U.S. Country Commercial Guides

Pakistan 2019

U.S. Department of Commerce | International Trade Administration

Table of Contents

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Doing Business in Pakistan

Market Overview

The United States and Pakistan have a strong economic and commercial relationship, with two-way trade of approximately $6.64 billion in 2018. The United States is one of Pakistan's largest trading partners and a leading source of foreign direct investment. U.S. exports to Pakistan reached $2.92 billion in 2018, a 4.3 percent increase over $2.80 billion in 2017. The United States was Pakistan's largest export market in 2018 at $3.71 billion, a 3.9 percent increase over the previous year.

With a largely peaceful political transition in July 2018, the incumbent Pakistan Tehreek-e-Insaf (PTI) led collation government is facing steep economic challenges both at macro and microeconomic levels. On the external front, Pakistan is facing severe challenges of balance of payments and trade deficit. Similarly, the revenue collection target by the Federal Bureau of Revenue (FBR) has also fell short of Rs.350 billion, which has clogged government's ability to maintain balance of payment position, Rupee-Dollar parity and high inflationary pressure on essential consumer products. This situation has resulted in slowdown of country's GDP growth rate from 5.8 percent last year to an estimated 3.29 percent this year. The federal government has recently entered a fresh round of negotiations with the International Monetary Fund (IMF) for an estimated $6 billion bailout package. This budgetary support package would be the 19th IMF program in Pakistan since independence.

With a population of approximately 207 million and an overall GDP of close to $305 billion, Pakistan is the seventh-largest market in the Middle East, African, and South Asian regions, as measured in Purchasing Power Parity (PPP). Although, Pakistan has had GDP growth of more than 4 percent each year since 2015, however, due to present economic slowdown, the GDP growth rate is expected to between 3.5-4.0 percent by the end of current fiscal year. Pakistan has a young population and a growing middle class, with English as the main business language, and a highly evolved services sector that contributes 67 percent of GDP. Pakistan has several attributes that make it an attractive market for multinational firms, particularly those in the fast-moving consumer-goods sector, and in infrastructure development. The World Bank's 2019 Doing Business Report ranked Pakistan 136 out of 190 economies for ease of doing business, compared to India at 77 and Bangladesh at 176.

American firms have a strong presence in Pakistan. Currently, there are more than 80 wholly- or majority-owned U.S. subsidiary firms registered with the Karachi-based 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 based in Washington D.C., 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, General Electric International, Exxon, Procter and Gamble, Honeywell, NCR, Teradata, Pfizer, Abbott Laboratories, DuPont, Oracle, Microsoft, Dell, 3M, IBM, , McDonald's, KFC, Pizza Hut, Domino's Pizza, P.F. Chang's, IHOP, and Caterpillar.

The U.S. corporate members of the ABC and ABF play an influential role in Pakistan's economy by upholding 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 and ABF members pay direct and indirect taxes annually, contributing significantly to the national treasury. Despite security threats and familiar emerging market concerns over intellectual property rights, contract enforcement, and economic & 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.

Pakistan and the United States signed a Trade and Investment Framework Agreement (TIFA) in 2003, which provides a forum for discussion of bilateral trade issues. The most recent TIFA intercessional meeting was held in May 2019.

Market Challenges

Principal competitors of U.S. businesses in Pakistan are Chinese, European, Japanese, and South Korean suppliers which, at times, offer credit terms on major projects and government tenders that are difficult to compete with. State-owned Chinese firms are increasingly expanding into market segments traditionally dominated by Western firms. To boost development, Pakistan and China are implementing the China-Pakistan Economic Corridor (CPEC). In 2015, Islamabad and Beijing formally agreed to Chinese financing through CPEC worth now more than $62 billion, targeting the energy ports & shipping sector and other infrastructure projects.

Though American products are considered high quality and are in demand, U.S. goods are often more expensive than other imported products, and Pakistani companies find U.S. firms slow to respond to their business inquiries. Some U.S. firms choose to ship goods to Pakistan from regional offices.

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 may be rewarded in the long-term.

Market Opportunities

With a population of approximately 207 million and a GDP close to $305 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, , telecommunication equipment and services, , agricultural machinery and equipment, franchising, waste management, and healthcare.

Market Entry Strategy

One strategy for U.S. manufacturers and suppliers to penetrate the Pakistan market is to utilize the U.S. Department of Commerce's Export Assistance Centers (USEAC) in the United States and U.S. Commercial Service offices in the U.S. Embassy in Islamabad and the U.S. Consulates General 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 considering using locally-registered firms to help navigate the complex business culture. U.S. businesses are encouraged to review the website U.S. Commercial Service, Pakistan.

Many foreign manufacturers and suppliers employ agents or distributors to cover the entire country. Companies may also choose to work through a regional office i.e. 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 U.S. Commercial Service International Company Profile (ICP) which provides a comprehensive background and legitimacy check on any local Pakistani firm. U.S. firms can apply for this service through their local USEAC. 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 visit the U.S. Department of State Countries & Areas website.

Selling U.S. Products and Services

Using an Agent to Sell U.S. 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 Free On Board (FOB), ex-factory, or Cost Insurance and Freight (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 replacement goods 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 Pakistan Companies Ordinance, 1984. They must register with the Securities and Exchange Commission of Pakistan (SECP). Company registration offices are located in Islamabad, each of the provincial capitals and also Multan in Punjab province. 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 Central Depository Company (CDC). After registering and receiveing approvals, firms should apply for necessary utilities through the following authorities:

Electric Power: The electricity power supply in Pakistan is supplied by different agencies, both in the public and private sectors. K-Electric is a private power distribution company that provides electric power only to the Karachi area. In addition, 10 state-owned distribution companies provide power to Islamabad, Rawalpindi and other provincial regions.

Natural Gas: Two state-owned utility firms - Sui Northern Gas Pipelines Limited (for Punjab and Khyber Pakhtunkhwa provinces) and Sui Southern Gas Company Limited (for Sindh and Balochistan provinces) – provide gas distribution service.

Fixed line telephone and Fax services: The Pakistan Telecommunications Company Limited (PTCL) has sole responsibility for providing fixed-line telecommunication services in the country.

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

Internet and Broadband: Following are some of the leading service providers: PTCL, Nayatel, WorldCall, Qubee, Link Dot Net, 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 government municipal 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, Islamabad:

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 or capital (Initial Public Offiering) is required to obtain approval from the Central Depository Company (CDC). U.S. firms may find it advantageous to use the services of a local attorney to complying with these formalities.

Contact details and information regarding forming a company and Initial Public Offering (IPO) for securities in Pakistan may be obtained from the following websites:

Securities and Exchange Commission of Pakistan

Pakistan Board of Investment

Central Depository Company Limited

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 Islamic ritual). The Government of Pakistan has recently enacted a Special Regulatory Order – SRO 237(1)2019, which proclaims that all products imported in to Pakistan must have their labeling details printed in Urdu along with hala certification from the designated certifying authoritites. This SRO will be enforced on July 1, 2019.

Prior to entering an agreement with a local company, U.S. firms may perform due diligence by contacting a local U.S. Export Assistance Center (USEAC) and purchasing the International Company Profile service, offered by the U.S. Commercial Service. Before selecting a partner, U.S. firms are advised to identify a number of candidates and evaluate each carefully.

Certain exchange regulations of the State Bank of Pakistan (SBP) also pose a challenge to the growth of this sector. One 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 the duration of the franchise. Similarly the SBP also limits the continuing franchise fee to five percent of their monthly net sales, which may suppresses franchisor profits.

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

In spite of these challenges, international franchisers are seriously considering this market - where competition and labor costs are low and profit margins are still high. Major U.S. companies with franchise operations in Pakistan include Marriott, Days Inn, Best Western, Ramada, 4 Points by Sheraton, Pizza Hut, KFC, Subway, McDonald's, Dunkin Donuts, Domino's Pizza, Papa John's Pizza, P.F. Chang's, Hardees, Fat Burger, Nike Retail, UPS, FedEx, Princeton Review, Berlitz, Gymboree, TCBY, Cold Stone Creamery, Hertz and Avis. Most franchise operations have concentrated their activities around Karachi and Lahore; however some of the food outlets have opened branches in Hyderabad, Faisalabad, Islamabad,Rawalpindi, Multan, and Peshawar.

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. Pharmaceutical companies employed direct mail to reach out to doctors, hospitals, and 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 their 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 Pakistani marketplace, driven by several multinational companies. The low cost of domestic mail, email campaigns, 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.

Joint ventures may be either private or a public companies. Joint ventures are an attractive option because many local entrepreneurs have built a substantial market base and seek 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 (PPRA) 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 PPRA 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 to demonstrate their seriousness in bidding for a contract.

Some government agencies, such as the DGDP and the Water and Power Development Authority (WAPDA) 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 government's public works projects are financed through borrowing from the Multilateral Development Banks. Please refer to "*Project Financing*" Section in *"Trade and Project Financing"* for more information.

Distribution and 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 products. Consequently, food, beverages and tobacco account for as much as 75 percent of retail sales. There are fewer than one dozen shopping malls in operation and they are generally limited to the larger cities like Karachi, Lahore, and Islamabad.

Large supermarkets or chain stores for general consumer items are not widely available in Pakistan, though a few multinational chains have started operations. The European cash and carry retailer Metro, in joint collaboration with Pakistan's Habib Group, has opened several self-service wholesale outlets in Karachi, Lahore, and Islamabad. Carrefour Hypermarkets (Pakistan) with outlets in Karachi, Lahore, and Islamabad is the latest player 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 prices 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.

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. Also, many stores sell a single commodity, for example, tires, cooking utensils, textiles or jewelry. Such stores are generally located in bazaar areas and tend to be located 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.

As a matter of policy, most companies do not provide credit to distributors, and they in turn generally sell on a cash basis to small retailers, but do supply on 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. 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 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 and 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 preferably with a local presence or at least very frequent trips to the area. 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 recommending that U.S. citizens reconsider travel to Pakistan, and this may also pose a challenge for U.S. business visitors to the country. 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 percent 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, four 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 44.6 million Internet subscribers in Pakistan and this figure is expected double during the next five years.

There are also more than 32 million Facebook users in Pakistan and several local companies now use social media to promote their products and services. Pakistan has one of the highest rates of smartphone penetration in South Asia at nearly 34 percent, and mobile banking is an area with some promise.

Current Market Trends

The e-commerce sector has focused mainly on consumer products. Online customers in Pakistan search for and purchase consumer electronics and mobile phones, employment queries, online education and counseling, sale/purchase and information gathering about vehicles, computers and accessories, financial services, laptops and notebooks, motor vehicles by brand, test preparation and tutoring, and apparel and accessories. Consumer choices and the records they generate also produce a trove of data.

eCommerce Services

There are no banned browsers in Pakistan. Google Chrome is the most popular browser with 56 percent of total visitors, followed by Microsoft Internet Explorer with 21 percent. The remaining 23 percent of searches are through Android, Safari, Opera, Opera Mini, UC Browser, Safariand Maxthon respectively. Google Chrome, Internet Explorer, and Android account for the longest session durations.

Popular eCommerce Sites

Some leading eCommerce websites in Pakistan are;

- OLX
- daraz.pk
- PakWheels
- Zameen
- Kaymu
- Shophive
- Homeshopping

Online Payment

According to reports, 95 percent of e-companies get payments for their online orders by cash-on-delivery. 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 utilize digital payments, and are optimistic that the industry will come together to coax consumers into moving away from cash-on-delivery to online payments. Digital payments also represent a hurdle for Pakistan's e-commerce sector. While a number of products like EasyPaisa, JazzCash, and uPaisa – which are mobile banks - are available today, none of them has high market penetration. This, coupled with the fact that only 24 percent 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 22 percent per year and total subscribers crossed the 44.6 million mark in 2018. 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": some e-commerce start-ups claim that over 75 percent of their total business is online.

