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**POTATO AND TOMATO PROCESSING OPPORTUNITIES
IN
PAKISTAN**

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in collaboration with

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INTRODUCTION

In late 1988, the Government of Pakistan and the United States Agency for International Development (USAID) Mission to Pakistan launched a project to determine the factors constraining the growth of agribusiness in Pakistan. As this analysis progressed, it became evident that Pakistan required a more focused approach to promote agribusiness development. This resulted in the May, 1991 Pakistan Agricultural Policy Announcement/Program and the November, 1991 establishment of the Pakistan AgriBusiness Cell in the Pakistan Ministry of Food, Agriculture and Cooperatives.

During 1991 and 1992, the Government of Pakistan embarked on a rapid program of deregulation/liberalization of governmental/administrative regulations and privatization of industry which has significantly improved the investment climate in Pakistan.

In the early 1990's, partially because of the Lahore Horticultural Investment Forum held in August 1990, it was recognized that potato and tomato processing were two potential areas for development in Pakistan, especially with the assistance and cooperation of Multinational Companies who could provide technical, marketing and management assistance as well as financial resources.

To provide basic information for Multinational Companies, USAID contracted with Robert K. Swanson to work with the Pakistan AgriBusiness Cell to develop a report on "Potato and Tomato Processing Opportunities in Pakistan".

This report is the result! It is meant to furnish the management of Multinational Corporations the basic information needed to decide whether to launch a detailed investigation of the significant Potato and Tomato Opportunities in Pakistan. It is based on information furnished the author and has been reviewed by the Pakistan AgriBusiness Cell and the United States Agency for International Development in Islamabad.

I. PAKISTAN

The Islamic Republic of Pakistan emerged on the world map as an independent nation on August 14, 1947, as a result of the partition of British ruled India. But Pakistan was new in name only. This land is where much of the South Asia subcontinent's culture and history originated.

This Section provides a brief introduction to Pakistan's geography, history, population, language, religion, currency, political organization, economic profile and business infrastructure.

A. Geography

HIGHLIGHTS

- ***Pakistan is located in South Asia subcontinent between 23° and 37° north latitude and 61° and 76° east longitude. The country borders China, Afghanistan, Iran and India.***
- ***The country has diverse topography and extreme climatic variations.***

1. Location

Pakistan, located in South Asia subcontinent, is bounded in the north by the Himalayan ranges and in the south by the Arabian Sea. In the northeast, Pakistan shares a 595 km border with China. In the west it has 2,252 km and 805 km borders with Afghanistan and Iran respectively. In the east it shares a 1,610 km common border with India. It is strategically situated on the northern edge of the Indian Ocean just to the east of the Gulf.

2. Area and Topography

Pakistan has an area of 796,095 square kilometers -- covering the Himalayas, Karakoram and Hindikush Mountain ranges in the north; the fertile Indus basin in the center and south; and the arid Baluchistan plateau in the west.

Out of the total area of 796,095 sq km, about 475,884 (60%) forms a highly differentiated mountain terrain. The remaining 320,211 sq km (40%) is relatively flat. The whole landmass except for the western part is drained by the Indus River system.

The Indus basin, covering an area of about 16,100 sq km, is the most prosperous agricultural region of the country. The Indus River, with its source in the Himalayas, flows almost the entire length of Pakistan. An extensive river system in the Punjab is formed by five rivers, whose concurrence forms the Indus River.

3. Climate

The climate is characterized by extreme temperature variations across regions: cold in the areas surrounding high mountains; generally high temperatures in Baluchistan, Punjab and Sindh; and temperate climate in the coastal areas.

Climatic variations are also pronounced during winter (December-March) and summer (April-June) seasons. Winter temperatures generally range from 4° to 18° centigrade, while in summer the average range is 30° to 40° centigrade.

Rainfalls are usually scanty throughout the year, with major downpours during the July-September monsoon period. However, the deficiency of rain is counterbalanced by the Indus River and its tributaries which supply a reliable source of irrigation.

B. History

HIGHLIGHTS

- ***The geographical area covering Pakistan represents the ancient Indus Valley civilization and the historic silk route to Asia.***
- ***Pakistan achieved independence from British rule in 1947.***
- ***The Eastern part of Pakistan separated in 1971 to emerge as sovereign Bangladesh.***
- ***Pakistan has alternated politically between democracy and military rule.***

1. Pre-Independence

The geographical area covering Pakistan represents the ancient Indus Valley civilization dating back nearly 5,000 years. The people are descendants of various racial and sub-racial groups (Arabs, Aryans, Greeks, Persians and Mongols) who entered the Indian subcontinent through central and western Asia. The Islamic influence started in 711 and culminated in a strong central empire until 1787 when British colonization achieved supremacy. The removal of the titular Moghal ruler after the First Indian War of Independence in 1857 formalized British control of the subcontinent.

2. Independence

The year 1857 marked the beginning of a Muslim and Hindu movement against English colonialism and for the independence of the subcontinent. The British held Muslims responsible for the first Indian War of Independence and declared them rebels. Under the British rule, the economic, cultural, and social gap between Muslims and Hindus gradually widened.

At the close of the 19th century, the Muslims' political struggle gathered momentum due to the growing concern of Muslims about British rule and the increasing Hindu-Muslim differences. In December 1906, Muslim leaders convened a conference and established a Muslim political organization, the All India Muslim League.

In March 1940, the All India Muslim League convened a historic session at Lahore, under the Chairmanship of Quaid-e-Azam Mohammad Ali Jinnah, and the Pakistan Resolution was passed. It consisted of five paragraphs demanding that the north-western part of the subcontinent where Muslims were in a majority be constituted into a separate independent Islamic state.

The Pakistan Resolution was opposed by the British in general and the Hindus in particular, but Jinnah and other leaders of Muslim League continued a long and tedious dialogue, and at times violent debate, with British and Indian leaders. In June, 1946 the Partition of India was agreed upon under the leadership of Jinnah. Pakistan emerged as an independent sovereign state on August 14, 1947, with Jinnah as Governor General.

3. 1947-71

The decision to carve the subcontinent into a central, predominantly Hindu region, which would retain the name of India, and would be flanked on either side by the double-headed state of Pakistan was a disaster. The main problem centered on the Punjab, the region encompassing the great Moslem city of Lahore and Amritsar, the holy city of the Sikhs. Partition of the country resulted in the migration of millions of people: the Moslems heading to Pakistan and the Sikhs and Hindus heading to India. This mass migration was accompanied by unrest instigated on both sides, which led to major clashes of unforeseen violence and ferocity.

Nor were the wholesale exchange of population and riots the only problems, for Pakistan ended up short of many of the commercial skills the Hindus supplied and a poorly equipped military. Worse, borders were a subject of dispute. During the build up to independence Kashmir remained undecided on which way to go, but finally the Rajah of Kashmir, Hari Singh, signed the instrument of accession to India. Subsequently an armed struggle took place, with Pakistan retaining a slice of Kashmir on the western side and the rest falling under Indian control. To this day both sides claim the predominantly Moslem region of Kashmir. **Each time India and Pakistan find themselves at odds, which has been often, the Kashmir question is inevitably a central issue.**

In the long term Pakistan's most serious problem was simply the fact that there were two Pakistans. When Pakistan emerged on the map, it was as a double-sided nation, with one side in the extreme west of the subcontinent, the other in the extreme east. West Pakistan comprised Sindh, West Punjab, the North West Frontier Province, Baluchistan and the former British political agencies in the northern region, while East Bengal and a great part of the Sylhet district formed East Pakistan. The western half was always the dominant partner despite the fact that it was the Bengalis in East Pakistan who supplied the majority of the country's

export earnings. Basically the only real connection between the two halves was that they were both followers of Islam. And stretched between them was hostile India.

