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***PROMOTING MULTINATIONAL INVESTMENT
IN PAKISTAN AGRIBUSINESS***

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Prepared By

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INTRODUCTION:

Thank you, Mr. Chairman. Ladies and Gentlemen. I am very glad to be here today.

My background is primarily in international agribusiness and international financing, I was

- with General Mills as an Executive Vice President and prior to that, as Chairman of their European Food Operations, which covered Middle East and India/Pakistan food expansion investigations;
- and later, I was Chairman/Chief Executive Officer of Del Webb;
- and finally, since 1987 I've been Chairman of my own company, RKS Inc. , specializing in international marketing and financing and Chairman of Concept Ltd. marketing strategy company located in London.

This is my seventh visit to Pakistan and I enjoy each visit more. You have a beautiful, diverse country which has outstanding potential--especially in the agribusiness area.

I'd like to give you the results of my investigations on how Pakistan should go about promoting multi-national investment in Pakistan agribusiness. My comments are based on actual experiences I had in the early 70's when I was responsible for General Mills investigations in Pakistan; and a number of studies I have done in Pakistan and other countries over the past three years.

What I would like to accomplish in the time allocated to me is to briefly discuss the Past, then cover the Present--where Pakistan is now--and the Future--what you can do to do a better job of promoting multi-national investment in Pakistan Agribusiness. Following this, I understand there will be comments from others, and then there will be an open discussion during which time I encourage everyone to ask questions.

THE PAST

First as to the Past--and I know you all recognize this:

1. Pakistan has only attracted a few multi-nationals active in agribusiness, and many of the ones here were when Pakistan achieved independence.
2. Pakistan has not been as successful as many other developing countries in attracting investments from multi-national agribusiness.

Sources: Asian Development Bank, International Finance Corporation

As I'll show you later, Pakistan has been noticeably unsuccessful **while countries with less to offer have been more successful.**

THE PRESENT

Now, what about the Present? Honestly, the picture is not much better than the Past.

- Pakistan is low (and maybe very low) on the investment priority list (or even the interest list) of most multi-national agribusinesses;
- Pakistan has few strong "advocates" in the multi-national agribusiness community;
- Recent developments in Eastern Europe and Russia have resulted in new competitions for multi-national ventures.

Sources:

1. Survey of U.S. and U.K., Multinational Agribusinesses in 1989, updated 1990
2. Pakistan Horticultural Investment Forum, February 4-7, 1990
3. Eastern Europe Viewpoints

I know of twenty U.S. and fourteen U.K. multi-nationals who today have teams in Eastern Europe and Russia looking for investments (and in fact, the companies I'm Chairman of are

currently conducting investigations for four of these companies).

How many multi-national agribusinesses are currently conducting studies in Pakistan? One? Two? You tell me, but it is not a large number.

As support of this, I would like to review the results of a survey of U.S. and U.K. Multi-National Agribusinesses which my company conducted in 1989 and updated earlier this year.

I. COMPANIES SURVEYED

U.S.

Anonymous (did not want to be identified)
Castle and Cook (i.e., Dole)
Soya
General Mills
International Multi-Foods
Land O' Lakes
Pillsbury
Proctor & Gamble
Quaker Oats
United Brands (i.e., Chiquita)

U.K.

BAT (British American Tobacco)
RHM (Rank Hovis Central McDougall)
Unilever
United Biscuits

As you can see, we surveyed 11 U.S. companies and 4 in the U.K. We also contacted 15 other companies but they had no interest in participating in the survey on Pakistan, as they had no interest in Pakistan. All companies contacted have international food operations.