Major Buying Holidays

E-commerce entrepreneurs enjoy heavy traffic on Pakistani holidays and event season such as Eid-ul-Fitr (June), Eid-ul-Adha (September), Black Friday, New Year and Wedding Season (October through April). Major sporting events can also drive purchases of related equipment and apparel.

Social Media

The introduction of mobile broadband coupled with affordable smartphones has driven the social media use and the popularity of Facebook, Twitter, Skype and Instagram. Facebook leads social media with more than three billion connections per day and more than 17.2 million user accounts. 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 popular.

Trade Promotion and 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 U.S. standards, these agencies are fairly small concerns, with an annual billing of less than $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 internet-based social media.

Pakistan has over 402 daily newspapers and weekly, biweekly, and monthly magazines. The daily Jang, published in Urdu, is the largest newspaper with a claimed national circulation of almost 850,000. Combined circulation for the roughly 11 English-language newspapers is approximately 300,000. The principal English-language daily newspapers are 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 and Gulf Economist, published in

Karachi, and 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 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 and channels continue to become more professional and organized. 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 500,000 medium to high frequency 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 Indian TV channels.

Radio Pakistan reaches audiences within the country and abroad in 36 languages (19 regional and 17 foreign) from 24 medium and short wave stations and more than 15 FM stations. 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 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, leather and gemstones industries hold regular trade shows. Recently, the telecommunications, safety and 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, the trade show business in Pakistan is suffering tremendously from the 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 40-45 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, provincial revenue tax (if applicable), 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 possible faults in the equipment.

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 “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends wholy on national law. 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 Pakistani law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. government stands ready to assist, little can be done 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 U.S. government 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: shilpi.jha@trade.gov

U.S. Patent and Trade Mark Office
Embassy of the United States of America
American Center, 24, Kasturba Gandhi 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, 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 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 online Yellow Pages.

Principal Business Associations

American Business Council (ABC):

The American Business Council of Pakistan (ABC), founded in 1984,is one of the largest investors group in Pakistan, currently with 66 members, most of which are Fortune 500 companies. Only U.S. based companies are allowed to join ABC. They operate in various sectors i.e. healthcare, financial services, information technology, chemicals and fertilizers, energy, FMCG, food and beverage, oil and gas, locomotive and railroad equipment, and electrical power generation. ABC members have cumulative revenues of U.S. $3.73 billion.

American Business Forum (ABF):

The American Business Forum (ABF) was established in 2008 as a premier trade body representing American businesses (wholly-owned subsidiaries, franchisees, and licensees) operating in the central and northern regions of the country. Headquartered in Lahore, ABF membership comprises 42 U.S. companies, who operate in a variety of industry sectors including food & beverages, franchising, hospitality, agricultural seeds and equipment, energy, ICT, drugs & pharmaceuticals, financial services, and education.

U.S.-Pakistan Business Council (USPBC):

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.

Limitations on Selling US Products and Services

Foreign entities can establish, operate, and dispose of interests in various sectors, however, the food and beverages industry has some limitations, including requirement of halal certifications, labeling requirements, a ban on selling alcohol and importation of U.S. beef into Pakistan due to non-harmonization of health certificates for beef between the United States and Pakistan.

Web Resources

U.S. Commercial Service - Pakistan

Leading Sectors for US Exports and Investments

Agricultural Machinery and Equipment

Overview

(US$ Million)

	2016	2017	2018	2019* (Estimated)
Total Local Production	229.70	248.07	1,190.73	1,200.85
Total Exports	38.30	40.00	42.50	41.00
Total Imports	153.20	165.45	177.03	168.17
Imports from the US	5.70	5.98	6.25	7.30
Total Market Size	344.80	373.52	1,325.26	1,328.02
Exchange Rates	102.77	104.77	124.50	152.34

* Sources: Pakistan Economic Survey 2017-18, Ministry of Finance, Government of Pakistan
Pakistan Bureau of Statistics, Government of Pakistan
Local trade associations and market experts

Pakistan's agriculture sector is the mainstay of the economy and a primary source of livelihood. During FY 2018-19, the agriculture sector contributed 18.9 percent to the country's GDP and employs 42.3 percent of the total workforce. During the 20118-19 fiscal year, the sector grew 0.85 percent in comparison to 3.8 percent growth last year. This declining growth trend is mainly attributed to overall country's macroeconomic situation and inward pressures on the fiscal and trade fronts. According to the Pakistan Agriculture Machinery Census, the total land area under cultivation is 79.6 million acres, which has increased 5.8 percent over the last year. According to industry sources, the total size of the agricultural machinery sector is approximately $1.3 billion, consisting of a combination of tractors, harvesters, and other small-scale agricultural machinery. According to the Economic Survey, Pakistan Vision 2025, food security is one of seven top priority action areas. Among the top five objectives for achieving food security are, "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 countries that supply more than 70 percent of the total imported agricultural machinery and equipment. These include the United States, China, Japan, Italy and Germany – with U.S. market share around 30 percent.

Machinery and Equipment

Pakistan's domestic production of tractor units increased approximately 14.6 percent during FY 2017-18. Production grew 19.6 percent to 63,054 tractor units as compared to 54,992 units last year. Tractors produced locally are under license agreements with foreign companies from the United States, Belarus, Turkey, and China. In addition to tractors, the United States and EU export used agricultural machinery to Pakistan, including harvesters. Domestic industry has the indigenous capacity to produce agricultural machinery and equipment to meet only 15 percent of the country's total requirements. Production is expected to increase by 8 percent to 10 percent annually over the next 4 to 5 years as local manufacturers, spurred by the increase in demand, gear their output and diversify their product lines. Most of the locally produced machinery is based on outdated technology and its efficiency is low. A wide variety of more sophisticated equipment is imported, but agriculturists prefer replacement and spare parts manufactured locally due to the relatively low cost of domestically-manufactured equipment.

Leading Sub-Sectors

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 and expand 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 to boost agricultural modernization.

The most promising agricultural machinery export prospects for FY 2020 are:

- Tractors
- Combine Harvesters
- Cultivators
- Cultipacker
- 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 79.6 million acres of arable land, there is a great potential for improving efficiencies and productivity of the agriculture sector with better equipment and machinery. The Government of Pakistan is committed to support this sector, with the hope that Pakistan can increase yields and exports of primary crops – 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 and Reform
Pakistan Economic Survey 2017-18 - Agriculture

Computers and Peripherals

Overview

(US$ Million)

	2016	2017	2018	2019* (Estimated)
Total Local Production	1.61	1.62	1.82	1.75
Total Exports	0.0	0.0	0.0	0.00
Total Imports	375.6	420.67	454.27	431.55
Imports from the US	48.0	55.2	57.2	53.20
Total Market Size	377.21	422.29	456.52	433.30
Exchange Rates	102.77	104.77	124.50	152.34

* Sources: Pakistan Economic Survey 2017-18, Ministry of Finance, Government of Pakistan
Pakistan Bureau of Statistics, Government of Pakistan
Local chambers of commerce and industry, trade associations, and market experts

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 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 slight dip in growth during last year mainly due to overall economic downturn, however, the computers and peripherals sector has retained its position as a major prospective sector. The public and private sectors in Pakistan place a 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 and 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 medium 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. According to 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 percent in the coming years.

According to industry experts, the increasing demand for computers and peripherals in Pakistan is also attributed to 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 significant growth in the past 10 years, which is expected to continue over the coming three to five 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 2020 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 the local market. This trend has had only a minor impact on available international brands; however, 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 and Statistics
Pakistan Software Export Board
Punjab Information Technology Board

Computer Software

Overview

Pakistan’s market for computer software has seen steady growth for the past several years. According to the Pakistan Software Export Board (PSEB), the total size of the software sector is approximately $6.5 billion, which is expected to grow at least 3.5 percent in the next five years. The local software market is export-orientated; however, it is dependent on imports for the latest technologies and services. During FY 2018-19, Pakistan’s software exports were approximately $5 billion, which is 8 percent higher than the previous year. In addition, the domestic consumption of software applications supported by direct imports and local development is approximately $1.2 billion, which has declined marginally by approximately 2 percent compared to FY 2017-18. 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 involved in a variety of applications development for domestic and corporate use. The majority of 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 from local companies and freelancers to enter 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 a 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) tax holiday for venture capital funds until June 2024; (5) accelerated depreciation of 30 percent 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 existing internet availability and connectivity throughout the country. According to official statistics, approximately 85 percent of the local telecommunication infrastructure is via fiber-optic lines, which provides internet access to over 2000 cities and towns. In addition, the government and private sectors have initiated an aggressive strategy to develop new IT educational institutions and introduce new curriculums and short training programs to consistently maintain the local human resource pool.

Leading Sub-Sectors

The most promising sub-sectors for U.S. companies within the computer software sector for FY-2020 are:

- E-commerce
- Company Acquisitions and Mergers
- IT Parks
- Incubators
- Venture Funds
- Software Companies
- Call Centers
- Gaming and Animation Studios

- Data Centers
- Training Centers
- Consulting Centers

Opportunities

According to the Pakistan's Ministry of Finance, during FY 2017-18, the local economy achieved the considerable growth rate of 5.8 percent despite chronic challenges including an energy crisis and terrorism. The local software market offers substantial business opportunities for U.S. companies who offer products for the corporate sector including financial management and business forecasting, online IT training portals, e-commerce, e-payment, embedded tools, and other web-based applications.

Industry experts expressed optimism about growth prospects in the e-commerce sector, projecting $1 billion in revenue by 2020. Increased use of mobile wallets, coupled with cheaper, more reliable smartphones, has helped increase the user base for Pakistan's ecommerce industry.

Web Resources

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

Franchising

Overview

Franchising is among the most appealing sectors for investors and businesses in Pakistan. The concept of franchising has 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. According to the World Franchise Association, the current market size of internationally franchised food outlets in Pakistan is estimated at $150 million in annual sales. U.S brands has about 70% market share in this sector in Pakistan.

Prominent U.S. franchises that operate in Pakistan include Pizza Hut, Kentucky Fried Chicken (KFC), Dunkin Donuts, Domino's Pizza, Hardees, McDonald's, TGI Friday's, Subway, Days Inn, Best Western, Marriott, Ramada, Nike Retail, UPS, FedEx, Berlitz, Gymboree, 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 Baskin Robbins, iHOP, Golden Chick, Cold Store Creamery, Coffee Bean and Tea Leaf, Claire's, Burger King, Francorp, Nine West, Fatburger, Texas Chicken, and Swensens Ice Cream.

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

When seeking a Pakistani franchisee, U.S. firms are advised to identify a number of candidates and evaluate each carefully. The franchise agreement must be carefully drafted to protect the interests of the parties. The franchisor must be able to retain some direct control over operations, even after transfer of business and technical know-how. Crucial elements of the franchise agreement include territorial coverage, duration, franchise rate, and protection of trade secrets, quality control and minimum performance clauses. The U.S. firm should ensure that its patents and trademarks will be registered in its own name rather than that of the franchisee.

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 fees or any profits accrued.

Leading Sub-Sectors

- Food Outlets
- Hospitality
- Education
- Retail
- Convenience Stores
- Hotels and 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 movie theaters. There is also growth in the retail sector, with retail market size of $155 billion according to Delloitte, consumer spending in

Pakistan has increased 83.4 percent in the past five years compared with 48.7 percent in the Asia-Pacific region according to *Euromonitor International* and is the seventh largest food market in APAC region out of 24 countries reported by *Planet Retail*. There is an emergence of many international brands including Next, Splash, Debenhams, Mango, Monsoon, Giordano, Timberland, Levis, Dockers, Mother Care, Babyshop, Accessorize, The Body Shop, Crabtree and Evelyn, Nike, Adidas, Puma, Crox, Nine West, Pedro, Charles and Keith, Clarks and Sketchers, PF Chang's, ALDO, Illy Coffee and SPAR.

