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PAKISTAN GERMAN BILATERAL ECONOMIC RELATIONS



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OBJECTIVE

UTILISE FULL POTENTIAL OF BILATERAL TRADE &
INVESTMENT BETWEEN PAKISTAN AND GERMANY



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Population	225.2 Million		
Area	880,940 km ²		
Population Density	265/km ²		
GDP	\$ 264 Billion		
GDP Annual Growth Rate	4.8 % (2021)		
GDP –Per capita (PPP)	\$1,46		
Imports	\$ 45.775 billion (2021)	US\$52.5 billion for July to Feb 2022 (55% Y to Y Growth)	
Exports	\$25.3 billion (2021)	US \$15.125 billion for July-December 2021 (25% Y to Y growth)	
Credit Rating	S & P	Moody's	Fitch
	B	<u>B3</u>	<u>B</u>

FTA, PTA, GSP+



- Pakistan has free trade agreements with Sri Lanka, China, and Malaysia. As part of the South Asian Association for Regional Cooperation (SAARC) it has preferential trade agreements with Iran, Indonesia, and Mauritius. It also holds GSP+ status with EU.

Resource Rich Country



2nd largest

Salt reserves

Khewra Salt Mines are among the world's oldest and biggest salt mines.

3rd largest

Spinning textile

4th largest

Milk producer

5th largest

Cotton producer

5th largest

Iron ores

8th largest

Wheat producer

10th largest

Rice producer

HUGE COMPARATIVE ADVANTAGE

- **1,046 km** long coast line
- **262,800 sq. km** arable land
- **199,900 km** irrigable land
- **Largest** canal system in the world
- **420 GW** potential for wind energy,
- **2,900 GW** potential of solar power
- **417 GW** hydro potential along the Indus Cascade
- **205 trillion cubic feet** (2015) of shale gas reserves (to be explored)
- **9,100** million barrels of shale oil (to be explored)

PAKISTAN'S TOP 10 EXPORT PARTNERS 2020



In BILLION US\$ (% of total exports)

Sr. No	Country	Export
1	United States	4.1 (18.6 %)
2	China	1.9 (8.4 %)
3	United Kingdom	1.7 (7.8 %)
4	Germany	1.4 (6.3 %)
5	United Arab Emirates	1.1 (4.9 %)
6	Netherlands	1.1 (4.9 %)
7	Afghanistan	0.871 (3.9 %)
8	Spain	0.794 (3.6 %)
9	Italy	0.719 (3.2 %)
10	Bangladesh	0.584 (2.6 %)

Followed by Belgium, Saudi Arabia, France, Turkey, Canada

PAKISTAN'S TOP 10 IMPORT PARTNERS 2020



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In BILLION US\$ (% of Pakistan's imports)

Sr. No	Country	Import
1	China	12.49 (27.3)
2	United Arab Emirates	4.47 (9.8)
3	United States	2.58 (5.6)
4	Indonesia	2.41 (5.3)
5	Saudi Arabia	1.89 (4.1)
6	Qatar	1.48 (3.2)
7	Japan	1.14 (2.5)
8	Kuwait	1.12 (2.5)
9	Malaysia	1.09 (2.4)
10	Republic of Korea	1.06 (2.3)
14	Germany	0.86 (1.9)

PAKISTAN'S MAJOR EXPORTS 2020 WORLDWIDE

- TEXTILE ARTICLES (19.2 % of Pakistan's exports)
- APPAREL: KNIT (13.8)
- COTTON (11.9)
- APPAREL: NON-KNIT (11.8)
- CEREALS (9.5)
- LEATHER PRODUCTS (2.6)
- COPPER (2.0)
- SALT, SULPHUR, STONE, CEMENT (1.9)
- FRUIT & NUTS (1.9)
- PRECISION INSTRUMENTS (1.7)

PAKISTAN'S MAJOR EXPORTS 2020 TO GERMANY



- TEXTILE ARTICLES
- APPAREL: KNIT / NON-KNIT
- LEATHER PRODUCTS
- COTTON
- OPTICAL, PHOTO, TECHNICAL, MEDICAL APPARATUS
- FOOTWEAR
- TOYS, GAMES, SPORTS REQUISITES
- MANMADE STAPLE FIBRES
- TOOLS, IMPLEMENTS, CUTLERY OF BASE METAL
- CEREALS