The overall results can be summarized as follows:

II. OVERALL RESULTS

A. <u>Operations</u>	<u>U.S.</u>	<u>U.K</u>
1. Companies with operations in Pakistan	2	2
2. Companies who had operations in Pakistan but have closed or sold them	1	-
3. Companies without operations in Pakistan who responded to survey	9	2
4. Companies without operations in Pakistan who would not participate in the survey	9	6

(There is an overlap, as 1 company is in both 2 & 3)

B. General Attitude

1. Companies which have operations in Pakistan and are "generally positive" on conducting business in Pakistan	-	2
2. Companies which have operations in Pakistan and are proceeding to expand operations despite their concerns on the overall political/economic/business climate in Pakistan	2	-
3. Companies considering establishing operations in Pakistan if the overall political/economic business climate in Pakistan continues to improve	-	2
4. Companies which might be interested in establishing operations in Pakistan if the overall political/economic/business climate "was significantly better" in Pakistan	3	-

5.	Companies which are not considering establishing operations in Pakistan	6	1
6.	Companies which has so little interest in Pakistan that they would not participate in the survey	9	6

III. SPECIFIC COMMENTS

A. Generally Positive

Of the fifteen companies contacted only two had a "generally positive" attitude to doing business in Pakistan.

One of those companies is Unilever and as an aside, I think Unilever and its Chairman of Pakistani operations, is one of Pakistan's major supporters.

B. Companies which have operations in Pakistan and are considering expanding or are proceeding to expand operations despite continuing concerns on the overall political/economic/business climate in Pakistan

Two companies are considering and I believe may proceed to expand operations in Pakistan. However, they both indicated continuing concern about the long term stability of the government and its ability to significantly improve the climate for foreign firms to do business in Pakistan. Both companies were also very reluctant to discuss specific plans.

C. Companies considering establishing operations in Pakistan if the overall political/economic/business climate in Pakistan continues to improve

Of the fifteen companies contacted in this survey, only one made major reference to the improvement in the political and business climate which they feel is now underway in Pakistan. This is one of the key reasons they are now considering establishing an operations in Pakistan.

D. Companies which might be interested in establishing operations in Pakistan if the overall political/economic/business climate in Pakistan "was better"

As part of this survey, it appeared to me that three companies might have an interest in establishing operations in Pakistan if the overall political/economic/business climate improved. Two have undertaken investigations in establishing some type of fruit growing or fruit processing operation in the past, but did not proceed because of the legal and bureaucratic hurdles and what they felt was a lack of understanding of the technology and marketing expertise which could be brought to Pakistan. One company previously had a joint venture in Pakistan, recently considered establishing a new venture here, but did not pursue it further as its initial inquiries were not well received and other companies they talked with on doing business in Pakistan were not enthusiastic.

E. Companies which are not considering establishing operations in Pakistan

The remaining seven companies surveyed did not express or in any way indicate interest in establishing any type of operations in Pakistan for three basic reasons:

1. They feel Pakistan is an unstable political and economic area.
2. There is "insufficient information" available to them on the opportunities in Pakistan. They do not know if there is any market for their products in Pakistan, or if there are any raw materials they would use in any economic way to market internationally.
3. There has been no cooperation from the Pakistani banks and government sources they have contacted over the years.

One company bluntly stated that: "if the Pakistan Government wanted to attract business to Pakistan, it should start by providing information on the markets and cooperate with firms interested in establishing operations in Pakistan."

In summary, Pakistan does not have many "corporate supporters" in the multi-national agribusiness community.

**PAKISTAN HORTICULTURAL INDUSTRY INVESTMENT FORUM,
FEBRUARY 4-7, 1990.**

In preparation for-- and participation in-- the Pakistan Horticultural Industry Investment Forum in February, 1990, I worked with the Industry Council for Development in New York to bring companies to Lahore.

1.	Companies Invited via Letter/Initial Call	
	U.S./U.K	130
	Continental Europe	40
	Japan	5

	Total	175
2.	Companies Actively/Personally Invited	
	U.S.	57
	U.K.	29
	Continental Europe	16
	Japan	2

	Total	104
3.	Companies Attending	
	U.S.	5
	U.K.	5
	Continental Europe	1
	Japan	1

	Total	12

RESULTS:

About 175 companies were contacted, 104 of them with personal meetings, and yet only 12 came. And although hopefully some joint ventures will develop out of this, it was not a great turnout.

Let's move on to another major influence... the Eastern European/USSR viewpoint.