The new Pakistan government faced the many difficulties with courage and political resourcefulness. The initial great influx of refugees from India was gradually handled, but the refugee problem was not a passing phase. In East Pakistan, mutual Hindu-Muslim mistrust caused the movement of populations to be resumed on a considerable scale in subsequent years.

The personal prestige of Jinnah, assisted by his lieutenant, Liaquat Ali Khan, held together the two areas, different in physical characteristics, cultural traditions, and ethnic composition. The difficulties of linking the two wings were overcome to some degree by air services and telecommunications. Through leadership and strong administration, a new nation was built.

Pakistan suffered a major disaster in September, 1948 when its founding father, Jinnah, died. His hand had been everywhere, guiding, directing, encouraging. Even the politically conscious Bengalis of East Pakistan accepted his leadership. With his disappearance from the political scene, the risk of differences between East and West Pakistan loomed larger. But under Liaquat Ali Khan's rule, Pakistan gradually became respected abroad while remaining united at home. Unfortunately, his moderate attitude toward India, which excited the ire of Islamic fundamentalists, led to his assassination in October, 1951. His death ushered in a process of national/political decline that was not arrested for seven years.

After a series of inept "democratic" governments, General Ayub Khan set up the first military government in 1958. He introduced reforms in the agrarian and industrial sectors of the nation's economy and fought another conflict with India. In 1969 General Ayub Khan was succeeded as President by General Yahya Khan. All this time discontent had been growing in East Pakistan. The standard of living there was lower, their representation in the government, civil service and military was far smaller and their share of overseas aid and development projects was also disproportionately small.

In 1970, two events shook Pakistan apart. A disastrous cyclone wreaked havoc on the eastern half, and East Pakistan received little assistance from West Pakistan.

In December, 1970, elections took place to return the country to civilian rule. A general election was held in each wing on a one-person one-vote franchise. The Awami League, led by Mujibur Rahman, won in East Pakistan with an overwhelming majority of 167 of the 169 seats, while the Pakistan People's Party, headed by Zulfikar Ali Bhutto, emerged the dominant political party in West Pakistan, taking 88 of the 144 seats. A constitutional dispute then arose over which political party should form a government, which resulted in Mujibur Rahman being arrested and detained in jail. This sparked off an insurrection in East Pakistan, which led to the army taking over. The army's rule prompted bitter guerrilla opposition, and finally India, flooded with Bengali refugees, stepped in and

declared war against Pakistan. The Pakistan army lost the war in the east, resulting in the creation of the independent country of Bangladesh.

4. 1971 - Present

Accepting responsibility for the political situation in Pakistan, President Yahya resigned on December 20, 1971, and Bhutto became the undisputed leader of former West Pakistan. Bhutto's declared policy of Islamic Socialism brought few changes, but his populism was successful. He became increasingly autocratic, however, suppressing criticism, silencing opponents, and employing militant methods against the restive Pashtuns and Baluchs. A new constitution was adopted on April 10, 1973, and Bhutto became prime minister of Pakistan.

In January, 1977, Bhutto announced that elections would be held within two months, unfolding a national charter of peasant reform. Nine opposition parties hastily patched together the Pakistan National Alliance (PNA) and launched a demand for the Islamic way of life in Pakistan. The campaign was marked by opposition candidates complaining of discrimination. The results were a sweeping victory for Bhutto's PPP, although they were denounced as fraudulent by the PNA. Mounting protest soon brought chaos to Karachi and other major cities, where Bhutto was compelled to call out the army and proclaim martial law.

To avoid total chaos, the chief of staff of the army, General Mohammad Zia ul-Haq, took over as chief administrator of martial law on July 5, 1977. His early efforts to create an acceptable political alternative had only limited success. He announced that elections would be held in 90 days, but it was clear that Bhutto was the only politician of mass appeal. In early September, Bhutto was arrested and charged with attempted murder (he was sentenced to death the following March), and on September 16, Zia was proclaimed president of Pakistan.

By this time the PNA was split, with almost all elements demanding early elections, plus the introduction of a full Islamic code of laws. Zia had already imposed Islamic criminal punishments, which were formally made law in February, 1979. Bhutto was hanged on April 4, 1979, following a Supreme Court review of his case. In October elections were postponed indefinitely, political parties and strikes were banned, and the press was submitted to strict censorship.

The Soviet invasion of Afghanistan in December, 1979 became central to Pakistan's internal and foreign affairs. Zia began a military buildup supported by the United States and by other Islamic countries and opposed by India. The influx of millions of refugees from Afghanistan helped Zia acquire significant foreign economic aid. In March, 1981, Zia announced a provisional constitutional order that allowed martial law to continue indefinitely and gave the president power to amend the constitution.

Partisan political activity was allowed to resume gradually, but it remained subject to official scrutiny. A December, 1984 referendum confirmed Zia's Islamization policy, although the results were sharply and at times violently contested by opposition groups. In February, 1985 non-party elections were held for both the

National and Provincial Assemblies; by October an amended version of the 1973 Constitution had been reinstated, and at the end of the year, Zia officially declared the end of martial law.

In April, 1986, Benazir Bhutto, the only daughter of Zulfikar Ali Bhutto, returned from exile in England and France to lead the Pakistan People's Party (PPP). In 1988 Zia dissolved the National and the Provincial Assemblies, as well as the government. He announced new elections would be held in November, 1988.

Zia's plans were cut short by his death in a plane crash on August 17, 1988, **which has still not been explained.** The chairman of the Senate, Ghulam Ishaq Khan, assumed power as acting president as dictated by the Constitution. He proclaimed a state of emergency, although he assured the country that the elections would take place as planned.

In November, 1988, Pakistan had its first open election in more than ten years. The PPP won 93 of the 205 contested seats in the National Assembly, slightly less than a majority. However, Benazir Bhutto said she had enough support to form a coalition, and on December 1, 1988, she became the first woman in modern history to lead a Muslim nation. Eleven days later she received a vote of confidence, and Ishaq Khan was elected to a five-year term as president.

The PPP, led by Benazir Bhutto, formed a government at the National Level and in Sindh and a coalition government in NWFP. Opposition Parties succeeded in forming governments in Baluchistan and the Punjab which were hostile to the Bhutto Government during her term in office. Both Bhutto's PPP and the Islamic Jamhavi Ittehad (IJI) led by the then Chief Minister of Punjab Nawaz Sharif, tried unsuccessfully to oust each other through moving no-confidence motions. On August 6, 1990, President Ghulam Ishaq Khan dismissed Bhutto's Government and dissolved the National and Provisional Assemblies on various charges which had not been proven by any court in the country.

In October, 1990, general elections were held. The IJI won 105 out of the 206 contested national assembly seats, whereas the PPP held only 45. The IJI formed a national government and the government in the Punjab, as well as coalition governments in Sindh, NWFP and Baluchistan. The former Chief Minister of Punjab, Nawaz Sharif, was elected Prime Minister.

During 1991 and 1992, the Sharif Government embarked on a rapid program of deregulation, liberalization of governmental/administrative regulations and privatization with the active support of the business community.