TEXTILE MADE UPS/ COTTON YARN/ FABRIC



TEXTILE MADE UPS



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ARTICLES OF APPAREL / KNITWEAR

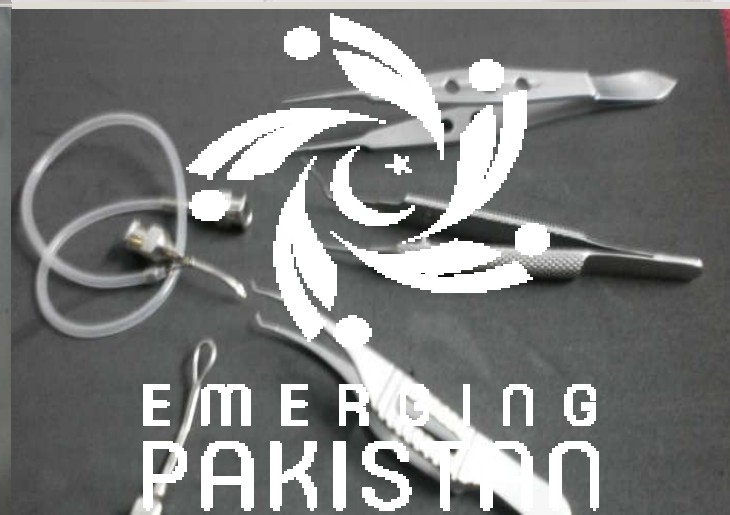


LEATHER GOODS





SURGICAL INSTRUMENTS



SPORTS GOODS/FOOTWEAR





CUTLERY



PAKISTANS MAJOR IMPORTS FROM THE WORLD

- OIL & MINERAL FUELS (22.5 % of Pakistan's imports)
- ELECTRICAL GOODS, APPLIANCES (9.9)
- INDUSTRIAL MACHINERY (8.9)
- IRON & STEEL (6.9)
- FATS & OILS/OIL SEEDS (4.9)
- MOTOR VEHICLES & PARTS (3.14)
- ORGANIC CHEMICALS (4.65)
- PLASTICS
- VEGETABLES (1.95)



PAKISTAN'S MAJOR IMPORTS FROM GERMANY

- Pharmaceutical products

- Machinery
- Electrical, electronic equipment
- Miscellaneous chemical products
- Organic chemicals
- Optical, photo, technical, medical apparatus
- Plastics
- Iron and steel
- Tanning, dyeing extracts, tannins, derivatives, pigments
- Vehicles



GERMAN INVESTMENT IN PAKISTAN

- German investment in Pakistan exceeds 2.3 Billion EURO*
- Around 50 German companies of various sizes are active in Pakistan, among them
- Deutsche Bank, Linde, BASF,
- METRO, Bayer, Siemens, KSB Pumps,
- ABB (Asea Brown Bovery), Alstom,
- B.Brown, Allianz, Boehringer, Evonik

INVESTMENT REGIME OF PAKISTAN



- Foreign investment allowed only in industrial and manufacturing sectors till 1988
- Major deregulation in economic sectors in 1988 and some of the services sector opened for foreign investment.
- The 1st Investment Policy was framed by BOI In 1997
- Investment Policy opened all sectors of economy for FDI except arms and ammunitions, high explosives, radioactive substances, securities, currency mint and consumable alcohol.

INVESTMENT POLICY OF PAKISTAN



- Investment Policy 2013 is a sequel of Investment Policy of 1997
- Uniform treatment to local and foreign investments
- Up to 100% foreign ownership allowed except in specific sectors including airline, banking, agriculture and media
- Foreign investor allowed to hold 60% stake in agricultural projects
- 100% repatriation of investment; profits and dividends are allowed

INVESTMENT POLICY OF PAKISTAN (Cont....)