Eastern European/USSR Viewpoint

"The Third World has yet to realize how negative the developments in Eastern Europe will be for them short-term..and maybe long-term". (Source: Senior U.N. Official, January 1990)

"The 90's will see re-development of Eastern Europe...to the immediate detriment of most developing countries, as a significant percentage of new financial resources (public and private) will be funneled their way rather than to the Third World". (Source: Senior World Bank Officer, March 1990)

"The developments in Eastern Europe and Russia will result in cuts in U.S. AID to many long-term friends...and especially to Egypt, Israel and Pakistan". (Source: Senior U.S. State Department Official, July 1990)

In summary, I think you realize that today, more than anytime in the last few years, there is more competition for multi-nationals in investing in Pakistan Agribusiness anywhere.

So why is there currently so little interest from multi-nationals investing in Pakistan Agribusiness?

I'm sure you know the reasons as well as I do, but let me quickly summarize:

- Negative international publicity/reports on political situations/stability
- History of continual changes in Government policy in private sector and multi-national investment
- History of bureaucratic restraints/hurdles on investing, **which are widely publicized and from my own experience very true...too true.**

And here I would like to quote from The Dawn last year, (August 31, 1989):

"In the area of foreign investment...there has been a large gap between (Pakistan Government) policy pronouncements and practices, between what the men at the top desire and the small men at the bottom devise. Bureaucratic obstruction or foot dragging has been a major deterrent to rapid industrial expansion".

Then there are infrastructure problems which you are aware of---power shortages, road problems, lack of refrigerated transport, etc.

- And technical restraints. For example, let me mention just three of many:

1. Poor/improper definition of technologies under Pakistan's import code.
2. Those responsible for licensing agreements are often inexperienced in licensing agreements.
3. There is a lack of standards/quality control regulations, and a lack of experience in quality control enforcement.

But in addition to the general restraints to investments in Pakistan, there are additional problems to investments in agribusinesses.

The first is a lack of clear, competitive understood investment incentives for agribusiness-- and the recent actions to basically remove agribusiness from this incentive list only complicated this, and as many of you know, has caused problems for Pioneer Seeds entry into Pakistan.

And here I'm going to quote from a visitor from the Birmingham, U.K. Chamber of Commerce:

"(Pakistan)...should inform foreign investors more about the investment climate and incentives...if they really want to attract foreign investors.

"Pakistan is not the only country offering foreign incentives to foreign investors and (is) competing directly in this regard with India, Turkey and certain other countries in the Middle East". (Source: S.M. Smith, Birmingham Chamber of Commerce, Chamber Circular, December, 1989)

And then let me quote one of your papers:

"The overall package of incentives that Pakistan could offer to foreign investors, should have a competitive edge over the comparable incentives available in other countries like Thailand and Malaysia". (Source: Business Recorder, August 28, 1989)

Next, and very important, there is a lack of a proactive program....

- to promote/sell multi-nationals on the merits of investing in agribusiness;
- to assist multi-nationals in investing;
- to assist multi-nationals in obtaining the necessary governmental approvals, local financing, etc., in a reasonable time frame.

In my last five visits to Pakistan, I have continually asked who is selling Pakistan internationally- and no one could tell me.

And last, but not least, no one or no one agency is developing specific, professional, investment proposals for multi-nationals.

In my trips to Pakistan during 1988, 1989 and 1990, I have asked public and private officials if they knew of any specific investment proposals in agribusiness which have been:

- initiated in Pakistan
- based on Pakistan information/analyses
- professionally proposed to any multi-nationals

NO ONE KNEW OR COULD PROVIDE ONE GOOD EXAMPLE! On other studies, my company asked the same questions in Costa Rica, Malaysia, Thailand and even the small country of Malta and there were a number of outstanding examples.

THE FUTURE

So--- enough about the past and the present. **What should be done in the Future...** as that is what we're here to discuss today.