Other factors that make Pakistan a lucrative market are low competition among brands, better margins due to low labor costs, and low-cost real estate.

Challenges: One major concern in Pakistan's franchising sector is the State Bank of Pakistan's (SBP) exchange regulations, which deter sector growth. The biggest concern is the Central Bank's guidelines on commercial remittances, limiting the initial franchise fee to $100,000 (regardless of the number of outlets) for the duration of the franchise. Similarly, the SBP also limits the annual franchise fee to five percent of monthly net sales, curtailing franchisors' ability to charge their regular fees.

Pakistani law generally provides for protection of intellectual property rights (IPR). Nevertheless, IPR violations in Pakistan remain widespread. For example, KFC's popular, trademarked Zinger Burger chicken sandwich is often copied by local businesses. In May 2018, the Competition Commission of Pakistan (CCP) issued a notice to a Lahore-based restaurant for prima facie fraudulently selling Starbucks coffee in Pakistan.

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

Furthermore, Pakistan's energy crisis and less developed processed food market (meat, fish and poultry) pose challenges to franchisees who rely on importation of input 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 government, NGOs, and the private sector. The Government of Pakistan (GOP) spent about $3.04 billion on healthcare in the fiscal year ending June 2018, an increase of 31.75 percent over the previous year. 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 $457.1 million and projected to increase to $537.5 million by 2020, an increase of 6.2 percent. U.S. healthcare services and medical equipment are generally well-received in Pakistan and are known for their 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 the 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.

The GOP has recently announced amendments to their medical device rules. U.S. industry is contented as these amendments would further streamline the registration process for medical devices in Pakistan.

Leading Sub-Sectors

With the number of hospitals, dispensaries, healthcare units expected to increase due to the GOP's plan to expand their 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 Machines, Anesthesia Apparatus
  ealth 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
- Liver Transplant
- Dialysis Centers
- Cardio-Pulmonary Diseases
- E.N.T
- Neurology
- Orthopedic
- Skin Diseases
- Upgrade and Privatization of Government Hospitals
- Diagnostics
- Diagnostic Labs
- X-Rays and 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 medical devices suppliers.

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. Local agents note the market is often seeking low cost, and quick decision-making on terms, which can put American companies at a disadvantage.

Healthcare in Pakistan is still in the early stages of development. 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 non-uniform medical device approvals 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 and Coordination]

[Drug Regulation Authority of Pakistan]

Renewable Energy

Overview

Pakistan's energy sector remains one of the main obstacles to economic growth. Like other developing countries in the region, Pakistan facing acute energy deficit. It generates its power from an energy mix that includes oil, gas (natural gas and liquefied natural gas, LNG), coal, renewable sources (solar, wind and hydro energy), nuclear, and biomass. Pakistan's 64% of energy comes from thermal (fossil fuels), 27% from hydro and 9% from renewable and nuclear. Country's current demand and supply gap stands approximately 2000 MW in peak season as country's demand has grown at an annual consumption growth rate of under 7 percent. According to International Energy Agency (IEA) estimates, 74 percent of the Pakistani population – around 154 million people – had access to electricity in 2017, whereas, 51 million people do not have access to electricity. In the current scenario, renewable energy (RE) resources can play an important role in closing the deficit. With current government's tilt towards renewable energy, new energy policy for the next 25 years is in the making. It is envisioned that renewable energy will have 20% - 30% share in the total energy mix, by 2030. Over the last five years, 18 wind power projects of 937MW, six solar power projects of 418MW and six bagasse projects of total 201 MW achieved commercial operations and are providing electricity to the grid.

Alternate Energy Development Board (AEDB)

The GOP, in its efforts to diversify country's energy mix and utilize untapped generation resources, is prioritizing development of Pakistan's Alternative/Renewable Energy (ARE). AEDB, started in May 2010, has a development mandate for exploration and implementation of renewable commercial projects, involving both public and private sectors. In addition to AEDB, 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. The main function of PCRET is to develop, acquire, adapt, promote and disseminate renewable energy technologies within Pakistan.

Wind Energy

Pakistan has considerable potential for using wind energy in the coastal belt of Sindh and Baluchistan (in southern Pakistan). The GOP has developed a wind power energy corridor along the southern coastal regions of Sindh and Baluchistan. Wind data, provided by Pakistan's Meteorological Department, measures Pakistan's coastal belt at 60km (Gharo-Keti Bandar) and 180km long, with an exploitable potential of 50,000MW of electricity generation through wind turbines. Currently there are 23 private wind projects operating, producing approximately 1250MW. Five additional projects are anticipated to produce approximately 400MW by early next year. These projects offer potential for U.S. companies especially as some of the projects commissioned are using U.S. manufactured turbines.

Biogas

Pakistan produces a large amount of municipal waste (up to 50,000 tons/day) animal waste, and agricultural waste in the form of solid waste, livestock dung, cotton sticks, and rice husk. Converting this waste into energy can generate up to 5,000MW of power.

PCRET has installed 4015 biogas plants with net generation capacity of 17980 million cubic meters per day on a cost-sharing basis with the private sector throughout the country. In addition, the Council has installed 30 commercial size biogas plants ranging from 50-250 million cubic meters by providing technological support and plant designs to end users, which helped generate power for irrigation and domestic consumption.

To promote waste-to-energy generation, the regulator (NEPRA) has issued the first license of a 40 MW waste-to-energy generation plant to a Chinese company. The company plans to construct this plant in central Pakistan, utilizing 2000 tons of solid waste to generate electricity.

Small/Mini/Micro Hydroelectric

Besides large hydro, there are certain prospects of development of small-mini-micro hydro power. Small Hydropower is considered as one of the lucrative options for generation of electricity. This sector is mainly handled by the provincial governments. At present 128 MW of small hydro projects are operational, whereas, projects of 877 MW are under implementation.

Solar

Pakistan has an average of nine and a half hours of sunlight daily. Opportunities are unlimited in this sector but there are challenges. The biggest challenge to an on-grid solution is the unsolidified renewable energy policy and its implementation through an autonomous energy authority. An unpredictable Feed-in-Tariff and challenges to 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 the national level. Quaid-e-Azam Solar Park – a photovoltaic power station - was established in 2016 with a designed capacity to generate 1000 MW. However, this project is currently producing only 400 MW with plans to enhance its generation capacity. In addition, 24 solar projects of different scale are producing 550 MW of power.

To support renewable energy in Pakistan, the World Bank has recently committed $100 million for solar energy projects in Sindh. This program would support independent power producers to develop 400 MW of new solar power projects and provide partial grants to private sector firms for the commercial provision of Solar Home Systems to 200,000 households.

With the rising costs of electricity in Pakistan and an 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 photovoltaic panels in larger cities. For projects under 1 MW, net metering regulations came into effect in September 2015. This sector is trending toward significant growth soon as the GOP is targeting at least 1 million customers and adding approximately 3000 MW of solar power through net metering.

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. Most of the biomass is used in rural areas as cooking fuel. 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 available from sugar mills can be used to generate up to 2,000 MW of electricity. In 2017, regulator has determined feed-in tariffs for new bagasse co-generation plants to sell electricity directly to the grid at U.S. $.06 per Kilowatt Hour for 1-10 years and $.04 per Kilowatt for 11-30 years.

Leading Sub-Sectors

U.S. companies are competing with Chinese and European companies in the renewable energy market. Chinese companies, due to low prices, continue to dominate. However, foreign-owned portion of the local renewable energy power generation market offers significant opportunities to U.S. companies.

Opportunities

The most promising sub-sectors within this sector are:

- Solar Panels / Photovoltaic Panels
- Dry Batteries
- Inverters
- 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 and Alternative Energy Association of Pakistan (REAP)

Telecommunication Equipment and Services

Overview

Recent liberalization of the telecom sector has made telecommunications one of Pakistan's most promising sectors. Today, four cellular companies are operating in the country with a customer base approaching 161 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 sector was the auction of the 3G/4G license by the Government of Pakistan. All cellular operators participated in the auction and 3G licenses were awarded to Mobilink, Ufone, and Telenor and the 3G/4G license was awarded to Zong. With telecom operators rolling out 3G/4G services, the number of its subscription has grown quickly and stands at 70 million. 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; as well as the recently-completed fiber-optic land cable from China to the city of Rawalpindi.

Teledensity:

At the end of FY-18, Pakistan's total teledensity increased to 76.69 percent, with a growth of five percent over the previous year – attributed solely to increases in cellular mobile use. Telecom operators achieved this despite the country's continued slow economic growth.

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 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 over a decade. With 3G/4G licenses in place, investment in this sector will continue.

Web Resources

[Pakistan Telecommunication Authority]

[Pakistan Telecommunication Company Limited]

Waste Management

Overview

Pakistan generates about 48.5 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 87,000 tons of solid waste is generated per day, mostly from major metropolitan areas. Karachi, Pakistan's largest city, generates more than 13,500 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 percent of solid waste in the cities is collected. The waste collection fleet typically consists of handcarts and donkey pull-carts for primary collection; then open trucks, tractor/trolley systems, and 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 it in formal and informal depots.

Karachi, Pakistan's largest city, utilizes three sanitary landfill sites, while Lahore, the country's second-largest city, has two. Other major cities plan to build proper landfill sites. 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, which was outsourced to Turkish companies Albayrak and OzPak. 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 $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, with a population of 6.9 million, has no significant infrastructure for waste management system.

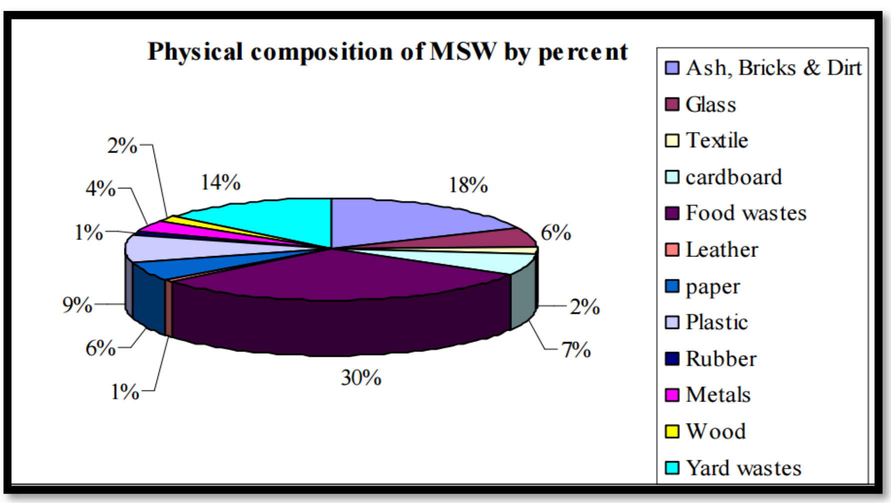
Much of Pakistan's solid waste does not reach final disposal sites. In developed countries, most solid waste generated winds up in landfills, incinerators, or other recycling centers. In Pakistan, much of the waste generated is recovered for recycling, mostly by scavengers, before it ever reaches disposal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

Solid Waste Generation in Major Cities

City	Population in million	Solid waste generation/day in tons
Karachi	20,500,000	9,900
Lahore	10,000,000	7,510
Faisalabad	7,500,000	4,900
Rawalpindi	5,900,000	4,400
Hyderabad	5,500,000	3,880
Multan	5,200,000	3,600
Gujranwala	4,800,000	3,400
Sargodha	4,500,000	3,000
Peshawar	2,900,000	2,000
Quetta	600,000	700

Source: Mr. Saadat Ali, USCS Pakistan contact from Project Procurement International, Pakistan, (website; http://projectpi.pk/)

Composition of Municipal Solid Waste (MSW) in Pakistan



Source: United Nations Environment Programme, report on waste management in Pakistan (website: http://www.unep.org/, June 2016)

Ash, bricks and dirt – 18%, Glass – 6%, Textile - 2%, Cardboard - 7%, Food wastes - 30%, Leather - 1%, Paper - 6%, Plastic - 9%, Rubber - 1%, Metal - 4%, Wood - 2%, Yard wastes - 14%.