On April 18, 1993, Ishaq Khan dissolved the National Assembly and dismissed Sharif on charges of subverting the Constitution, mismanagement, nepotism and corruption, (similar to the charges levied against Benazir Bhutto two years earlier), appointed a caretaker government and announced elections for the National Assembly on July 14, 1993.

However, Nawaz Sharif appealed the President's action to the Pakistan Supreme Court and on May 26, 1993, the Supreme Court reinstated Sharif as Prime Minister and cancelled the July 14, 1993 election.

Quoting the May 29, 1993 issue of The Economist:

"Even by the standards of Pakistan's lively politics, it was an unusual event. The Supreme Court decided, by ten votes to one, that the dismissal of April 18th was "without lawful authority and of no legal effect". Its view was that the president's decision to sack the government contravened a section of the constitution upholding fundamental political rights."

Immediately President Khan and Prime Minister Sharif and their supporters began a power struggle, and Ms. Bhutto threatened protest marches in major cities. On July 19, 1993, after military warnings that the political instability could lead to martial law (again), both Khan and Sharif resigned. A caretaker government under Wasim Sajjad, formerly Chairman of the Senate, as President and Moeen A. Qureshi, a World Bank economist, as Prime Minister, was installed and new elections were scheduled. As officials of the caretaker government couldn't run for election, and as the military wanted an "honest" election, this was probably the fairest election in Pakistan history.

The general elections were held on October 6, 1993 for the National Assembly, and on October 9, 1993 for the Provincial Assemblies. Ms. Benazir Bhutto's Pakistan People's Party and its alliance won the election and Ms. Bhutto was elected the Leader of the House after obtaining 121 votes against Nawaz Sharif, who received 72 votes. She was sworn in as Prime Minister of Pakistan on October 19, 1993. Moreover, the Pakistan People's Party and its allies has also formed governments in the Punjab and Sindh Provinces. In NWFP, Mr. Sharif's party -- PML(N) -- and its allies have formed the government, whereas in Baluchistan, a coalition Government comprised of various parties has been installed.

C. Population

HIGHLIGHTS

- **Population** *est 120.0 million*
 - **Population Density** *151.0 per sq km*
 - **Population Growth** *3.1 % p.a.*

 - **Males** *est 66.0 million*
 - **Females** *est 54.0 million*

 - **Rural Population** *70.0 % ±*
1. Since Independence four Census operations were conducted in 1951, 1961, 1972 and 1981. According to these surveys the total population was 33.8 million, 49.9 million, 63.3 million and 83.78 million respectively. The 1991 census was not completed but it is estimated the total population is currently approximately 120 million with 66 million males, 54 females.
 2. Pakistan ranks 7th in the world in total population and has the 3rd highest population density.
 3. Pakistan's population is growing much faster than the average for developing countries. According to a recent World Bank Report, Pakistan's population growth rate is 3.1% against an average 2% for developing countries.
 4. It is estimated that 70% ± of Pakistan's population is rural and 50% ± of the labor force is engaged in farming/agriculture.
 5. At the present rate of growth, Pakistan's population will exceed 160 million by the year 2000, and 200 million by the year 2010.

D. Language

HIGHLIGHTS

- **Official Language** *English*
 - **Common Language** *Urdu*
1. English is the language used in official correspondence and generally in business. Apart from English, the common language of Pakistan is Urdu, which links numerous linguistic groups.
 2. There are, however, a number of regional languages. Balochi is spoken in most parts of Balochistan; Pashto in North-West Frontier Province and also in some parts of Balochistan; Punjabi in the Punjab; and Sindhi in the province of Sindh. Seraiki is widely spoken in Southern Punjab and its adjoining areas Balochistan and Sindh.

E. Religion

HIGHLIGHTS

- **Religion** **Islamic**
1. Pakistan is one of the nine Muslim countries of the world.
 2. The people of the Islamic Republic of Pakistan lead their lives according to Islam and they believe in one God, one Prophet Mohammad and one Holy Book, the Glorious Quran. The Holy Quran lays down the principles of their faith and life.

F. Currency

HIGHLIGHTS

- **Currency** **Pakistan Rupee**
 - **Current Value** **Rs.29.75 = \$1**
As of September 1, 1993
1. The Pakistan Rupee is divided into 100 paisas.
 - Paper notes are in denominations of Rs. 1, 2, 5, 10, 50, 100, 500 and 1000.
 - Coins of 5, 10, 25 and 50 paisas are in very limited circulation.
 2. The Pakistan Rupee is being devalued against the dollar and other strong currencies ... and the devaluation against the dollar is currently accelerating.

Year	<u>Rs Per \$1</u>
1990, Dec. 31	21.98
1991, Dec. 31	24.87
1992, Dec. 31	25.63
1993, Sept. 1	29.75

3. **While the Pakistan Rupee and foreign currencies are freely exchangeable within Pakistan, the Pakistan Rupee cannot be exchanged for foreign currencies outside of Pakistan.**

G. Political Organization

HIGHLIGHTS

- ***Pakistan has a federal system which is comprised of a Federal Government and four Provincial Governments in Sindh, Baluchistan, Punjab and North West Frontier Province and the Islamabad Capital Territory.***
- ***Pakistan separates the legislature, executive and judiciary branches.***
- ***Pakistan has a large governmental bureaucracy.***

1. Overall

Pakistan has four Provincial Units consisting of Baluchistan, Punjab, Sindh and the North West Frontier; plus the Islamabad Capital Territory; and, Federally Administered Tribal Areas where, because of the strong historical conventions, the application of national laws is selective.

The 1973 Constitution of Pakistan, as amended, and the statutes framed thereunder, regulates the affairs of Pakistan defines, among other subjects, principles of policy; fundamental rights; relations between federation and provinces; and, rights and obligations of the legislature, executive and judiciary branches.

2. Legislature

- a. Pakistan has a bicameral legislative system, consisting of a lower house, the National Assembly, representing the four Provinces, Islamabad Capital Territory and Federally Administered Tribal Areas on a population basis; and, an upper house, the Senate, representing the four Provinces, Islamabad Capital Territory and Federally Administered Tribal Areas.
- b. Elections to the National Assembly are based on direct adult franchise.
- c. Elections to the Senate are indirect through an electoral college comprised of provincial assemblies (for Senators from each of the four Provinces) and the National Assembly (for Senators representing the Islamabad Capital Territory and the Tribal Areas).

3. Executive

- a. The President, elected by the members of National Assembly, Senate and Provincial Assemblies, is the Head of the State. He is elected for a fixed term of five years.

The President in turn appoints the four Provincial Governors, the Chief Justice of the Supreme Court and the Chief Justices of the provincial High Courts. In addition, the President appoints the three armed services chiefs.

Under the Eight Amendment of the Constitution, the President can dissolve the National and/or Provincial Assemblies and call for fresh elections under certain circumstances (which are currently under dispute).

- b. The Chairman of the Senate is elected by the Senate and is deputy Head of State. Senators are elected by the Provincial and National Assemblies for three or six year terms, with special seats reserved for technocrats.
- c. The Prime Minister is elected by the National Assembly and he appoints the Cabinet of Ministers. Under Pakistan's constitution, party based elections for the National Assembly are required to be held within a five year period.