- Foreign companies are allowed to use borrowing facilities both from local and foreign banks
- Setting up Branch / Liaison offices allowed
- Work Visa facility available
- Visa on arrival possible

LEGAL FRAMEWORK

- Foreign Private Investment & Protection Act 1976
- Protection of Economic Reforms Act 1992
- Reciprocal protection and promotion of investment through Bilateral Investment Treaties with 48 Countries
- Avoidance of Double Taxation Agreement with 63 Countries

INVESTMENT CLIMATE



Investor Protection

- **Protection of Economic Reform Act, 1992, protects foreign capital entering in Pakistan**
- **Legal cover through the Foreign Private Investment (Promotion and Protection) Act, 1976**
- **Signatory to the New York Convention; Pakistan promulgated the Recognition and Enforcement (Arbitration Agreements and Foreign Arbitral Awards) Act, 2011**

Lower Costs

- **Friendly tax regime**
- **Special economic zones with exemptions on custom duty and taxes on import of capital goods and income tax for a period of ten years**
- **Industrial estates with fully developed infrastructure**

SPECIAL ECONOMIC ZONES INITIATIVE OF BOARD OF INVESTMENT (BOI) SPECIAL ECONOMIC ZONE ACT 2016



- SEZ Act passed by the Parliament in 2012 and subsequent amendments made therein in 2016 to make it more business friendly
- Special Economic Zone (SEZ) means geographically defined and delimited area which has been approved & notified by the Competent forum
- SEZs are allowed certain liberal fiscal incentives

ESTABLISHING SEZs

- SEZs can be developed by:
- Public sector
- Private sector
- Public-Private Partnership basis
- SEZ Act 2012 provides for the establishment of SEZ anywhere in the country with minimum 50 acres of land
- 70% area is to be used for processing while remaining 30% as non processing area (hospitals, residence, vocational training institutes, etc.)

FISCAL INCENTIVES



For Developers:

- One time exemption from all custom duties and taxes on plant and machinery imported into Pakistan for the development, operation and maintenance of the SEZ
- Exemption from all taxes on income accruable in relation to the development and operation of the SEZ for a period of five years, starting from the date of signing of the Development Agreement

FISCAL INCENTIVES (Cont....)



For Zone Enterprises:

- One time exemption from all custom duties and taxes on imports of plant and machinery into the SEZ for installation therein;
- Exemption from all taxes on income for a period of ten years to units starting production by 30 June 2020 and five years for those doing so after 30th June 2020.

INCENTIVE PACKAGE (Cont....)

- Incentives once granted can not be withdrawn or modified to the disadvantage of investors.
 - **General Incentives:**
 - Gas, electricity and other utilities will be provided at the zero-point of the Zones
 - Captive power generation permissible to Developers of the Zones
 - **Facilitation Services**
 - BOI to provide one-window facility within the Zones
 - Provision of Security

APPROVED SEZs



1	Khairpur SEZ, 140 acres, Sindh	Agro based Industry and date processing
2	Bin Qasim SEZ, 930 acres, Pakistan Steel	Light Engineering, auto vendors, steel fabricating units chemical & food, pharmaceuticals, electrical & consumer goods and furniture & wood working
3	Korangi Creek SEZ, 240 acres, Sindh	Consumer goods, food & pharmaceuticals, garments, value added textile, light engineering, packaging & printing, warehouses / logistics
4	Hattar Phase-VII SEZ, 424 Acres, Khyber Pukhtunkhwa	Mining, Marble, Fruit Processing

APPROVED SEZs (Cont....)



5	Quaid-e-Azam Apparel Park, 1,536 Acres Sheikhupura, Punjab	Textile & Cotton
6	M-3 Industrial City, Faisalabad, 4,356 Acres, Punjab	Textile, Engineering & Construction, Chemicals, Pharmaceuticals, Electronics, Food & Beverages, Information Technology
7	Value Addition City, Faisalabad, 225 Acres, Punjab	Textile, Chemicals, Pharmaceuticals, Engineering, Information Technology

PRIORITIZED SEZs

Out of 46 sites following nine (09) sites have been earmarked to be prioritized by the provincial governments/ AJK/ GB/ FATA

1. KP; Rashakai SEZ
2. Sindh; China Special Economic Zone Dhabeji, Thatta
3. Balochistan; Boston Economic Zones
4. Allama Iqbal SEZ, Faisalabad
5. NA; Maqpoondas
6. Federal Govt: ICT Model SEZ
7. Federal Govt: Industrial Park on PS land at Port Qasim
8. AJK; Mirpur Industrial Zone
9. FATA; Mohmad Marble City

PAKISTAN NEW AUTO SECTOR POLICY 2016-21



Policy Features:

- Facilitate investment, enhanced competition and better quality with latest technology
- Creating a balance between Industrial Growth and Tariffs to ensure sustainability of all stakeholders
- Providing Policy Consistency and Predictability for investors
- Lower the entry threshold for New Investment (Greenfield and Brown Investment)

PAKISTAN NEW AUTO SECTOR POLICY 2016-21 (Cont....)