Leading Sub-Sectors

- Equipment: Waste collection and transportation

- Chemicals: To remove waste odor for open landfill sites all-over the country
- Instrumentation
- Waste to energy plants and equipment
- Waste recycling plants
- Bio hazard waste equipment
- Industrial and municipal waste water treatment machineries

Opportunities

The local market has shown moderate growth in terms of its volume and FDI contribution over 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.

The National Electric Power Regulatory Authority (NEPRA) has announced a Competitive Upfront Tariff of U.S. $.10007/kWh for waste-to-energy projects based on a 25-year operational period, with overall capacity cap of 250MW where the share to each province and Federal Territory has been kept at 50 MW each. The construction period for these power plants is limited to 24 months. Source: https://www.dawn.com/news/1383182

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 and 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 such as cattle, buffalo, sheep and goats, meat and bone meal, tallow containing protein and feed ingredients from any Bovine Spongiform Encephalopathy (BSE) affected countries. A previous ban on the import of live animals from the United States was lifted in 2015. 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). 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 Tariff

Pakistan uses the Harmonized System to classify goods. Customs duties are levied on ad-valorem basis. Pakistan's overall average applied tariff in 2018 was 10.09 percent. In the 2018 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 from six to four. Other than customs duty, the government charges 17.0 percent sales tax 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 Pakistani 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 and 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 and Coordination sets requirements for the pharmaceutical industry. The Ministry of Agriculture sets requirements for pesticides and edible products. In February 2019, the government of Pakistan through Federal Bureau of Revenue (FBR) enacted a Special Regulatory Order (SRO) 237 (1) 2019, which bans the import of processed food products without labeling in local language and halal certification. However, based on the industry concerns, the federal government has deferred the implementation of this SRO till July 2019.

U.S. Export Controls

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

The United States imposes export controls to protect national security interests and promote foreign policy objectives. The United States also participates in various multilateral export control regimes to prevent the proliferation of weapons of mass destruction and prevent destabilizing accumulations of conventional weapons and related material. The U.S. Department of Commerce's Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export and reexport of commodities, software, and technology (collectively "items") falling under the jurisdiction of the Export Administration Regulations (EAR). The primary goal of BIS is to advance national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS also enforces anti-boycott laws and coordinates with U.S. agencies and other countries on export control, nonproliferation and strategic trade issues.

BIS is responsible for implementing and enforcing the EAR, which regulate the export, reexport, and transfer (in-country) of items with commercial uses that can also be used in conventional arms, weapons of mass destruction, terrorist activities, or human rights abuses, and less sensitive military items.

BIS's Export Administration (EA) reviews license applications for exports, reexports, transfers and deemed exports (technology transfers to foreign nationals in the United States) subject to the EAR. Through its Office of Exporter Services, EA provides information on BIS programs, conducts seminars on complying with the EAR, and provides guidance on licensing requirements and procedures. EA's Office of Technology Evaluation (OTE) analyzes U.S. export data on items subject to the EAR, BIS license application data, and global trade information to assess data trends. OTE's data portal provides excerpts from statistical reports, along with data sets to enable the public to perform analyses of exports and licensing on its own.

U.S. exporters should consult the EAR for information on how export license requirements may apply to the sale of their items. If necessary, a commodity classification request may be submitted in order to obtain BIS assistance in determining how an item is controlled (*i.e.,* the item's classification) and the applicable licensing policy. Exporters may also request a written advisory opinion from BIS about application of the EAR to a specific situation. Information on commodity classifications, advisory opinions, and export licenses can be obtained through the BIS website at www.bis.doc.gov or by contacting the Office of Exporter Services at the following numbers:

Washington, D.C. Tel: (202) 482-4811 Fax: (202) 482-3322
Western Regional Office Tel: (949) 660-0144 Fax: (949) 660-9347
Further information on export controls is available at:
http://www.bis.doc.gov/licensing/exportingbasics.htm

BIS's Export Enforcement (EE) is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure. In accordance with the EAR, BIS officials conduct site visits, also known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR, to verify compliance.

An EUC is an on-site verification of a party to a transaction to determine whether it is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of recipient(s) of items subject to the EAR, to include: confirming their legitimacy and reliability relating to the end use and end user; monitoring their compliance with license conditions; and ensuring such items are used and/or re-exported or transferred (in-country) in accordance with the EAR.

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "red flags," or warning signs, intended to discover possible violations of the EAR.

Also, BIS has "Know Your Customer" guidance.

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two day seminars and focus on the basics of exporting as well as more advanced topics. Check a current seminar schedule for a list of upcoming seminars.

BIS also provides online training.

The EAR does not regulate transactions involving all U.S. goods, services, and technologies. Other U.S. Government agencies regulate more specialized exports. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services. A list of other agencies involved in export control can be found on the BIS website or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the BIS website.

And on the e-CFR (Electronic Code of Federal Regulations) website.

The Consolidated Screening List (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates a number of smaller lists of restricted parties that are maintained by a variety of U.S. Government agencies, including the Department of Commerce, as an aid to industry in conducting electronic screens of potential parties to regulated transactions. The CSL is available here: http://apps.export.gov/csl-search or https://developer.trade.gov/consolidated-screening-list.html

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 and Restricted Imports

The GOP 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.

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 and inland dry ports located in major cities throughout the country.

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 and Quality Control Authority is responsible for the conformity assessment. This organization may be reached as follows:

Pakistan Standards and 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 and Quality Control Authority is responsible for product certification. This organization may be reached as follows:

Pakistan Standards and 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 and closed the text in 2012, but the agreement has not been signed due to reservations from Pakistani stakeholders. 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 and the United States signed a Trade and Investment Framework Agreement (TIFA) in 2003, which provides a forum for discussion of bilateral trade issues. The most recent TIFA intercessional meeting was held in Islamabad in May 2019.

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

Licensing Requirements for Professional Services

The services sector in Pakistan has seen significant growth in the past several years due to the government's economic policies, consumer awareness, and developing technological infrastructure. During FY 2018-19, the local services sector recorded a growth rate of 4.71 percent compared to 5.98 percent last year. According to the Ministry of Finance, Government of Pakistan, the local services sector with a share of 60.23 percent is the largest contributor to the national GDP. The Government of Pakistan has introduced several policies to steer growth in the local banking and financial services, healthcare services, education services, aviation services, telecommunication services, and other professional services. However, foreign professional services companies are required to meet the following requirements for operating in this market:

- Foreign engineering consulting companies are not allowed to operate in Pakistan without registration with Pakistan Engineering Council (PEC).
- Foreign banks and financial institutions must file an application with the State Bank of Pakistan (SBP) and Economic Coordination Committee to commence operations in Pakistan. In addition, these institutions must strictly comply with SBP regulations including minimum capital reserves, remittance of funds, and corporate/consumer financing products.
- For telecommunication services, all foreign companies must get requisite licensing approvals and clearances from the Pakistan Telecommunication Authority (PTA) before commencing their operations.

Web Resources

Pakistan government portal

Trade Development Agency of Pakistan

Pakistan Ministry of Commerce

Pakistan Engineering Council

State Bank of Pakistan

Pakistan Telecommunication Authority

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, difficult business climate, lengthy dispute resolution processes, poor intellectual property rights (IPR) enforcement, and inconsistent taxation policies have contributed to lower Foreign Direct Investment (FDI), as compared to regional competitors. Pakistan ranked 136 out of 190 countries in the World Bank's Doing Business 2019 rankings, gaining 11 places from 2018.

The Pakistan Tehreek-e-Insaf (PTI) government elected in July 2018 pledged to improve Pakistan's economy, restructure tax collection, enhance trade and investment, and eliminate corruption. Since taking power, the PTI government has faced a rapidly expanding current account deficit and declining foreign reserves. Due to the inherited balance of payments crisis, the PTI government has worked on immediate needs to acquire external financing rather than medium- to long-term structural reforms. Progress has been slow on key structural reforms including broadening the tax base, reforming the tax authority, and privatizing state owned enterprises. Current tax policies negatively affect large businesses, as the government relies heavily on them for meeting its tax collection targets. The PTI government has not announced new policies to attract FDI yet, but is reportedly working on a five-year FDI strategy. The strategy reportedly aims to gradually increase FDI to $7.4 billion by Fiscal Year (FY) 2022-23.

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 $6.6 billion in 2018, a record for bilateral trade, and included a 4.3-percent increase in U.S. exports to Pakistan. Agriculture remained the largest growth area for U.S. exports. The Karachi-based American Business Council, an affiliate of the U.S. Chamber of Commerce, has 65 U.S. member companies, most of which are Fortune 500 companies operating in Pakistan across a range of industries. The Lahore-based American Business Forum – which has 25 founding members and 18 associate members – also assists 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 include 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 regularly, the most recent in October 2016 in Islamabad, led by United States Trade Representative Michael Froman. The last TIFA intersessional, a working level meeting to review the decisions taken in TIFA, was in June 2017 in Washington.

Table 1: Key Metrics and Rankings

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2018	117 of 180	http://www.transparency.org/research/cpi/overview

World Bank's Doing Business Report	2019	136 of 190	http://www.doingbusiness.org/en/rankings
Global Innovation Index	2018	109 of 126	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in partner country ($M USD, stock positions)	2017	518	http://www.bea.gov/international/factsheet/
World Bank GNI per capita (USD)	2017	1,580	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Openness To, and Restrictions Upon, Foreign Investment

Policies Towards Foreign Direct Investment

In the past decade, Pakistan was unable to attract sufficient foreign investments to support desired growth objectives and remains a low priority country for foreign investors. The previous government recognized Pakistan's need for foreign investment and introduced an Investment Policy, in 2013, to attract foreign investment and also signed an economic co-operation agreement with China, the China Pakistan Economic Corridor (CPEC), in April 2015. CPEC is focused mainly on infrastructure and energy production. Given that several large CPEC energy projects went online in 2018, Pakistan's government has been able to develop sufficient power generation capacity in the country, though deficiencies in the transmission and distribution network remain.

The previous government also introduced incentives, which remain in place under the current PTI government, through the Strategic Trade Policy Framework (STPF) and Export Enhancement Packages (EEP). These incentives are largely industry-specific and include tax breaks, tax refunds, tariff reductions, the provision of dedicated infrastructure, and investor facilitation services. The current government is reportedly working on its own STPF, but has not announced a new policy. Pakistan also designated special economic zones (SEZs), which the PTI government continues to develop, which offer a separate basket of incentives to potential investors. None of the SEZs are fully operational, but they have attracted some investment and are available to any company, domestic or foreign.

Net inflows of FDI peaked at $5.4 billion in fiscal year FY2008. [**Note:** Pakistan's fiscal year in runs from July 1 to June 30. **End Note.**] In FY2018, net FDI was $3.1 billion, approximately 14.8 percent higher than FY2017. According to the State Bank of Pakistan (SBP), the largest share of FDI ($997 million) was in the power sector (largely due to Chinese FDI in CPEC projects), followed by $708 million in the construction sector, and $400 million in financial business. Most analysts believe that the improved security environment, large energy projects under CPEC, and improvements in macroeconomic stability have played a key role in the improvement of FDI in FY2018. China remained the single largest FDI contributor in Pakistan, contributing more than 58 percent of Pakistan's total FDI in FY2018. During the last five years, cumulative FDI inflows remained $10 billion, over 81 percent in non-manufacturing sectors. Since the PTI government started in 2018, Pakistan has signed Memorandum of Understandings (MoUs) with Saudi Arabia, the United Arab Emirates, and Malaysia. These MoUs agreed to bring investments of over $21 billion, largely in the areas of energy, agriculture and oil and gas exploration.