4. Judiciary

- a. Pakistan's judiciary is headed by the Chief Justice of the Supreme Court, the country's highest court. The provincial High Courts form the second tier.
- b. The judiciary can overrule legislation deemed to be un-Islamic. The 1991 Shariat Act provides for the law to be interpreted according to Islamic principles when ambiguity exists, but preserves the ultimate sovereignty of the parliamentary process.

5. Federal-Provincial Relationship

- a. The 1973 Constitution provides for exclusive jurisdiction of the Federal Parliament over 67 subjects specified in the Federal Legislative List and concurrent jurisdiction of the Federal Parliament and the Provincial Assembly over 47 subjects indicated in a Concurrent Legislative List. Residual matters, not enunciated in the Federal Legislative List and the Concurrent Legislative List, are within the exclusive domain of Provincial Assemblies. In the event of an inconsistency between the Federal and Provincial laws, the former prevails.
- b. In practice, the Federal Government has a very dominant role in political and economic management.**

6. Federal-Provincial Administration

- a. The Government of Pakistan has a vertically organized administrative system manned by a large bureaucracy, the hard core of which is comprised of a relatively small group of officials belonging to the various functional groups of the prestigious Central Superior Services. The members of the Central Superior Services dominate the Federal agencies and also occupy key positions in the Provincial Governments.

- b. The Secretariat of the Government of Pakistan is organized along functional Ministries controlled by politically nominated Ministers and Ministers of States. Each Ministry has Division, headed by a Secretary, a career bureaucrat, with a downward chain of Additional Secretary, Joint Secretary, Deputy Secretary and Section Officer. The functions of each Division as well as inter-division relationships are governed by the Rules of Business, 1973, as amended.
- c. The Federal bureaucracy has an important role in the development of private business through monetary, fiscal and trade policy planning. The Ministries of Finance and Economic Affairs, Industries, and Commerce in particular have prominent roles in relation to private business. **The Ministry of Food, Agriculture and Cooperatives serves as central clearing house in all matters relating to agriculture.**
- d. Analogous to the Federal Secretariat, each Province has a similar Provincial Secretariat though the Divisions are referred to as Departments. The Provinces are also divided to geographical zones along Division, Districts and Sub-Districts (referred to as tehsils or talukas), headed by career civil servants called Commissioners, Deputy Commissioners and Assistant Commissioners under the respective Provincial Government. These public functionaries are responsible for law and order maintenance as well as coordination of development work within their geographical jurisdiction.

H. Economic Profile

HIGHLIGHTS

- ***Gross Domestic Product has grown annually by a respectable 5.8% during the last three decades . . . and 6.1% in 1991 and 1992.***
- ***Current per capita income in 1991/92 prices is about Rs 10,400.***
- ***Today the Government is encouraging privatization.***

Pakistan's economy is characterized by features typical of less developed economies, including high population growth rate, low density of social services, deficit budgets, negative balance of payments, and rudimentary state of development of economic institutions. During the last three decades, however, the economy has successfully weathered several adverse internal and external developments (especially the separation of Eastern Pakistan in 1971, the oil supply shock of 1974, and the burden of about 3 million Afghan refugees since 1979), and has achieved an average annual growth rate of Gross Domestic Product of 5.8% to 6.1% highlighting the underlying economic resilience.

Pakistan today is distancing itself rapidly from the experience of the 1970's when the concern with equity issues found expression in an extended direct role for governmental intervention in the economic development process.

Today, as indicated in the recent election campaign, there is a consensus within main Pakistan political parties that the road to prosperity lies in encouraging increased private sector participation in all spheres of the economy.

1. National Income

- a. At a constant 1980/81 cost factor, Pakistan's Gross National Product in fiscal year (July 1 to June 30) 1991/92, was around Rs 484 billion (\$20.2 billion at the 1991/92 exchange rate of \$1 = Rs 24).
- b. At a current cost factor, Pakistan's Gross National Product in fiscal year 1991/92 was estimated to be Rs 121.5 billion (\$50.6 billion).
- c. At a current cost factor, this resulted in a Per Capital Gross Income in fiscal year 1991/92 of approximately Rs 10,358 (\$431.58).

2. Public Finances

- a. Pakistan has traditionally relied upon controlled deficit financing as public resources continue to fall short of mounting recurring non-development and non-recurring development expenditures. Revised estimates for the fiscal year 1991/92 indicate resources at Rs 221 billion against expenditures of Rs 278 billion or a deficit of Rs 57 billion, (\$2.2 billion). The Budget for fiscal year 1992/93 projects resources at about Rs 248 billion against expenditures of Rs 293 billion, or a deficit of Rs 45 billion (\$1.73 billion at today's exchange rate of \$1 = Rs 26.73).
- b. The deficit financing problem may increase as the United States continues to reduce its military and non-military AID to Pakistan, due to the Pressler Amendment. Currently, all U.S. Government aid to Pakistan Government organizations will stop by December 31, 1993, although some U.S. Government AID to private Pakistan organizations may continue.
- c. **In the future, Pakistan will have to rely more on the private sector for development activities, restrict expansions in the non-development budget expenditures, and improve tax administration to generate larger revenues. These directions are well recognized by the current Government.**

3. Balance of Payments

- a. Increasing imports, mounting debt servicing and military expenditures and only minor increases in commodity exports, plus declining cash remittances from overseas Pakistanis have combined to result in a difficult and growing balance of payments situation. Reliable figures are difficult to obtain on the magnitude of Pakistan's total balance of payment deficit due to the secrecy on military purchases; however, the Balance of Payments deficit is increasing each year.

- b. The Government of Pakistan is in the process of implementing an export oriented development strategy which may help reduce balance of payments difficulties in the future.

I. Business Infrastructure

HIGHLIGHTS

- *Skilled work force is available in large urban centers.*
- *Extensive physical structure exists but is unevenly distributed.*
- *The financial system includes commercial banks, specialized financial institutions and stock markets.*

1. Labor Force

- a. Pakistan's population is estimated at 120 million and is growing annually at a rate of 3.1%. The labor force is estimated at about 34 million with an estimated unemployment rate of over 16%. There is, however, a considerable underemployment, possibly at high as 30%. Further, approximately a million of the trained, skilled and semi-skilled work force are presently employed in the Middle East.
- b. Current literacy estimates are at best guess, but the general feeling is that 25-30% of the population over 15 years of age is literate.
- c. **Although specific skill shortages could be encountered, the supply situation of formally and informally trained work force is generally satisfactory in large urban centers.**

2. Physical Infrastructure

a. Sea Ports

Pakistan has four sea ports (Karachi, Mohammad Bin Qasim, Gawader and Pasni), of which two (Karachi and Mohammad Bin Qasim) located around the country's largest city of Karachi, handle all imports and exports.

Dry ports also exist at Lahore, Rawalpindi and Sialkot.

b. Airports

Karachi, Lahore, Islamabad, Peshawar and Quetta Airports provide international handling of cargo and passengers. Karachi, in particular, is connected with all major cities of the world.

The state-managed Pakistan International Airlines is a world airline providing both international and domestic services.

c. Railways

Pakistan has a railway network spread over approximately 8,800 km.

d. Roads

Pakistan has an extensive road network, of which approximately 120,700 km (60% paved) is currently being expanded and upgraded.

e. Telecommunications

The state sponsored Pakistan Telecommunication Corporation manages about a million telephone lines, around 4,000 public call offices, and 3 gateway exchanges that link the country with the international communication system.