- Create enabling tariff structure
- Provide regulatory and enforcement mechanism for Quality, Safety and Environmental Standards
- Establishment of Pakistan Automotive Institute
- Truck Financing by Commercial Banks and incentivized Fleet Operations

INCENTIVES IN AUTO SECTOR GREENFIELD INVESTMENT:



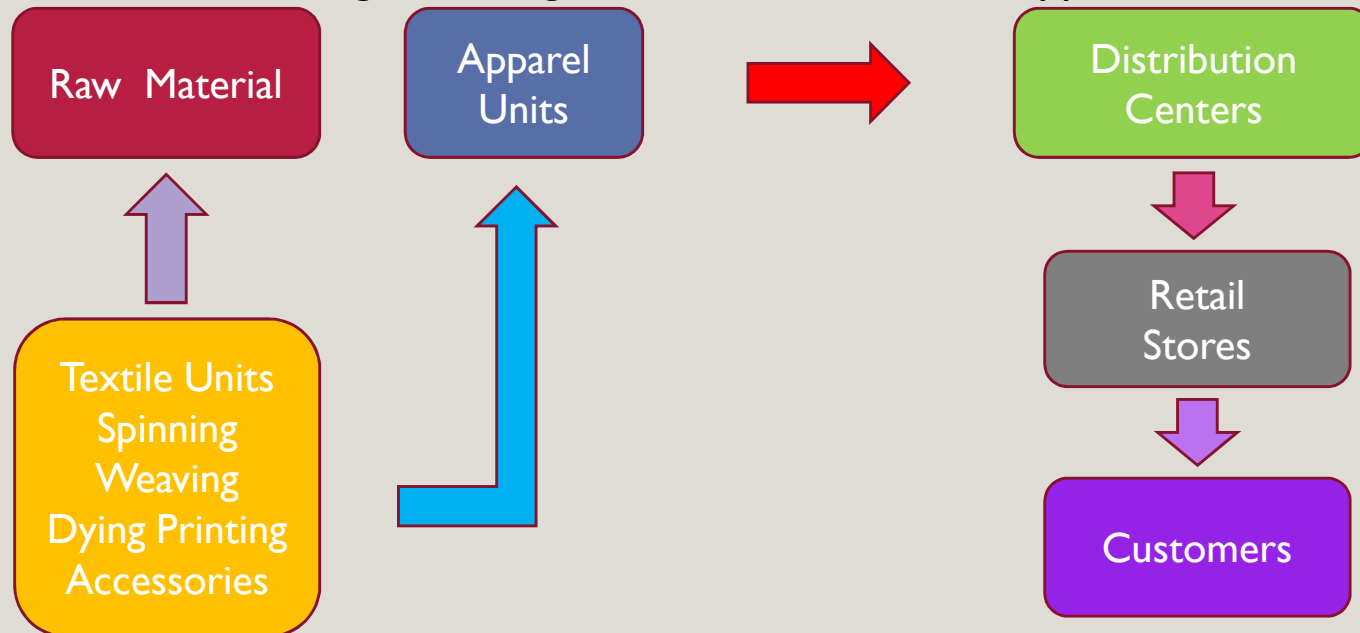
- Duty free import of plant and machinery for setting up the assembly and/or manufacturing facility on one-time basis
- Import of 100 vehicle of the same variant in CBU form at 50% of the prevailing duty for test the market after ground-breaking of the project
- Import of all parts (both localized and non-localized) at prevailing customs duty applicable to non-localized parts for manufacturing of trucks, buses and prime-movers for a period of 29 three years
- Import of non-localized parts at 10% rate of customs duty and localized parts at 25% duty for a period of 5 years for manufacturing of Passenger Cars and LCVs.