Notwithstanding the substantial increase in Chinese FDI, non-Chinese sources are limited. Compared to the region, low FDI is attributed to Pakistan offering competitive returns in only a few sectors. For example, multinational companies in the consumer goods sector have witnessed steady profits, while pharmaceuticals have been obstructed by opaque and restrictive government regulations. Power companies have also experienced an uptick in business since CPEC, but mostly by conventional energy providers; renewable energy providers have encountered obstacles in the form of inconsistent and discouraging policies from regulators. The current government is working on introducing new energy policy for the next 25 years. It aims to have 20-30 percent share of all energy come from renewable energy by 2030, compared to the current share of 2-3 percent. The ICT sector has risen steadily, albeit from a relatively low base. Growth has come from companies engaged in outsourcing services and software development.

Pakistan has a low tax-to-gross domestic product (GDP) ratio of approximately 13 percent in FY2018, which slightly increased from FY2017. [Note: For comparison, OECD countries averaged 32-34 percent over the past decade. End Note.] Pakistan relies heavily on multinational corporations for a significant portion of the tax collections. Foreign investors in Pakistan regularly report that both federal and provincial tax regulations are difficult to navigate. The World Bank's Doing Business 2019 report notes that companies pay 47 different taxes, compared to an average of 24.8 in other South Asian countries. On average, calculating these payments requires that business spend on average over 293 hours per year. In addition, companies frequently lament the lack of transparency in the assessment of taxes. Since 2013, the government has requested advance tax payments from companies, complicating businesses' operations as the government intentionally delays tax refunds.

The Foreign Private Investment Promotion and Protection Act, 1976, and the Furtherance and Protection of Economic Reforms Act, 1992, provide legal protection of foreign investors and investment in Pakistan. All sectors and activities are open for foreign investment unless specifically prohibited or restricted for reasons of national security and public safety. Specified restricted industries include arms and ammunitions; high explosives; radioactive substances; securities, currency and mint; and consumable alcohol.

The specialized investment promotion agency of Pakistan is the Board of Investment (BOI). The BOI is responsible for the promotion of investment, facilitating local and foreign investors for implementation of their projects, and to enhance Pakistan's international competitiveness. They assist companies and investors who intend to invest in Pakistan and facilitate the implementation and operation of their projects.

Limits on Foreign Control and Right to Private Ownership and Establishment

The 2013 Investment Policy eliminated minimum initial capital investment requirements across sectors so that no minimum investment requirement or upper limit on the share of foreign equity is allowed, with the exception of the airline, banking, agriculture, and media sectors. Foreign investors in the services sector may retain 100 percent equity – subject to obtaining permission, a no objection certificate, or license from the concerned agency, as well as fulfilling the requirements of respective sectoral policy. In the education, health, and infrastructure sectors, 100 percent foreign ownership is allowed, while in the agricultural sector, the threshold is 60 percent – with an exception for corporate agriculture farming, where 100 percent ownership is allowed. 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 5 percent of net sales for five years. Royalties and technical payments are subject to a 15 percent income tax, and subject to remittance restrictions listed in Chapter 14, section 12 of the SBP Foreign Exchange Manual (http://www.sbp.org.pk/fe_manual/index.htm). The tourism, housing, construction, and information and communications technology sectors have been granted "industry status," eligible for lower tax and utility rates compared to "commercial sector" enterprises, including banks and insurance companies. Small-scale mining valued at less than PKR 300 million (roughly $2.6 million) is restricted to Pakistani investors.

With the exception of arms, ammunition, high explosives, radioactive substances, private security companies, currency, and consumable alcohol, foreign investors are allowed in all sectors. There are no restrictions or mechanisms that specifically exclude U.S. investors.

Since signing the World Trade Organization (WTO) Financial Services Agreement in December 1997, Pakistan's financial services commitments have improved. Foreign banks can establish locally incorporated subsidiaries and branches, provided they have $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 49-percent maximum 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 based on the bank's net worth, adequacy of capital structure, future earnings prospects, credit discipline, and the needs of the local population. All banks are required to open 20 percent of their new branches in small cities, towns, and villages.

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 do not discriminate against foreign investments, enforcement of contracts remains problematic due to a weak and inefficient judiciary. Pakistani courts have not upheld some international arbitration awards.

Pakistan maintains investment screening mechanisms for inbound foreign investment. The BOI is the lead organization for such screening. Pakistan blocks foreign investments if the screening process determines the investment could negatively affect Pakistan's national security.

Other Investment Policy Reviews

Pakistan has not undergone any third-party investment policy reviews in last three years. The International Monetary Fund assessed the nation's overall macro economy under Article-IV consultation in 2018; however, that review was not specific to investment policy.

Business Facilitation

Pakistan works with the World Bank to improve its overall ease of doing business standing. The government has simplified pre-registration and registration facilities and automated land records to simplify property registrations. To improve cross border trade, it has also improved electronic submissions and processing of trade documents. Even so, Pakistan ranked 130 out of 190 countries in the World Bank Doing Business 2019 report's "Starting a Business" category. Pakistan is ranked 26 out of 190 for protecting minority investors. Starting a business in Pakistan normally involves 10 procedures and takes at least 16.5 days.

The Securities and Exchange Commission of Pakistan (SECP) manages company registrations. Both foreign and domestic companies begin the registration by providing a company name and paying the requisite registration fees to the SECP. Companies then supply documentation on the proposed business, including information on corporate offices, location of company headquarters, and a copy of the company charter.

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 register with Pakistan's Federal Employees Old-Age Benefits Institution (EOBI) for social security purposes. Depending on the location, registration with provincial governments may be required.

The SECP website (www.secp.gov.pk) offers the Virtual One Stop Shop (OSS) where companies can register with the SECP, FBR, and EOBI simultaneously. OSS is also available for foreign investors.

The government's investment policy provides both domestic and foreign investors the same incentives, concessions, and facilities for industrial development. Though some incentives are included in the federal budget, the government relies on Statutory Regulatory Orders (SROs) for industry specific taxes or incentives. For example, an SRO issued in February 2019 imposed additional labeling requirements for imported goods, creating non-tariff barriers.

Outward Investment

Pakistan does not promote or incentivize outward investment. Although the government does not explicitly prohibit Pakistanis from investing abroad, the process of approvals is so cumbersome it normally takes years, discouraging potential investors.

Bilateral Investment and Taxation Treaties

Though U.S.-Pakistan Bilateral Investment Treaty (BIT) negotiations began in 2004 and closed the text in 2012, the agreement has not been signed due to reservations from Pakistani stakeholders. According to the BOI, Pakistan has signed BITs with 49 countries with only 27 entered into force.

Pakistan does not have a Free Trade Agreement (FTA) with United States. However, both countries have Trade and Investment Framework Agreement (TIFA) in place. Pakistan has trade agreements with China, Malaysia, Sri Lanka, Iran, Mauritius, and Indonesia. It is also a signatory of the South Asian Free Trade Agreement (SAFTA) and the Afghanistan Pakistan Transit Trade Agreement (APTTA). Pakistan is negotiating FTAs with Turkey and Thailand and re-negotiating its existing FTA with China.

A U.S.-Pakistan bilateral tax treaty was signed in 1959. Pakistan has double taxation agreements with 63 other countries and 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 the administration of taxes. In 2018, Pakistan updated its tax treaty with Switzerland and has approached the United States Government to request the same.

In 2016, Pakistan signed the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The Convention will help Pakistan exchange banking details with the other 80 signatory countries to locate untaxed money in foreign banks. 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

Transparency of the Regulatory System

Since the 2010 introduction of the 18th amendment to Pakistan's constitution, foreign companies must address provincial, and sometimes local, government laws in addition to national law. Respective regulatory authorities conduct in-house post-implementation reviews for regulations in consultation with relevant stakeholders. However, these assessments are not made publicly available. Prior to implementation, non-government sectors and private sector associations can provide feedback to the government on different laws and policies, but authorities are not bound to collect nor implement their suggestions. Many foreign businesses in Pakistan complain about the inconsistencies in laws and policies from different regulatory authorities. Since the implementation of the 18th amendment, which devolved certain powers from the federal to provincial governments, inconsistencies have affected sales of U.S. companies, particularly in food and beverages; the two largest provinces, Punjab and Sindh, have different regulations for beverages. However, there are no rules or regulations in place that discriminate specifically against U.S. investors.

The SECP is the main regulatory body for foreign companies in Pakistan. However, the SECP is not the sole regulator. Company financial transactions are regulated by SBP, labor by the Social Welfare or EOBI, and specialized functions are overseen by bodies such as the National Electric Power Regulatory Authority or Alternate Energy Development Board. Each body is overseen by autonomous management but all are required to go through the Ministry of Law and Justice before submitting their policies and laws to parliament or, in some cases, the executive branch; parliament or the Prime Minister is the final authority for any operational or policy related legal changes.

The SECP is technically empowered to notify accounting standards to companies in Pakistan. Pakistan has adopted most, though not all, International Financial Reporting Standards. Though most of Pakistan's legal, regulatory, and accounting systems are transparent and consistent with international norms, execution and implementation is inefficient and opaque.

Most draft legislations are made available for public comment but there is no centralized body to collect public responses. The relevant authority gathers public comments, if deemed necessary; otherwise legislation is directly submitted to the legislative branch. For business and investment laws and regulations, the Ministry of Commerce collects feedback from local chambers and associations – such as the American Business Council and Overseas Investors Chamber of Commerce and Industry (OICCI). Rather than publishing regulations online for public review, the Ministry relies on stakeholder discussion forums for comment.

The government publishes limited debt obligations in the budget document in two broad categories: capital receipts and public debt, which are published in the "Explanatory Memorandum on Federal Receipts." These documents are available at http://www.finance.gov.pk, http://www.fbr.gov.pk, and http://www.sbp.org.pk/edocata. The government does not adequately disclose the terms of bilateral debt obligations, including financing on China-Pakistan Economic Corridor projects.

International Regulatory Considerations

Pakistan has bilateral trade agreements with China, Indonesia, Iran, Malaysia, Mauritius, and Sri Lanka, although most are limited to a few hundred tariff lines and do not cover all trade. It is negotiating additional trade agreements with Turkey and Thailand. Pakistan is a member of the South Asia Free Trade Area, 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 of products that cannot be imported from India. The list 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 one of 23 WTO countries negotiating the Trade in Services Agreement. Pakistan notifies all draft technical regulations to the WTO Committee on Technical Barriers to Trade.

Legal System and Judicial Independence

Most international norms and standards incorporated in Pakistan's regulatory system are influenced by British laws. Laws governing domestic or personal matters are strongly influenced by Islamic Sharia Law. Of the two courts – 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), and 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. A 2015 constitutional amendment allows military courts to try civilians for terrorism, sectarian violence, and other charges; parliament renewed this authority in January 2017 for an additional two years, which lapsed in March 2019. The sitting PTI government favors an extension of these courts for another two years but opposition benches are not supportive. For extension, parliament needs a two-thirds majority to pass the bill, which the PTI government lacks. Additionally, the government also use special civilian terrorism courts to try a wide range of cases, not necessarily limited to terrorism, including any crimes involving violence and acts or speech deemed by the government to foment religious hatred, including blasphemy. 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. Pakistan's judiciary is influenced by the government and other stakeholders. The lower judiciary is influenced by the executive branch and seen as lacking competence and fairness. It currently faces a significant backlog of unresolved cases.

Pakistan has a written contractual/commercial law with the Contract Act of 1872 as the main source for regulating Pakistani contracts. English decisions, where relevant, are also cited in courts.