Recently, the public telecommunication network has been going through a major expansion/upgrading. Private enterprises have also been allowed to initiate cellular telecommunication services.

f. Energy

Commercial energy demand in Pakistan is fast outracing energy supplies with the result that demand management is being vigorously pursued particularly though harder energy prices and electricity load shedding in defined summer and winter periods in accordance with pre-determined well publicized schedules.

Currently numerous projects, public and private, are underway to increase electricity power generation.

Natural gas and petroleum are generally in good supply and because of the abundant supply of natural gas, co-generation plants are being installed in many facilities throughout Pakistan.

g. Financial System

The financial system in Pakistan is comprised of the following Commercial Banks, Specialized Banks, Non-Bank Financial Institutions (NBFIs), Investment Institutions and Stock Exchanges:

Commercial Banks

- Public Sector Banks

- First Women Bank Limited
- Habib Bank Limited
- National Bank of Pakistan
- United Bank of Pakistan

- Private Sector Banks

- Allied Bank of Pakistan Ltd.
- Askari Commercial Bank Ltd.
- Bank Al-Habib Ltd.
- Bolan Bank Ltd.
- Habib Credit & Exchange Bank
- Indus Bank Ltd.
- Mehran Bank Ltd.
- Metropolitan Bank
- Muslim Commercial Bank Ltd.
- Prime Commercial Bank Ltd.
- Soneri Bank Ltd.
- Union Bank Ltd.

- Foreign Banks

- ABN AMRO Bank
- Al-Baraka Islamic Investment Bank
- American Express International Banking Corporation
- ANZ Grindlays Bank
- Bank of America
- Bank of Oman
- Bank of Tokyo
- Banque Indosuez
- Chase Manhattan Bank
- CitiBank
- Deutsche Bank
- Doha Bank
- Emirates Bank International Ltd.
- Faisal Islamic Bank
- Habib Bank AG Zurich
- Hong Kong and Shanghai Banking Corporation
- International Finance, Investment and Commerce Bank
- Pan African Bank
- Rupali Bank
- Societe Generale French Bank
- Standard Chartered Bank

Specialized Banks

Name

Agricultural Development
Bank of Pakistan (ADBP)

Federal Bank for
Co-operatives

Function

Provides credit facilities to agriculturalists
and persons engaged in cottage industries
in rural areas.

Meets the credit needs of Provincial
Co-operative Banks.

Industrial Development
Bank of Pakistan (IDBP)

Provides financial assistance in the establishment of new industrial units and expansion, modernization and replacement needs of existing industrial units in the private sector.

Non-Bank Financial Institutions (NBFIs)

Name

Function

Bankers Equity Limited
(BEL)

Provides equity support and other forms of financing to major projects.

Equity Participation Fund
(EPF)

Provides equity support to small and medium sized industrial units in the private sector in less developed areas of the country.

House Building Finance
Corporation (HBFC)

Provides finance for the construction of houses.

National Development
Finance Corporation (NDFC)

Meets the long and medium term and working capital needs of public and private sector enterprises.

Pakistan Industrial Credit
and Investment
Corporation (PICIC)

Provides long and medium term loans to large scale industries in the private sector.

Pak-Kuwait Investment
Company (PKIC)

Provides financial assistance to both private and public sector projects.

Pak-Libya Holding Company
(PLHC)

Provides foreign currency loans, participates in equity investment and underwrites public issues.

Regional Development
Finance Corporation
(RDFC)

Provides financial assistance for setting up of new units as well as for modernization and expansion of existing units and to promote investment in less developed areas of Pakistan.

Saudi-Pak Industrial and
Agricultural Investment
Company (SPIAIC)

Meets the industrial and agricultural needs of the private sector.

Small Business Finance
Corporation (SBFC)

Finances cottage and small scale industries small business enterprises and artisans engaged in productive activity.

Investment Institutions

<u>Name</u>	<u>Function</u>
Investment Corporation of Pakistan (ICP)	Provides facilities for investment in shares to private individuals, floats close ended mutual funds, underwrites new shares and provides bridge financing in consortia with nationalized commercial banks.
National Investment Trust (NIT)	Manages an open ended mutual fund and serves as an instrument for the promotion of savings and investment in shares, Modaraba Certificates and Participation Term Certificates (PTCS) of public limited companies.
Investment Banks (Various)	Deal in money and capital markets and project financing and provide corporate financial services.
Leasing Companies (Various)	Provide lease financing to meet fixed industrial requirements, as well as office equipment.

Stock Exchanges

- Karachi
- Lahore
- Islamabad

- Pakistan's financial markets have also recently witnessed the introduction of several financial instruments founded on the concept of profit and loss sharing. Illustrations of such instruments are: Musharika, where the customer and the financial institution are in a temporary partnership arrangement for sharing the business profits in predetermined ratios; Modaraba, which is a general or specific purpose fund raised through a public subscription and is managed by a management company; and, Participation Term Certificates, a form of convertible debenture, where the financial institution enters into a partnership with the customer for participation in the profit and loss of the business.

h. Incorporated Companies

There were 30,016 companies incorporated in Pakistan as of March, 1993 (latest figures available), of which 533 have foreign capital. A list of the major international companies active in Pakistan is included in Section II.

II. INVESTMENT CLIMATE IN PAKISTAN

A. The New Investment Landscape

During 1991 and 1992, the Government of Pakistan embarked on a rapid program of deregulation, liberalization of governmental/administrative regulations and privatization unparalleled in Pakistan's history -- **which is significantly changing the investment landscape.**

Initiative is steadily being shifted from the public to the private sector through a continued reduction in official approval procedures, emphasis on free market forces and a major privatization program. In parallel there has been a shift to self-reliance, away from foreign aid and financial assistance from international financial institutions.

Foreign exchange controls have been substantially eliminated as Pakistan moves to full convertibility of the Rupee. Restrictions on foreign investment in Pakistan have been removed, and cumbersome procedures relating to foreign investment in Pakistan are being abolished and approval requirements eliminated in most cases or reduced to a minimum in the remaining. Capital and profits can now easily be transferred out of the country in hard currency. Investor confidence resulting from deregulation is attracting foreign interest and investment.

While these efforts were begun by the Government of Pakistan, under Prime Minister Nawaz Sharif after his election on October 24, 1990, there is every indication these policies will be continued. Public pronouncements by all the major political parties during the 1993 election campaign, have indicated support of continued deregulation and privatization.

Furthermore, the international financial community (Asian Bank, International Marketing Fund, World Bank, etc.), and many of the countries granting major aid to Pakistan (Germany, Japan, United Kingdom, United States, etc.), have been pushing Pakistan to implement these policies and would exert extreme pressure and probably further reduce aid support if these policies were significantly changed or hindered in the future.

Optimism about the Pakistan economy is also shared by investors abroad. Major Japanese, United Kingdom and United States investment houses have expressed interest in the local stock exchanges, and the first Pakistan equity fund was floated by Citibank and Morgan Grenfell during 1992, and has been followed by other floatations/investments, etc. Domestic and foreign expressions of interest in the private sector projects are on the increase.

B. Key Changes in the Economic Environment

1. Deregulation

- Few or no permissions required to set up projects
- Free entry to foreign investors
- Elimination of foreign exchange restrictions

2. Privatization

- Three nationalized banks transferred to private sector, with more to follow
- Over 100 industrial/commercial companies offered for sale/many sold or being sold
- Foreign participation in airport and highway construction and telecommunications

3. Opening of Financial Sector

- New Commercial banks established
- Foreign banks established -- and more coming
- New investment banks established
- A growing number of leasing companies and "modarabas"
- Pakistan equity funds floated
- Stock markets expanded

C. Investment Opportunities

Pakistan's economic potential lies in the expansion and diversification of its industrial base. Sufficient industrialization exists to allow rapid development in new areas of activity, serving both domestic and international markets. Traditional industries are also capable of enhancement through vertical integration and value adding.