First, and I'll go through these quickly, steps must be taken to:

1. **Improve political stability.** I know this is hard to do, but it is vital if you want to attract multi-national investors.
2. **Implement a Consistent Government Policy** regarding private sector involvement and multi-national investments. Here let me give you an example. The materials sent out for the Horticultural Investment Forum indicated a specific incentive policy for agribusiness investment, which by the time the participants arrived had been abolished.
3. **Reduce bureaucratic restraints/hurdles to multinationals investing.** I can't say enough about this-- it must be done if you want to attract multi-nationals.
4. **Improve the infrastructure.**
5. **Implement programs to reduce technical restraints.**

Then for agribusinesses, you must:

1. **Develop clear, competitive and understood investment incentives.**
2. **Develop pro-active programs:**
 - to promote/sell multi-nationals on the merits of investing in agribusinesses;

- to assist multi-nationals in investing in agribusinesses;
- to assist multi-nationals in obtaining the necessary governmental approvals, local financing, etc., in a reasonable timeframe for agribusiness.

3. **Develop specific investment proposals to multinational agribusinesses.**

And this leads me into my three specific recommendations, and before I make them, I want to re-emphasize a few points:

- I have visited Pakistan seven times... five on governmental business...so I think I have some understanding of your country.
- I want to see Pakistan capitalize on its potential, especially in the agricultural area.
- I want to help you..**help Pakistan.** I also know others who will help you **if you will let them.**

Now to the specifics:

Recommendation # A

Implement clear, competitive and understood incentives to attract multi-national investment in Pakistan agribusiness.

First, a little background. Here are some quotes:

"As a result of changes in government/government policy, the current overall incentive scheme is not clear, competitive or understood". (Source: World Bank, May 1990)

"The current incentive scheme to attract multinational investment in Agribusiness is not competitive and is not understood". (Source: RKS, Inc. Study, May 1989 to July 1990)

"It is not enough if Pakistan offers what is domestically regarded as the best terms. What matters is how such terms compare internationally because rich and poor nations around the world are competing vigorously for foreign capital". (Source: Muslim, October 1998)

It seems readily apparent that if Pakistan wants to attract multi-national investment it must develop and implement clear, competitive and understood incentives.

Recommendation # B

My second recommendation is that Pakistan establish a quasi-government organization to market

Pakistan/to Attract Multi-national Investment in Pakistan Agribusiness.

This recommendation is based on studies done by the International Finance Corporation in 9 countries and by my company in 11 countries and most of the States in the United States. A copy of the IFC Report is available for you if you so desire--also, samples of the materials from the various countries and more than twenty-five of the states in U.S. are available through RONCO if you would like to see them.

Studies Included

By IFC	By RKS, Inc.
Britain	Britain
Canada	Costa Rica
Costa Rica	India
Ireland	Ireland
Jamaica	Malaysia
Malaysia	Malta
Scotland	Pakistan
Singapore	Scotland
Thailand	Singapore
	Thailand
	Whales
	Various U.S. States

Both the IFC study and RKS, Inc. study indicate that:

1. As a result of competition by governments to attract foreign investment, promotional efforts have increased in aggressiveness and intensity.
2. Promotional techniques consist of:
 - creating an attractive image of the country as a place to invest, and communicating this to the targeted public (s)
 - providing basic information to potential investors
 - providing services to help prospective investors make the decision to invest and then helping them during the investment process
 - providing specific proposals to potential investors
3. Recent studies concluded that there is a "significant correlation between promotional programs and the success of countries in attracting foreign investments". (Source: Marketing A Country, International Finance Corporation- April 1990)

Point # 3 is the IFC conclusion. I am more blunt: "If a country doesn't have a good promotional program, it will not be successful in attracting foreign investment".

The conclusions I have made after examining the programs in 10 countries plus Pakistan, and the majority of the States of the United States, are:

1. All countries studied used promotion techniques to promote their countries to a better degree than does Pakistan.

I realize this is a fairly critical statement, but it is based on my observations and then I had the person responsible for international operations of 5 multi-national food companies look at the information available for each of the ten countries plus Pakistan, and while they debated which country did the best job, all-- and I repeat, all five--placed Pakistan materials and techniques at the bottom.

2. While in most countries surveyed there was one organization who took the lead or was primarily responsible, there is no one organization in Pakistan doing this.
3. In most countries studied, a quasi-governmental organization seemed to be able to do the marketing best, as "they were able to merge skills typical of both the public and private sectors as long as they maintained their autonomy".

Recommendation #C

The quasi-governmental agency responsible for marketing Pakistan should develop specific proposals to attract Multinational Investment in Pakistan Agribusiness.