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, subject to obtaining relevant permissions. In the education, health, and infrastructure sectors, 100 percent foreign ownership is allowed. In the agricultural sector, the threshold is 60 percent, with an exception for corporate agriculture farming, where 100 percent ownership is allowed. A majority of foreign companies operating in Pakistan are "private limited companies," which are incorporated with a minimum of two shareholders and two directors registered with the SECP.

While there are no regulatory requirements on the residency status of company directors, the chief executive must reside in Pakistan to conduct day-to-day operations. If the chief executive is not a Pakistani national, she or he is required to obtain a multiple entry work visa. Companies operating in Pakistan are statutorily required to retain full-time audit services and legal representation. Companies must also register any changes to the name, address, directors, shareholders, CEO, auditors/lawyers, and other pertinent details to the SECP within 15 days of the change.

To address long process delays, in 2013, the SECP introduced the issuance of a provisional "Certificate of Incorporation" prior to the final issuance of a "No Objection Certificate" (NOC). The Certificate includes a provision noting that company shares will be transferred to another shareholder if the foreign shareholder(s) and/or director(s) fails to obtain a NOC.

Pakistan's judicial system allows specialized tribunals as a means of alternative dispute resolution. Special tribunals are able to address taxation, banking, labor, and IPR enforcement disputes. However, due to an active but weak and inefficient judiciary, most foreign investors include contract provisions that provide for international arbitration to avoid protracted disputes.

Competition and Anti-Trust Laws

Established in 2007, the Competition Commission of Pakistan (CCP) ensures private and public sector organizations are not involved in any anti-competitive or monopolistic practices. Complaints regarding anti-competition practices can be lodged with CCP, which conducts the investigation and is legally empowered to award penalties; complaints are reviewable by the CCP appellate tribunal in Islamabad and the Supreme Court of Pakistan. The CCP appellate tribunal is required to issue decisions on any anti-competition practice within six months from the date in which it becomes aware of the practice.

Expropriation and Compensation

Two Acts, the Protection of Economic Reforms Act 1992 and the Foreign Private Investment Promotion and Protection Act 1976, protect foreign investment in Pakistan from expropriation, while the 2013 Investment Policy reinforced the government's commitment to protect foreign investor interests. Pakistan does not have a strong history of expropriation.

Dispute Settlement

ICSID Convention and New York Convention

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

Investor-State Dispute Settlement

In 2008, the Pakistani government instituted a Rental Power Plant (RPP) plan to help alleviate the chronic power shortages throughout the country. Walters Power International Limited was a participant in three RPP plants and brought the power generation equipment into Pakistan to service these plants. Subsequently, in 2010, the Supreme Court of Pakistan nullified all RPP contracts due to widespread corruption in cash advances made to RPP operators. Walters Power International Limited settled with the Pakistan National Accountability Bureau (NAB) and the Central Power Generation Company Limited by returning advance payments plus interest. In mid-2012, NAB formally acknowledged that settlement with the Walters Power International Limited had been made, which under Pakistani law released Walters Power International Limited from any further liability, criminal or civil, and should have permitted re-export of equipment.

However, the Government of Pakistan has (a) refused to allow the plant be exported so that some salvage value could be obtained, and (b) prevented the plant to operate despite critical need for power in the country. This plant was internationally advertised in a competitive bidding process and went through seven levels of regulatory approvals. Despite repeated efforts by Walters Power International Limited, NAB has declined to instruct the appropriate parties to issue a Notice of Clearance to Pakistan Customs to allow the re-export of the equipment. Walters Power International Limited alleges that the unreasonable delay in permitting re-export of equipment following settlement constitutes expropriation. The case is still pending with NAB.

International Commercial Arbitration and Foreign Courts

Foreign investors lament the lack of clear, transparent, and timely investment dispute mechanisms. Protracted arbitration cases are a major concern. Pakistan's Arbitration Act of 1940 provides guidance for arbitration in commercial disputes, but cases typically take years to resolve. To mitigate such risks, most foreign investors include contract provisions that provide for international arbitration.

Pakistan is not a signatory of any treaty or investment agreement in which binding international arbitration of investment disputes is required. With the exception of arbitration, there is no alternative dispute resolution (ADR) mechanism available as a means for settling disputes between two private parties.

Bankruptcy Regulations

Pakistan was ranked 53 of 190 for ease of "resolving insolvency" rankings in the World Bank's Doing Business 2019 report. On average, Pakistan requires 2.6 years to resolve insolvency issues and has a recovery rate of 44.5 percent.

Pakistan does not have a single, comprehensive bankruptcy law. Foreclosures are governed under the Companies Act 2017 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 Act 2017 regulates mergers and acquisitions. Mergers are allowed between international companies, as well as between international and local companies. In 2012, the government enacted legislation 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 authorizing private firms to adopt articles of incorporation discriminating against foreign investment.

Pakistan has no dedicated credit monitoring authority. However, SBP has authority to monitor and investigate the quality of the credit commercial banks extend.

Industrial Policies

Investment Incentives

Pakistan currently does not provide any formal investment incentives such as grants, tax credits or deferrals, access to subsidized loans, or reduced cost of land to individual foreign investors. The 2013 investment policy revolves around business facilitation and not direct incentives. However, in 2016, the government reduced or eliminated custom duties on the imports of equipment and machinery and introduced temporary tariff concessions for the automobile manufacturing sector. The government does not offer research and development incentives. Nonetheless, certain technology-focused industries, including information technology and solar energy, benefit from a wide range of fiscal incentives.

In general, the government does not issue guarantees or jointly finance foreign direct investment projects. However, the government made an exception for CPEC related projects; the Government of Pakistan provided sovereign guarantees for the investment and returns and provided joint financing for specific projects.

Foreign Trade Zones/Free Ports/Trade Facilitation

Providing unique fiscal and institutional incentives exclusively for export-oriented industries, the government established the first Export Processing Zone (EPZ) in Karachi in 1989. Subsequently, EPZs were established in Risalpur, Gujranwala, Sialkot, Saindak, Gwadar, RekoDek, and Duddar; today, only 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," which facilitates import and export authorizations. The 2012 Special Economic Zones 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 benefits to reduce the cost of doing business, Pakistan's SEZs have struggled to attract investment due to lack of basic infrastructure.

Pakistan intends to establish nine SEZs under China Pakistan Economic Corridor (CPEC). The government plans to inaugurate the first one in Rashakai, Khyber Pakhtunkhwa, in June 2019. Most CPEC SEZs remain in nascent stages of development.

Apart from SEZ-related incentives, the government offers special incentives for Export-Oriented Units (EOU) – a stand-alone industrial entity exporting 100 percent of its production. Export-Oriented Units incentives include duty and tax exemptions for imported machinery and raw materials, as well as the duty-free import of vehicles. Export-Oriented Units 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 business officials have struggled to get business visas to Pakistan. When permitted, business people typically received single-entry visas with a short duration validity. Once in country, Pakistan required NOCs to visit locations outside of Islamabad, Karachi, or Lahore, making it difficult to inspect factories, supply chains, or goods outside of these three cities. Pakistan announced updates to its visa and NOC policies to attract foreign tourists and businesspeople, but the more open polices have not been fully implemented. New visa policies will not apply to U.S. passport holders. Technical and managerial personnel working in sectors that are open to foreign investments are typically not required to obtain special work permits. The new NOC policy permits travel throughout Pakistan, with exceptions for travel near Pakistan's borders that still requires an NOC.

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 basis of origin of the investment.

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

Post has not received complaints regarding encryption issues from IT companies operating in Pakistan. Officially, accreditation from the Electronic Certification Accreditation Council (under the Ministry of Information Technology) is required for entities using encryption and cryptography services, though it is not consistently enforced. Despite the company's April 2016 announcement that it would employ end-to-end encryption, WhatsApp is widely used. The Pakistan Telecommunication Authority (PTA) initially demanded unfettered access to Research in Motion's BlackBerry customer information, but the issue was resolved when the company agreed to assist law enforcement agencies in the investigation of criminal activities. PTA and 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

Though Pakistan's legal system supports the enforcement of property rights and both local and foreign owner interests, it offers incomplete protection for the acquisition and disposition of property rights. With the exception of the agricultural sector, where foreign ownership is limited to 60 percent, no specific regulations regarding land lease or acquisition by foreign or non-resident investors exists. Corporate farming by foreign-controlled companies is permitted if the subsidiaries are 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 with insufficient 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.

Though protection for legal purchasers of land are provided, even if unoccupied, clarity of land titles remains a challenge. Improvements to land titling have been made by the Punjab, Sindh, and Khyber Pakhtunkhwa provincial governments dedicating significant resources to digitizing land records.

Intellectual Property Rights

The Government of Pakistan has identified IPR protection as a key economic reform and has taken concrete steps over the past 15 years to strengthen its IP regime. In 2005, Pakistan created the Intellectual Property Organization (IPO) to consolidate government control over trademarks, patents, and copyrights. Three ministries handled these areas previously: the Ministry of Education for copyright, Ministry of Commerce for trademarks, and the Ministry of Industries for patents. The IPO's mission also includes coordinating and monitoring the enforcement and protection of IPR through law enforcement agencies. Enforcement agencies include local police, the Federal Investigation Agency, customs officials at the FBR, the SECP, the CCP, the Drug Regulatory Authority of Pakistan, and the Print and Electronic Media Regulatory Authority.

Although the creation of the IPO consolidated policy-making institutions, confusion surrounding enforcement agencies' roles still constrains IPO performance on IPR enforcement, leaving IP rights holders struggling to identify the right forum to address IPR infringement. The IPO constituted seven new enforcement coordination committees for better IPR enforcement and signed an MOU with the FBR to share information. The IPO is in initial stages to sign MOUs with the CCP and SECP. However, the IPO labors to coordinate disparate bodies under current laws. Weak penalties and agencies' redundancies allow counterfeiters to evade punishment, while companies struggle to identify the correct forum to file complaints. Pakistan is the fourth largest source of counterfeit and pirated goods seized by U.S. customs and border protection.

In 2016, Pakistan established three specialized IP tribunals – in Karachi covering Sindh and Balochistan, in Lahore covering Punjab, and in Islamabad covering Islamabad and Khyber Pakhtunkhwa. There are plans to create tribunals for Peshawar and Quetta as well. The Lahore and Islamabad IP tribunals became fully operational in 2016, but the Karachi tribunal did not come online until April 2017. The IP tribunals have already ruled on 800 cases, many of which resulted in injunction orders. Numerous U.S. companies have successfully defended their IPR in the new tribunals, but a lack of capacity and consistency of presiding officers remains a concern. In under three years, the Islamabad and Lahore tribunals have each seated three different presiding officers while Karachi had two, and high court justices without expertise in IP law often overrule tribunals' decisions. While all the tribunals are fully operational and have improved IPR enforcement, they have not made any major rulings, and it remains too early to assess their long-term influence on Pakistan's IPR environment.

In 2018, the CCP investigated and imposed a fine of $47,000 on a local coffee house on charges of unauthorized use of trademark of Starbucks.

Pakistan has sought to encourage investment in the seed industry through enhanced regulatory structure. Over the past three years officials have revised the 1976 Seed Act, cautiously resumed the biotechnology approval process, and received parliamentary approval of the Plant Breeders' Rights Act (approved December 2016), which, once implementing rules are written, is expected to provide Pakistan's first-ever intellectual property protection for seeds. While current and potential investors have expressed concerns over enforcement capacity and would like the approval process for new technologies to accelerate, the Government of Pakistan is taking steps to solidify federal (rather than provincial) oversight of the sector and respond to industry input. Access to modern seed technology is vital to the development of Pakistan's agricultural sector. 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 Out-of-Cycle Review and 2017 and 2018 regular reviews confirmed Pakistan should remain on the Watch List. The 2018 Special 301 report acknowledged certain achievements by the government but highlighted the lack of enforcement on violations, particularly with respect to copyrights, pharmaceutical data, and media piracy.