Opportunities in Pakistan contrast with those arising out of the liberalization of the East Block economies. Pakistan has surpassed the level of industrialization of the East Block, and therefore does not require massive write-offs of industrial units outmoded beyond rehabilitation, nor does Pakistan have the rampant inflation and currency devaluation of many East Block countries.

In Pakistan opportunities exist in new industry and expansion. These investment opportunities can best be exploited through better management and strategic planning,

superior exploitation of international markets, access to international and venture capital financing, joint ventures and technical assistance.

As a result of wide-ranging economic reform, several potential opportunities, in various sectors, now clearly exist. Active, fresh involvement by foreign companies is already evident in various infrastructure projects. This involvement is manifested by both management input and financial commitment, in the form of equity and debt financing, and technical assistance.

There are, however, an even greater number of unexploited opportunities. Further infrastructure projects with potential include container and storage terminals, as well as water management systems. Other opportunities exist, for example, in the chemical and pharmaceutical sectors in basic medicines, fertilizers, pesticides and inorganic chemicals.

However, given Pakistan's availability and diversity of local produce (rice, meat, fruit, vegetables), many of the greatest opportunities exist in the exporting of agribusiness products. Pakistan is well situated for trade with the Middle and Far East, India and Japan. The Government's foreign policy is moderate and positive, and Pakistan continues to enjoy a privileged relationship with China. Because of its regional location, Pakistan stands to make significant gains as it and its neighbors' economies grow.

D. Routes of Entry

1. Entry in Pakistan may have the objective of exploiting potential in the populous, developing domestic market, or more broadly, the development of a low cost base to serve regional markets.
2. Three major entry options are available:
 - Establish a fully owned and controlled private company (assets up to Rs. 100 million).
 - Establish a public limited company, retaining majority control but seeking public participation through floatation. This serves to reduce the foreign corporation's level of equity exposure to achieve the same level of operations -- first, because the general public shares in the equity and, secondly, because the local company can assume debt independently.
 - Establish a company in cooperation with joint venture partners, who supply local expertise, management and capital. This may be as a private or public company, in which case it can have the benefits of point two above.

E. Foreign Investment (As Applied To Agribusiness)

1. There is no restriction on foreign investment and Governmental approval is not required. Projects in Pakistan can even be set up with 100% foreign equity.

2. Under the Foreign Private Investment (Promotion and Protection) Act, the guarantees provided foreign investors include:
 - Remittance of profit and capital;
 - Remittance of appreciation of capital investment;
 - Foreign private investment shall not be subjected to more taxation on income than those applicable to investment made in similar circumstances by citizens of Pakistan; and
 - Relief from double taxation
3. Foreign Investment is also entitled to the following:
 - Foreign nationals employed in Pakistan are permitted to send monthly remittance to the country of their domicile up to 50% of the net income;
 - Foreign nationals returning from Pakistan are permitted to transfer their total savings;
 - Foreign investors being creditors of industrial undertaking are also entitled to repatriation of foreign currency with the terms and conditions of the loans.
4. Foreign private investment is also entitled to all concessions of duty-free import of machinery and income tax holiday as permissible to local investors without any discrimination.

Pakistan guarantees to foreign investment are comparable to any country in the world.

F. Foreign Employment/Visas

1. Expatriate Employment Policy

- The requirement for a work permit for managerial and technical personnel has been eliminated.

2. Visa Policy

- Businessmen whose companies have substantial investment in Pakistan will be granted 3 years multiple entry visas.
- Businessmen who want to establish business offices in Pakistan will be issued multiple visa for one year on the basis of recommendations of their Embassies in Pakistan.

G. Foreign Exchange/Loans

1. Possession of Foreign Exchange

There is no restrictions on resident Pakistanis, non-resident Pakistanis, foreigners or foreign companies on bringing in, possessing or taking out foreign currency. Currency declarations are not required.

2. Reconversion Facility

Any authorized dealer will reconvert any amount of local currency into foreign exchange on production of a receipt of encashment of foreign exchange. There is no limit on this.

3. Foreign Currency Accounts

All resident and non-resident Pakistanis, foreigners and foreign controlled companies can maintain foreign currency accounts, which can be operated in foreign exchange in any form.

4. Foreign Loans

There are no permissions required regarding foreign company loans, rate of interest or repayment, unless such loans are guaranteed by the Pakistan Government.

5. Fixed Capital Loans

There are no restrictions on foreign companies raising domestic credit for fixed capital loans, or to meet fixed investment requirements.

6. Working Capital Loans

Foreign controlled manufacturing/processing companies exporting 50% or more of their production can borrow working capital from domestic institutions without limit. Other foreign controlled manufacturing/processing companies, including those which do not export and sell in the domestic market, can arrange rupee loans equal to their equity investment.

7. Rupee Loan Agreement Foreign Exchange Collateral

Foreign currency account holders can obtain rupee loans on the collateral of their foreign currency account balances.

H. Fiscal and Monetary Incentives

Pakistan's fiscal, monetary and trade policies have been significantly adjusted to provide incentives for investment, with the major changes including:

1. Single Level Company Income Tax

Various past levels of income tax, super tax and surcharges have been merged under a single income tax levy -- and a phased reduction of this tax will be in effect with income year 1992-93, (assessment year 1993-94). The reduction will be as follows:

<u>Assessment Year</u>	<u>Public Companies</u>	<u>Others</u>
1993-94	42%	52%
1994-95	39%	49%
1995-96	36%	46%
1996-97	33%	43%
1997-98	30%	40%

2. Specific Tax Incentives

- **A three year income tax holiday is allowed to all companies/industries commencing operations before June 30, 1995 . . . with the three year holiday effective from the date commercial operations begin.**
- An eight year income tax holiday is admissible for all companies who establish industrial operations in specific backward areas of Pakistan. In addition, these industries established in backward areas have been exempted from the levy of import duties and sales taxes on imported machinery.
- A five year income tax holiday is available to all industries established in defined rural areas and numerous other tax exemptions and incentives are available to operations established in defined rural areas.

3. Special Tax Incentives for Approved Industrial Estates (Current and To Be Established)

- Exemption of all (100%) custom duties in some approved industrial estates, with others having exemptions on 75% or 50% of custom duties.

4. Income Tax Rebates for Exports Earnings

- Income tax on export earnings are only taxed, at the most, 1%. In some cases, this is reduced to .75% or .5%.

I. Foreign Participation

Multinational Companies' participation in Pakistan predates the country's inception. ICI established a soda ash works in 1942, and its business has since grown to include paints, pharmaceuticals, polyester fiber and general chemicals. Other multinationals such as Unilever, Shell, Mitsubishi and Philips, also saw an early opportunity and benefitted. The local subsidiary of Unilever is the second largest listed company in terms of market capitalization, and also the largest consumer products company in Pakistan.

The flow of foreign equity into Pakistan increased as the country developed and opportunities arose. Foreign pharmaceutical companies were among the first multinationals to set up operations in Pakistan. They are responsible for the development of the pharmaceutical industry and represent the greatest numbers of multinationals in Pakistan.