And, an example of a specific investment proposal is a Pakistan Processed Potato Possibility.

A little background on this possibility.

1. **Worldwide consumption of processed potato products is increasing.** (Source: U.S. Potato Statistical Yearbooks)
2. **Pakistan** is a major producer of potatoes...and basically, produces potatoes year-round. (Source: Pakistan horticultural Investment Forum, "Foreign Investment Guide").
3. **However**, 20-40 % of the Pakistan Potato Crop is not used for human consumption--i.e., is used for animal feed crop of rats. (Source: Pakistan Horticultural Investment Forum estimates)
4. No major processed potato plant exists in Pakistan. (Source: Horticultural Investment

Forum discussion)

5. **None of the major multinational food companies who actively process potatoes attended the Lahore Horticultural Industry Investment Forum. (Source: Industry Council for Development)**
6. **None of the major multinational food companies who are active in potato processing have to date, investigated establishing any type of potato processing operation in Pakistan..and none, up to this summer, had indicated any serious interest in so doing. (Source: RKS, Inc. Study)**

OPPORTUNITY

This, therefore, seems to give rise to an opportunity:

As Pakistan has a year-round supply of potatoes and could probably adjust production to grow potatoes which are best for dehydrated products, there is an opportunity to approach major multinational food companies with dehydrated potato operations with a specific proposal to establish a dehydrated potato processing venture in Pakistan.

And, based on this possible opportunity, I have had very preliminary discussions with six major international potato processors-- and will be meeting with them again over the next few weeks:

Basic American Food Company
Grand Metropolitan/Pillsbury
Heinz/Ore-Ida Foods
Mars U.K. Ltd.
Nestle/Carnation
Simplot

Interestingly enough, Simplot recently announced a joint venture in Turkey to set up a 47 million U.S. dollar frozen cut potato facility, which I have been told has been in the works for about two years.

So what is needed to prepare a specific proposal?

Here's an initial list:

1. **Determination of Pakistan Organization to spearhead efforts. The Agency to head-up project--possibly the quasi-governmental agency I recommended could do this.**
2. **Detailed information on type of potatoes available in Pakistan--and when during the**

year they aren't available. Are these the best types for use in dehydrated production? If not, could the better types be grown? On what basis?

- 3. Analysis of cost of producing dehydrated potato products in Pakistan--and best location for plant, size of plant, etc.**
- 4. Estimate of internal market for dehydrated potato products.**
- 5. Analysis of shipping costs for export of dehydrated potato products to "target" export markets.**
- 6. Specifics of the incentives which would be available to a dehydrated potato product venture?**
- 7. Outline of private or public financing available to help finance a dehydrated potato product venture-- and what types of venture is preferred.**
- 8. Government commitment to help implement the establishing of a dehydrated potato processing venture in Pakistan.**

I estimate that once a professional proposal addressing these questions is prepared, there would be at least two international potato processing companies conducting investigations in Pakistan within three to six months.

If you want to move ahead in attracting multinationals in Pakistan agribusiness, I urge you to consider my recommendations as one way to accomplish this. There may be other ways to proceed, but I am sure that if you followed my recommendations, you would get some **action--quickly.**

My conclusion is that after five business visits during the last three years, I feel that despite past and present problems, there are significant opportunities to attract multinational investment in Pakistan agribusiness--**BUT--** and here I am quoting the very people I interviewed during my visits to Pakistan of who sent me reports.

"We (Pakistan) must sell our country...to obtain investment". (Source: Pakistan Administrative Officer, February, 1990)

"We (Pakistan) must educate the international agribusinesses on the opportunities in Pakistan in order to eventually attract investments". (Source: Pakistan Businessman, May, 1990)

"We (Pakistan) will not attract outside investment in agribusiness until we work for it". (Source: Pakistan Elected Official, May, 1990)

"We (Pakistan) should set up a private/public agency to promote Pakistan, to attract investors, to help investors". (Source: Pakistan Minister, July, 1990)

I think these quotes indicate you know what needs to be done to promote multi-national investment in Pakistan Agribusiness.

My challenge to you is ---**DO IT**.

Thank you again for inviting me to attend this seminar.