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

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Financial Sector

Capital Markets and Portfolio Investment

The Government of Pakistan does not provide any investment incentives except the incentives offered to attract new capital inflows in specialized sectors and SEZs. These incentives for specific sector and SEZs include tax exemptions, tariffs reductions, infrastructure, and investor facilitation services in designated special economic zones. Since 1997, Pakistan has established and maintained a largely open investment regime. The PML-N government introduced the Investment Policy 2013 that further liberalized investment policies in most sectors. However, in addition to expressing concern about the deteriorating law and order situation, foreign investors continue to advocate for Pakistan to improve legal protections for foreign investments, protect intellectual property rights, and an established a clear and consistent policy of upholding contractual obligations and settlement of tax disputes.

Pakistan's three stock exchanges (Lahore, Islamabad, and Karachi) merged to form the Pakistan Stock Exchange (PSE) in January 2016. As a member of the Federation of Euro-Asian Stock Exchanges and the South Asian Federation of Exchanges, PSE is also an affiliated member of the World Federation of Exchanges and the International Organization of Securities Commissions. In 2016, the government imposed 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 and no capital gains tax for holdings that exceed 12 months. However, in 2017, the government modified the capital gain tax and imposed 15 percent on stocks held for less than 12 months, 12.5 percent on stocks held for more than 12 but less than 24 months, and 7.5 percent on stocks held for more than 24 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, foreign investors 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.

The free flow of financial resources for domestic and foreign investors is supported by financial sector policies, with the SBP and SECP providing regulatory oversight of financial and capital markets. Interest rates depend 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 6 percent in November 2017 but has increased the rate to 10.75 percent in March 2019.

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

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 percent of banks' equity with effect from December 2013. 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. There are a limited number of venture capitalists operating in Pakistan.

Money and Banking System

The State Bank of Pakistan (SBP) is the central bank of Pakistan.

According to the most recent statistics published by the SBP, only 23 percent of the adult population uses formal banking channels to conduct financial transactions while 24 percent are informally served by the banking sector. The remaining 53 percent of the adult population do not use any formal financial services.

The overall financial sector has done well in Pakistan over the last few years. The SBP's December 2018 banking sector review noted improving asset quality, stable liquidity, robust solvency, and increased investment in the banking sector. The asset base of the banking sector expanded by 7.3 percent during 2018. The risk profile of the banking sector remained satisfactory because profitability and asset quality improved as the non-performing loans to gross loans (infection) rate declined to its lowest level in a decade, 8 percent, at the end of 2018.

The five largest banks, one of which is state owned, control 52.3 percent of all banking sector assets. In 2018, total assets of the banking industry were $140.6 billion[1]. As of December 2018, net non-performing bank loans totaled approximately $785.7 million – 1.4 percent of net total loans.

The penetration of foreign banks in Pakistan is relatively low and do not account for a significant portion of the local banking industry and overall economy. According to a study conducted by the World Bank Group in 2018, the share of foreign banks to GDP stands at 3.5 percent. In the wake of the global financial crisis, foreign banks have scaled down their operations and businesses in Pakistan mainly due to policies to shrink operations in small and struggling markets. Banks closing down or limiting their operations included the Royal Bank of Scotland and Citibank, which sold its consumer banking portfolio to Habib Bank Limited and restricted its operations to corporate banking. Other foreign banks operating in Pakistan are Standard Chartered Bank, Deutsche Bank, Samba Bank, Industrial and Commercial Bank of China, Bank of Tokyo, and the newly established Bank of China.

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[1] Even though the value of total assets has increased in PKR, due to devaluation of the rupee, the converted number in USD has decreased from 2017.

International banks are involved in two major types of international activities: cross-border flows, and foreign participation in domestic banking systems through brick-and-mortar operations.

SBP requires that foreign banks hold at minimum $300 million in capital reserves at their Pakistan flagship location and maintain at least an 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.

Foreigners require proof of residency – a work visa, company sponsorship letter, and valid passport – to establish a bank account in Pakistan. There are no further other restrictions to prevent foreigners from opening and operating a bank account. However, most foreigners prefer to use a foreign bank to conduct their banking transactions.

Foreign Exchange and Remittances

Foreign Exchange

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. While cross-border payments of interest, profits, dividends, and royalties are allowed without submitting prior notification, banks are required to report loan information so SBP can verify remittances against repayment schedules. Exchange companies are permitted to buy and sell foreign currency for individuals, banks, and other exchange companies, and can also sell foreign currency to incorporated companies to facilitate the remittance of royalty, franchise, and technical fees. Exchange companies are playing an increasingly important role in facilitating remittances from Pakistanis working overseas.

There is no clear policy on convertibility of funds associated with investment to other global currencies. SBP deals with such cases and opts for an ad-hoc approach on a case to case and situational basis.

Mission Pakistan has provided advocacy for U.S. companies that have struggled to repatriate their profits. Although no formal policy bars profit repatriation, U.S. companies have faced delays in repatriation from the SBP.

The Ministry of Finance and the SBP jointly manage Pakistan's exchange rate. Even though the exchange rate is determined by the market, over the past few years the SBP has intervened to stabilize the exchange rate or manage its decline. Falling foreign exchange reserves have constrained the SBP's ability to directly intervene in the market by injecting dollars into it.

Remittance Policies

The 2001 Income Tax Ordinance of Pakistan exempts taxes on any amount of foreign currency remitted from outside Pakistan through normal banking channels. Remittance of full capital, profits, and dividends over $5 million are permitted while dividends are tax-exempt. No limits exist for dividends, remittance of profits, debt service, capital, capital gains, returns on intellectual property, or payment for imported equipment in Pakistani law. However, large transactions that have the potential to influence Pakistan's foreign exchange reserves require approval from the government's Economic Coordination Committee. Similarly, banks are required to account for outflows of foreign currency. Investor remittances must be registered with the SBP within 30 days of execution and can only be made against a valid contract or agreement.

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

The second round of the Government of Pakistan's extensive 15-year privatization campaign came to an abrupt halt after 2006 when the Supreme Court reversed a proposed deal for the privatization of Pakistan Steel Mills, setting a precedent for future offerings. As a result, large and inefficient state-owned enterprises (SOEs) retain monopolistic powers in a few key sectors, requiring the government to provide annual subsidies to cover SOE losses. Three of the country's largest SOEs include Pakistan Railways (PR), Pakistan International Airlines (PIA), and Pakistan Steel Mills (PSM). According to the IMF, the total debt of SOEs now amounts to 3.6 percent of GDP (almost $10 billion) in 2018.

There are 197 SOEs in the power, oil and gas, banking and finance, insurance, and transportation sectors. Some are profitable; others suffer losses. They provide stable employment and other benefits for more than 420,000 workers. According to the IMF, in 2018, Pakistan's total debts and liabilities for SOEs exceeded PKR 1.2 trillion ($10 billion), or 3.6 percent of GDP – a 22 percent increase since 2016, but roughly the same since 2017. Some SOEs have governing boards, but they are not effective.

The following links provides details of the Government of Pakistan's privatized transactions over the past 18 years since 1991.

http://privatisation.gov.pk/?page_id=125

SOEs competing in the domestic market receive non-market-based advantages from the host government. Two examples include PIA and PSM, which are operating at loss, but the Government of Pakistan continues to provide them with financial bailout packages. Post is not aware of any negative impact to the U.S firms in this regard.

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 only about 250 of PR's 458 locomotives are serviceable. PR has attempted to recapture the market share previously ceded to the trucking industry, and in 2016, the company purchased 55 new locomotives from GE for its freight operations. PR has received commitments for $8.2 billion in CPEC loans and grants to modernize its mail rail lines. PR relies on monthly government subsidies of approximately $2.8 million to cover its ongoing obligations. In FY2018, government payments to PR totaled approximately $321 million. Pakistan no longer intends to privatize PR, and the Privatization Commission has removed it from the list of SOEs identified for privatization.

Even though the government is still publicly committed to privatizing its national airline, the process has been stalled since early 2016 when three labor union members were killed during a violent protest of the government's decision to convert PIA into a limited company. The move would have allowed shares to be transferred to a non-government entity and pave the way for privatization. The legislature eventually passed a bill, but it requires that the Pakistan government retain 51% equity in the airline in the event it is privatized, reducing the attractiveness of the company to potential investors. In 2018, the Government of Pakistan extended bailout packages worth $300 million to PIA.

Established to avoid importing foreign steel, PSM has accumulated losses of approximately $3.77 billion per annum. 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 program but was stymied by domestic and political opposition. The government is reportedly considering leasing or selling a portion of PSM's 19,000 acres, 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 leases.

The Securities and Exchange Commission of Pakistan (SECP) introduced corporate social responsibility (CSR) voluntary guidelines in 2013, though adherence to the OECD guidelines is not known.

Privatization Program

Terms to purchase public shares of SOEs and financial institutions for both foreign and local investors are the same. Under the 2013 IMF EFF program, the government identified 31 SOEs for either partial or total privatization. In 2015, the government successfully offloaded stakes in several banks and publicly traded firms, and in 2016 sold its 40 percent stakes in PSE. However, due to significant political resistance, the government postponed plans to privatize its largest and most inefficient SOEs, namely PIA, PSM, and several power generation and distribution companies.

Eight SOEs from the banking, energy, mining, and hospitality sectors are scheduled to be privatized by the end of 2019. Foreign investors can participate after following guidelines established by the Privatization Commission.

The Privatization Commission (PC) claims the privatization process to be a transparent, easy to understand, and non-discriminatory 17 step process, available on its website: http://privatisation.gov.pk/?page_id=88.

Responsible Business Conduct

There is no unified set of standards defining responsible business conduct in Pakistan. Though large companies, especially multi-national corporations, have an awareness of responsible business conduct standards, there is a lack of wider awareness. The Pakistani government has not established standards or strategic documents specifically defining responsible business conduct standards and goals. The Ministry of Human Rights published its most recent "Action Plan for Human Rights" in May 2017. Although it does not specifically address responsible business conduct or business and human rights, one of its six thematic areas of focus is implementation of international and UN treaties. Pakistan is signatory to nearly all International Labor Organization (ILO) conventions.

In late 2016 and early 2017, a series of explosions and a fire, occurred at the Gadani shipbreaking yards in Balochistan. The incidents underscored the lack of safety and environmental standards in the industry. The Prime Minister's office launched a probe into the 2016 explosion and concluded that negligence by ship owners and government officials caused the incident. The government suspended officials found guilty of negligence and announced that families of the incident's victims would receive compensation. A subsequent January 2017 fire prompted officials to halt the scrapping of oil and liquid petroleum gas tankers at the shipyard.

International organization, civil society, NGO, and labor union contacts all note that there is a lack of adequate implementation and enforcement of labor laws. Some NGOs, worker organizations, and business associations are working to promote responsible business conduct, but not on a wide scale.

Pakistan does not have domestic measures requiring supply chain due diligence for companies sourcing minerals originating from conflict-affected areas and does not participate in the Extractive Industries Transparency Initiative and/or the Voluntary Principles on Security and Human Rights.

Corruption

Pakistan was ranked 117 out of 180 countries on Transparency International's 2018 Corruption Perceptions Index. Following the institution of the 18th Amendment, corruption at the provincial level has increased, according to Transparency International. The organization noted that corruption problems persist due to the lack of accountability and enforcement of penalties, followed by the lack of merit-based promotion, and relatively low salaries.

Bribes are criminal acts punishable by law but exist at all levels of government. Although high courts are widely viewed as more credible, 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.

NAB, Pakistan's anti-corruption organization, suffers from insufficient funding and staffing. Like NAB, the CCP's mandate also includes anti-corruption authorities, but its effectiveness is also hindered by resource constraints.