Pakistan's predominantly agro-based economy has given rise to the development of ancillary industries, serving the agricultural sector. Exxon was the first private company to set up a urea fertilizer plant in the 1960's; Hercules followed in joint venture with the Dawood Group. The farm equipment industry started flourishing as mechanization of agriculture took place. Massey Ferguson, Fiat and Belarus capitalized the opportunity through joint ventures with local concerns. The agro-chemicals and pesticides industry is led by multinationals.

Multinationals have also contributed to the country's infrastructure development (dams, power generation, telecommunications, hospitals). Currently many companies are active, for example, the French group SOGEO recently completed the construction of the new Karachi airport terminal, and a Japanese led consortium is constructing a national highway.

In addition to subsidiaries and joint ventures, there are many licensing and technical support arrangements with local entrepreneurs. In the 1970's and 80's, the number of entrants was limited by regulatory constraints; today, however, deregulation allows foreign investors full participation in the economy.

Examples of foreign participation in Pakistan are shown in the following table.

KEY

QUOTED PUBLIC COMPANY SUBSIDIARIES OF MULTINATIONALS

UNQUOTED COMPANIES, LOCAL OFFICES, FRANCHISES, TECHNICAL ASSISTANCE

JOINT VENTURES WITH LOCAL PARTNERS

1. AUTOMOBILE & ENGINEERING

SIEMENS, SINGER

AEG, CITOY, EXIDE, KOMATSU, LUCAS, MITSUI, VARITY

HINO, HONDA, NISSAN, SUZUKI, TOYOTA

2. CHEMICALS & PHARMACEUTICALS

**ABBOTT, BERGER, BOOTS, CIBA-GEIGY, COLMAN, CYANAMID,
GLAXO, HOECHST, ICI, PARKE DAVIS, RECKITT, SANDOZ,
SMITH KLINE BEECHAM, WELLCOME, WYETH
BASF, BAYER, EXXON, JOHNSON & JOHNSON, MERCK, PFIZER,
ROCHE, SAM YANG, SEARLE, STERLING PRODUCTS,
SQUIBB, WARNER LAMBERT
*HERCULES***

3. CONSUMER PRODUCTS & FOOD

**UNILEVER
CARGILL, COCA COLA, COLGATE, EASTMAN KODAK,
GENERAL FOODS, HEINZ, PEPSICO, PROCTER & GAMBLE
*CPC, GILLETTE, NESTLE***

4. ELECTRONICS & ELECTRICAL

**PHILIPS
BICC, DAIKIN, EPSON, HITACHI, IBM, MITSUBISHI,
NCR, SAMSUNG, TOSHIBA
*SONY***

5. HOTELS

HOLIDAY INN, MARRIOTT, RAMADA, SHERATON

6. OIL & GAS

**BURMAH, CALTEX, GULF, HUNT, KUWAIT PETROLEUM,
OCCIDENTAL, PHILIPS, PREMIER,
SHELL, UNION TEXAS**

7. TRANSPORT & COMMUNICATIONS

ALCATEL, CABLE & WIRELESS, DHL, ERICSSON

J. Investment Risks

Although Pakistan currently is more demographically and economically stable than it has been for decades, and more economically stable than many East Block and Third World countries, there still are major

investment risks which should be considered in making a decision on whether to invest in Pakistan.

1. Changes in Government

Pakistan, as many developing countries, has seen several sudden changes of Government, leading in many cases to the suspension of the democratic process and the imposition of military rule. This has been offset somewhat by the continued operation of a stable, professional civil service.

Political risk insurance for investments in Pakistan is available.

2. Corruption

By any standards, Western or Third World, Pakistan has a major corruption problem at all levels. While steps have been taken in recent years to reduce corruption at the higher levels of business and government, it still is widely prevalent.

Conducting business in such an environment is a challenge with obvious risks.

3. Crime

Since the mid-1980's, crime levels have been on the rise, particularly in Karachi and rural Sindh. The local business community suffered from armed robbery and kidnapping, and areas of rural Sindh were rendered unsafe for travel due to outlaw bands. In response there has been a drive against illegal weapons, legislation has been introduced aimed at reducing the incidence of violent crime, and the Army has been active in Karachi and rural Sindh. As a result, crime in Karachi and rural Sindh has materially decreased and the local business community indicates that the criminal activities have been significantly reduced.

Many areas of Pakistan have been subject to a US State Department Travel Advisory since June 5, 1992 because of the increase in crime and the items discussed later (Sections 5, 7 and 8).

4. Devaluation of the Rupee

The Rupee, since it freely fluctuates, has seen steady devaluation and therefore, the value of local investments in foreign currency terms continually erodes. Lately the rate of devaluation has increased.

The State Bank of Pakistan offers a comprehensive foreign exchange coverage scheme, so that the foreign currency requirement of a project, contributed by way of loan capital, can be protected against adverse exchange rate movements.

5. Further Sanctions by the United States Government

The US Government has cut all military aid to Pakistan and will complete all non-military aid to the Pakistan Government by December 31, 1993 -- due to the 1985 Solanz Amendment to the US Foreign Assistance Act and the Pressler Amendment. Minor USAID help to private organizations in Pakistan, as those engaged in social programs, may continue; however, these will be at a relatively low financial level.

In late August 1993, because of a belief that China transferred long-range missile technology to Pakistan, the US Government imposed further trade sanctions on Pakistan.

6. Intellectual Property Protection

At present, Pakistan's copyright and patent legal protections are minimal and where they exist, enforcement is usually ineffective and penalties for violation extremely weak. However, efforts are underway to correct this situation.

7. Islamic Fundamentalism

The various Islamic Fundamentalism movements' anti-Western rhetoric, recent attacks on Westerners in Egypt and probable involvement in the World Trade Center bombing is another investment risk.

Despite the anti-Western actions, most analysts feel that Islamic Fundamentalists are more concerned about mitigating change in their own or other Islamic countries than in the Western world. In nations like Pakistan, the Islamic Fundamentalists' appeal stems from the failure of Governments to give the growing urban population the employment, housing and basic services. **Most of the Muslims appear to be looking for justice at home, not conflict abroad.**

8. War With India

In the forty-six years since it became an independent nation, Pakistan and India have fought three wars, and the bitterness between predominantly Hindu India and Moslem Pakistan continues today.

III. OPPORTUNITIES IN PAKISTAN POTATO AND TOMATO PROCESSING

A. General Agriculture Overview

The economy of Pakistan is largely based on agriculture,

- farming, which produces food and crops and forest products, is Pakistan's largest private sector;
- agribusinesses, including inputs to farming and the collection, storage, processing and distribution of farm and forest products is Pakistan's second largest private sector.

Since the early 1980's, farm and forest production has grown in excess of 4% ± per annum, with agribusinesses growing at a slower 1% ± rate.

Agriculture accounts for approximately 25%± of Pakistan's Gross Domestic Product, and employs 50%± of the labor force.

Currently, the principal agricultural crops are wheat, rice, sugar cane, tobacco and cotton, while the horticultural industry is one of the major growth areas. Pakistan is compared to California in its ability to grow a complete range of horticultural crops. The country is also gaining experience in producing internationally acceptable varieties of fruits and vegetables.

As Pakistan has an abundance of fertile soil, suitable weather patterns, a good irrigation system, relatively low farm production costs, major availability of semi-skilled farm laborers and industrial workers, and a strategic location for exporting products, long-term it should become a major exporter of fresh and processed horticultural products.

