S. Agency for International Development

Business Travel

Business Customs

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

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

U.S. Embassy & Consulates in Pakistan
U.S. Passports & International Travel

Visa Requirements

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 this website.

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
U.S. Embassy, Islamabad

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

Telecommunications

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 four cellular companies (Jazz, Telenor, Ufone, and Zong) operating in the market. In addition, there are sixteen operators 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 Fiber Optic, 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

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. Recently Uber and Careem, the leading car-hailing services also started their operations in Pakistan. However due to security reasons, U.S. travelers are advised not to use taxis. Instead, it is recommended that travelers rent a car, preferably from the hotel or guesthouse where they are staying 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, Istanbul, and European and Asian cities to Karachi, Lahore, Islamabad, Sialkot, Faisalabad, Multan, and Peshawar. Pakistan International Airlines (PIA) has regular flights to New York (with one stopover in Europe). Other than PIA, Etihad, Emirates, Turkish Airlines, and Qatar Airways provide convenient connections to New York, Chicago, Houston and Washington, DC via Abu Dhabi, Dubai, Istanbul, 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 Serene Air. 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 five Airbus A319-100, eight A320-200, and four A330-200 aircrafts 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 8 are domestic and 13 international, and plans to operate new flights to the UK and Canada. The airline carries around 650,000 passengers annually.

Airblue:

This private airline commenced operations in June 2004; its fleet comprises three Airbus A320s and five A321-200 aircrafts. Airblue operates domestic flights between Karachi, Lahore, Islamabad, Peshawar, Quetta, Faisalabad, Gawadar, Multan, Rahim Yar Khan, and Sialkot.

Airblue also operates daily international flights to Dubai, Sharjah, Muscat, Dammam, Jeddah, Medina, Riyadh, Istanbul, Birmingham, and Manchester. 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.

Serene Air:

Serene Air is another private airline in Pakistan with its headquarters based out of Karachi. Launched in January 2017, the airline operates three Boeing B737-800 aircrafts. With a very small fleet, airline links all major cities in Pakistan.

Princely Jets:

Akbar Group of Pakistan launched Princely Jets, a charter service, in 2006. Currently their fleet consists of a Bombardier- Challenger and Citation Bravo. In addition, the company operates a fleet of four Eurocopter helicopters.

PIA, Airblue, Shaheen Air, and Serene Air offer online reservation services. Travelers on these four carriers can now make reservations and obtain e-tickets through the Internet. The relevant websites are as follows:

Pakistan International Airlines
Air Blue
Shaheen Airlines
Serene Air
JS Air
Princely Jets

Language

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

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 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

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:

2017 Pakistani Holidays:

- Pakistan Independence: Day August 14
- *Eid-ul-Fitr: June 26, 27 & 28
- *Eid ul Azha: September 1,2 & 3
- Iqbal Day: Nov. 9
- *9th & 10th of Muharram: September 30, October 1
- 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.

Temporary Entry of Materials and Personal Belongings

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

Travel Related Web Resources

Pakistan Embassy, Washington, DC
Pakistan International Airlines
Air Blue
Shaheen Airlines
Serene Air
Princely Jets