Resources to Report Corruption
Justice (R) Javed Iqbal
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
+92-21-35390408-9
ti.pakistan@gmail.com

Political and Security Environment

Despite improvements to the security situation in recent years, the presence of foreign and domestic terrorist groups within Pakistan continues to pose a significant danger to U.S. interests and citizens. Terrorists may attack with little or no warning, targeting transportation hubs, markets, shopping malls, military installations, airports, universities, tourist locations, schools, hospitals, places of worship, and government facilities. The Embassies of many countries, including the United States, United Kingdom, Canada, Australia, and New Zealand, have issued travel advisories regarding travel to Pakistan, and many multinational companies operating in Pakistan employ private security and risk management firms to mitigate the significant threats to their business operations. Even with improvements in the security situation, terrorist attacks remain frequent in Pakistan. Despite high levels of violence in Karachi, carried out by criminal gangs with alleged political affiliations, targeted killings have largely declined since Pakistan's paramilitary Rangers began an intensive campaign of operations in 2013 to counter violent crime.

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

Post is not aware of any damage to projects and/or installations. Abductions/kidnappings of foreigners for ransom remains a concern.

While security challenges exist in Pakistan, the country has not grown increasingly politicized or insecure in the past year.

Labor Policies and Practices

Pakistan has a complex system of labor laws. Due to the 18th Amendment to the Constitution, the provinces manage jurisdiction over labor matters. Each province is in the process of developing its own labor law regime, and the provinces are at different stages of labor law development.

In the Islamabad Capital Territory and provinces of Khyber Pakhtunkhwa and Sindh, the minimum wage for unskilled workers is PKR 15,000 per month ($106). In Punjab, it is PKR 16,500 per month ($118), while in Baluchistan PKR 14,000 per month ($100). Legal protections for laborers are also uneven across provinces, and implementation of labor laws is weak nationwide. Lahore inspectorates have inadequate resources, which lead to inadequate frequency and quality of labor inspections. On January 23, 2019, the Punjab Provincial Assembly passed the Punjab Domestic Workers Act 2019. The law prohibits the employment of children under age 15 as domestic workers, and stipulates that children between 15 and 18 may only perform part-time, non-hazardous household work. The law also mandates a series of protections and benefits, including limits to the number of hours worked weekly, and paid sick and holiday leave. On January 25, 2017, the Sindh Provincial Assembly passed the Sindh Prohibition of Employment of Children Act, 2017. The Senate passed the Domestic Workers (Employment Rights) Act in March 2016 (http://www.senate.gov.pk/uploads/documents/1390294147_766.pdf), but the bill has not progressed in the National Assembly. An amendment to the federal Employment of Children Act, 1991, which would raise the minimum age of employment to sixteen, has been pending in the National Assembly since January 2016.

According to Pakistan's most recent labor force survey (conducted 2017-2018), the civilian workforce consists of approximately 65.5 million workers. Women are extremely under-represented in the labor force. The survey estimated overall labor participation at approximately 45 percent, with male participation at 68 percent and female participation at 20 percent. The largest percentage of the labor force works in the agricultural sector (38.5 percent), followed by the services (38 percent), and industry/manufacturing (16 percent) sectors. The official unemployment rate continued to hover at around 6 percent, but the figure is likely significantly higher for youth. In 2018, the UN Population Fund estimated that 29 percent of Pakistan's population was between the ages of 10 and 24 and according to 2017-18 labor force survey estimates unemployment for 15 to 24-year-old was 10.5 percent.

Pakistan is a labor exporter, particularly to Gulf Cooperation Council (GCC) countries. According to Pakistan's Bureau of Emigration and Overseas Employment's 2018 "Export of Manpower Analysis," the bureau had registered more than 10.5 million Pakistanis going abroad for employment since 1971, with more than 96 percent traveling to GCC countries. Pakistanis working overseas sent more than $19 billion in remittances each year between 2015 and 2018.

Pakistani government contacts say their workforce is insufficiently skilled. Federal and provincial government initiatives such as the National Vocational and Technical Training Commission and the Punjab government's Technical Education and Vocational Training Authority aim to increase the employability of the Pakistani workforce. However, the ILO's 2016-2020 Pakistan Decent Work Country Programme notes that

“Neither a comprehensive national policy nor coherent provincial policies for skills and entrepreneurship development are being applied.”

The ILO’s 2016-2020 Pakistan Decent Work Country Program notes that “a small fraction of vulnerable workers are covered by social security in one form or another, while access to comprehensive social protection systems is also limited.” The ILO’s 2014 Decent Work Country Profile states that in 2013, only 9.4 percent of the economically active population – excluding public sector employees – were contributing to formal social security systems such as old age, survivors’, and disability pensions.

Freedom of association is guaranteed under article 17 of Pakistan’s constitution. However, the ILO indicates that the Pakistani state and employers have used “disabling legislation and repressive tactics” to make union formation and collective bargaining “extremely difficult.” The Pakistan Institute of Labour Education and Research in its 2015 “Status of Labour Rights in Pakistan” noted that according to non-official data, there were 949 registered trade unions with a total membership of 1,865,141 – approximately four percent of the total estimated labor force. Provincial labor departments are responsible for managing trade union and industrial labor disputes. Each province has its own industrial relations legislation, and each has labor courts to adjudicate disputes. Public sector workers, such as teachers and public health workers, have spearheaded recent strikes.

The ILO’s 2016-2020 Pakistan Decent Work Country Programme states that “exploitative labour practices in the form of child and bonded labour remain pervasive…” and notes “the absence of reliable and comprehensive data to accurately assess the situation of hazardous child labour, worst forms of child labour, or forced labour.” The report also identifies weak compliance with, and enforcement of, labor laws and regulations as contributing to poor working conditions – including unhealthy and unsafe workplaces –and the erosion of worker rights.

The Balochistan government, in collaboration with ILO, supported tripartite consultations regarding the Balochistan Prohibition of Employment of Children Bill. The draft legislation prohibits employment of children in 39 worst forms of labor or hazardous labor, including domestic labor. Negotiations were ongoing as of March 2018, and NGO and international organization contacts said they expected the Provincial Assembly to enact the law in 2018.

Pakistan is a Generalized System of Preferences beneficiary, which requires labor standards to be upheld.

OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) maintains an active portfolio of projects worth $352.7 million in Pakistan, including new investments in microfinance and hospital care in rural Pakistan.

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)	2018	$299,099	2017	$304,952	https://data.worldbank.org/country/pakistan
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2018	$136	2017	$518	BEA data available at https://www.bea.gov/international/direct-investment-and-multinational-enterprises-comprehensive-data
Host country's FDI in the United States ($M USD, stock positions)	2018	$27	2017	$224	BEA data available at https://www.bea.gov/international/direct-investment-and-multinational-enterprises-comprehensive-data
Total inbound stock of FDI as % host GDP	2018	1.3%	2017	14.1%	UNCTAD data available at https://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx *[Select country, scroll down to "FDI Stock"- "Inward", scan rightward for most recent year's "as percentage of gross domestic product"]*

* Source for Host Country Data: All host country statistical data used from State Bank of Pakistan which publishes data on a monthly basis.

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	42,447	100%	Total Outward	1,928	100%
United Kingdom	12,378	29.2%	United Arab Emirates	487	25.3%
Switzerland	6,221	14.7%	Bangladesh	211	10.9%
Netherlands	3,891	9.2%	United Kingdom	184	9.5%
China,P.R. Mainland	2,972	7%	Bahrain	145	7.5%
Japan	2,065	4.9%	Kenya	80	4.1%
"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	462.5	100%	All Countries	151.8	100%	All Countries	310.7	100%
Saudi Arabia	126.6	27.4%	Saudi Arabia	121.2	79.8%	UAE	107.9	34.7%
UAE	108.5	23.5%	United Kingdom	10.1	6.6%	USA	71.2	22.9%
USA	78.1	16.9%	British Virgin Islands	9.6	6.3%	Indonesia	39.4	12.7%
Indonesia	39.4	8.5%	USA	6.9	4.5%	Oman	26.6	8.6%
Oman	26.6	5.8%	Luxemburg	1.03	0.68%	Qatar	14.8	4.8%

Contact for More Information

Christopher Elms
Economic Officer
U.S. Embassy Islamabad
Diplomatic Enclave, Ramna 5
Islamabad, Pakistan
Phone: (+92) 051-201-4000
Email: ElmsC@state.gov

Business Customs

In major Pakistani cities, men and women are not segregated in offices. Most executives working for international corporation's wear business attire (business suits in winter and shirt and tie in summer) and in some cases local dress, and women dress conservatively often in local dress. Western women traveling to Pakistan for business should dress conservatively, in pants suits or below the knee skirts, dresses with sleeves and conservative necklines. Pakistan is a male dominated society; however, women are increasingly entering the job market. 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 at the beginning of meetings.

Travel Advisory

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

U.S. Embassy and Consulates in Pakistan

U.S. Passports and International Travel

Visa Requirements

For business visits, 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 reference: State Department Visa Website

Currency

The official currency of Pakistan is the rupee (sign: Rs; Code: PKR). The State Bank of Pakistan is officially responsible for the issuance, circulation, and control of currency in the country. The local currency denomination comprises coins (Rs.1, Rs.2, Rs.5, and Rs.10) and banknotes (Rs.10, Rs.20, Rs.50, Rs.100, Rs.500, Rs.1,000, Rs.5,000). Foreign visitors can utilize the services of local commercial banks and authorized foreign exchange dealers for change of currency. In addition, Visa and MasterCard credit and debit cards are widely acceptable. For customers' convenience, all local commercial banks operate a wide network of branches and ATMs in all cities.

Telecommunications

The telecommunication sector in Pakistan has grown tremendously over the last five years. The privatized Pakistan Telecommunication Company Limited (PTCL) is the sole provider of landline services; 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 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. 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 radio cab services, which are 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 many Pakistani cities, including Karachi, Lahore, Islamabad, Sialkot, Faisalabad, Multan, and Peshawar. Other than PIA, Etihad, Emirates, Turkish Airlines, Qatar Airways and British Airways (service to start in 2019) provide convenient connections to New York, Chicago, Houston and Washington, DC via Abu Dhabi, Dubai, Istanbul, London, and Doha. PIA offers the largest network of domestic and international destinations. In addition to PIA, there are three other private airlines - Airblue, Shaheen Air International and the Serene Air, which started its operations in 2017. There are also private air charter services including Princely Jets.

Shaheen Air International (SAI):

SAI was previously managed by Shaheen Foundation (a subsidiary of the Pakistani 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 (SAI) has eight Airbus A319-100s, nine A320-200s, seven A330-200s and twenty nine Boeing 737 aircrafts in its fleet. SAI 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 in 2019. The airline carries around 650,000 passengers annually.

Airblue:

This private airline commenced operations in June 2004; its fleet is comprised of four Airbus 319s, fourteen Airbus A320s twelve Airbus A321, three Airbus 330-200, and two Airbus 340-300aircrafts. Airblue operates domestic flights between Karachi, Lahore, Islamabad, Peshawar, Quetta, Faisalabad, Gawadar, Multan, Rahim Yar Khan, and Sialkot.

Airblue also operates international flights to Dubai, Abu Dhabi, Sharjah, Jeddah, and Riyadh, 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 completely by 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 604 and Citation Bravo. In addition, the company operates a fleet of five 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 cities and urban areas. In rural areas, 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 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 six-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., Monday through Thursday.

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:

2019 Pakistani Holidays:

- *Eid-ul-Fitr: June 5, 6, and 7
- Pakistan Independence Day: August 14
- *Eid ul Azha: August 12 and 13
- *9th and 10th of Muharram: September 10 and 11
- Iqbal Day: Nov. 9
- 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 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