INVESTMENT OPPORTUNITIES

TEXTILES

- Historically, Pakistan's textile industry and clothing sector has always been a major contributor to the foreign exchange earner. It contributes approx. 60% in the total exports;



GARMENTS

- Pakistan being the 5th largest cotton producer in the world, there is a great deal of potential for global textile exports
- Significant opportunities exist in setting up value addition units, such as apparel lines to build strong sector base and brand development in Pakistan
- Pakistan has duty free market access in EU (GSP+)
- Exporters may be reached through Pakistan Board of Investment **B2B Investment Portal** at <https://pakh2binvestmentgrid.com/home.php>

CHEMICALS

- Pakistan imported USD 3 billion* worth of organic and inorganic chemicals for pesticides and pharmaceutical, fertilizer and tanning dyes
- Pakistan has a strong manufacturing base, skilled labour and raw material, and exports USD 26.36 million* worth of chemicals
- Investment in this sector would cater to the growing domestic industry and tap export markets as well
- To explore investment potential - Pakistan Board of Investment **B2B Investment Portal** at <https://pakh2binvestmentgrid.com/home.php>

AUTO SECTOR

- Large domestic demand in small cars (below 800 cc)
- Increasing demand for hybrid/electrical vehicles due to Government incentives
- Motorcycles (above 150 cc)
- Potential for high tech auto part manufacturing
- Large fleet of trucks and prime movers will be required under CPEC
- Massive incentives available under auto-policy
- There is high tariff protection on CBUs to encourage investment
- To explore investment potential visit Pakistan Board of Investment Website <https://invest.gov.pk/>

MINERALS

- We have over 52 commercially viable minerals like Copper, Iron, Cobalt, Zinc, Lead, Limestone, Chromite, Marble, China-Clay, Gold, Gypsum & Bauxite.
- We are rich in precious Gemstones like Ruby, Topaz, Aquamarine and Emerald
- There are lots of opportunities available for scientific exploration, cutting, polishing and value addition.
- A mineral sector in Pakistan with sufficient capital and a favorable investment climate has the capacity to contribute annual revenues and foreign exchange in the range of US\$ 6-9 billion or 2-3 % of GDP
- To explore investment potential visit Pakistan Board of Investment Website <https://invest.gov.pk/>

OIL AND GAS

- To undertake new exploration and production activities regarding oil and gas reserves, the Government is interested in attracting qualified companies
- A number of sites are available for exploration and refineries.
- Pakistan exploration success rate is one of the highest in the world
- To explore investment potential visit Pakistan Board of Investment Website <https://invest.gov.pk/>

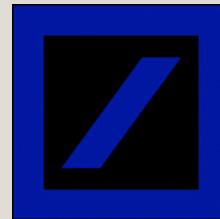
CONSTRUCTION SECTOR

- Construction sector mainly comprises of cement, steel, housing, infrastructure and industries
- Contribute 7.61% employment in total labour force (2021)
- FDI of US\$ 193.6 million made in construction sector during 2020
- Pakistan is among the top 10 leading exporters of cement in the world (2020)
- 2.52% share in GDP (2021)
- To explore investment potential visit Pakistan Board of Investment
Website <https://invest.gov.pk/>

SUCCESS STORIES : OVER 1000 MULTINATIONALS

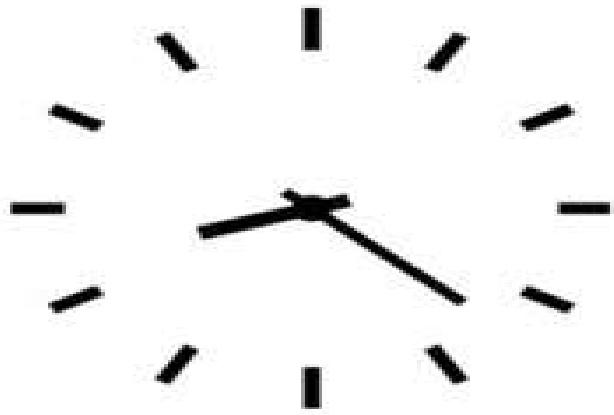


GERMAN PRESENCE IN PAKISTAN

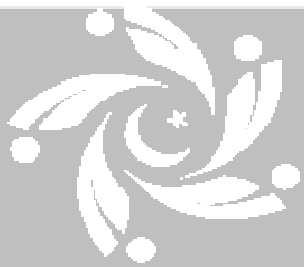


KEY CHALLENGES TO TRADE

- Visa issues
- Absence of Buying/Procurement Agents



Q & A time



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