The markets of the land-locked countries of Afghanistan and the Central Asian Republics especially offer good export opportunities. The fact that Pakistan is a member of both the Economic Co-operation Organization (ECO) and the South Asian Association for Regional Co-operation (SAARC) further expands the potential of target markets of Pakistan warranting installation of efficient sized plants of almost any industrial activity.

1. Current Exports of Fresh Fruits and Vegetables

Although Pakistan has a considerable production base for fruits and vegetables, its export record is poor -- averaging about 5% of its production. The reasons are many, but can be summarized as follows:

- Lack of appropriate management, marketing and business systems;
- Lack of good planting material;
- Lack of technical knowledge at grower level regarding correct time of planting/harvesting (state of development and maturity);
- Lack of cooling facilities to remove field heat and maximize shelf life;

- Poor cold storage facilities and trained staff to run cold storage for fruit and vegetables;
- Poor internal transport
 - Few reefer lorries are being used to transport produce
 - Unreliable rail network for goods traffic and only Karachi-Lahore express service carries refrigerated units
- Lack of grading facilities (except for citrus in some areas) and lack of expertise in packhouse management and quality control;
- Lack of suitable internationally acceptable boxes and cartons for strength and water-repellence;
- Poor facilities at seaports;
- Lack of suitable facilities at airports;
- Poor enforcement of quality grading and phytosanitary regulations.

While progress is being made in correcting the above constraints, it will take many years to significantly reduce these problems and most international agriculture reports indicate it will be well into the 21st Century before Pakistan could achieve major exports of fresh horticultural products.

2. Current Processing Facilities Domestic Market for Processed Fruits and Vegetables

At present, there are limited canned, dehydrated or frozen fruit and vegetable processing facilities operational in Pakistan, although the opportunities to establish such facilities, especially for export products, are significant. In only two areas, processing of kiono oranges by Cargill and dates by Unilever, has any Multinational Corporation entered the market in any significance.

The reasons for the limited current processing facilities are due to:

- a. Lack of management, technical and marketing (for export) experience/expertise within local Pakistan companies;
 - b. Previous governmental constraints (pre 1991-92) on Multinational Companies' involvement/investment in Pakistan;
 - c. Lack of domestic market for processed fruits and vegetables due to widespread belief in the minds of Pakistani consumers that nutritional values are almost completely lost during the processing of fruits and vegetables -- especially during dehydration.
- 3. The combination of available, relatively low cost fruits and vegetables, an extensive, difficult and long-term timeframe in developing fresh export markets and an undeveloped domestic "processed" market, presents a major opportunity for Multinational Companies going it alone (as Cargill and Unilever have done), or with Joint Ventures to develop food processing ventures initially based on exports. Eventually as the domestic consumer spending levels increase and eating habits change, local markets will develop.**

B. Opportunities in Potato Processing

1. Production

As Pakistan Governmental figures are believed to significantly understate the size of Pakistan's annual potato crop, the Pakistan-Swiss Potato Development Project's projections of potato yields in Pakistan are considered to be a better base by most members of the Pakistan agribusiness community.

a. Annual Production

1990	1,300,000 tons
1992	1,600,000 tons

Source: Pak-Swiss Potato Development Project

b. Annual Production Potential - if desired

1996	3,000,000± tons
1998	4,000,000± tons

Source: Pak-Swiss Potato Development Project

c. Production Varieties - Current

With High Dry Matter Content,
Good for Chipping & Processing

Ajax	
Bartina	
Cardinal	X
Cleopatra	
Desiree	
Diamant	X
Kondor	
Multa	X
Munillo	
Patrones	X
Sparta	
Ultimus	X

Source: Pak-Swiss Potato Development Project

d. Potential Varieties - New

Pakistan farmers/farm organizations are very willing (and in fact anxious), to try new potato varieties if seeds are available and there is a market for the new varieties.

e. Production Areas

While potato crops are grown in all agricultural areas of Pakistan, over 60% of the annual potato crop is grown in the Central Punjab, where two and sometime three crops annually are produced (or could be if there was sufficient demand), and in the Southeast NWFD.

f. Production Seasonality

- Major harvest in the January-March period, when about 66% of the annual crop reaches the market.
- The spring harvest, representing about 14% of total production, reaches the market from April to June.
- The summer crop, representing about 20% of the total production, begins to reach the market in mid-October and lasts through December.

g. Uses

It is estimated that in 1991 and 1992, about 94% of the Pakistan potato crop was used fresh domestically, 3% processed (chips) and 3% exported. Export significantly declined in the late 1980's/early 1990's due to the wars in Afghanistan and the Gulf, and should grow to 6-8% of the domestic crop by 1995 (assuming no new wars).

h. Prices

Like many commodities, potatoes are subject to cyclical price fluctuations between high and low prices -- and in Pakistan the cycle from low to high prices is about three years. These fluctuations are attributed to relative elasticity of supply coupled with price inelasticity of domestic demand, combined with the fact that minor output is used for processing or export.

The Agricultural Marketing and Storage Ltd. (AMSL), a parastatal organization backed by the Federal Cooperative Bank, is directed by the Pakistan Government to buy potatoes when prices fall below an intervention level set annually by the Agricultural Price Commission. However, in practice this intervention system has not been effective and usually only benefits the large farmer, if it benefits anyone.

A 1992 Private Survey estimated that the farm price of Pakistan potatoes which would be best for processing was 60% to 65% of the farm price of similar varieties in Eastern Europe and Turkey, and 40% to at most 50% of US or Western European farm prices.

i. Wastage

Although exact figures are impossible to obtain, it is estimated that 20% to 40% of Pakistan's potato crop goes to waste each year due to on-farm losses at harvest, on-farm losses because of poor storage, losses in transit due to poor transportation/handling/storage, and in some years major oversupply.

2. Production Potential

a. Pakistan farmers/farm organizations feel the production of potatoes and specific potato varieties good for processing could be significantly improved in Pakistan if the following constraints were reduced:

- (1) Limited supply of good quality seed and little advice/reason to change;
- (2) Inefficient use of inputs such as fertilizer, pesticides and water;
- (3) Limited technical information/help available on disease and pest build-up and their control;
- (4) Limited availability of cold storage facilities;
- (5) Limited availability of decent transport;
- (6) Limited export help/facilities, etc.;
- (7) Limited cash flow, limited access to credit facilities for potato growers (especially small farmers);
- (8) Limited uses in processing (mainly chipping currently).

b. **All of the above constraints could be materially reduced by a Multinational potato processor entering Pakistan and advising and assisting with farmers/farm organizations in Pakistan.**

3. Potato Processing/Processed Potato Domestic Market

a. Currently there are only two small semi-automated potato dehydrating facilities operating in Pakistan, and they are only supplying the Pakistan military or PIA Airlines.

b. There are currently no significant domestic processed potato products (canned, dry or frozen) other than potato chips on the Pakistan domestic consumer market. It is anticipated, however, that the market for both dehydrated and frozen products will grow, as domestic incomes increase and eating habits change:

- major restaurant/institutional food providers enter Pakistan;
- major snack companies require dehydrated potato products for producing shaped snacks for the Pakistan domestic market;

- fast food restaurants as Burger King, McDonald's and Wendy's enter the Pakistan market and seek frozen potato processing. (Burger King is already in Thailand and Malaysia, McDonald's has announced it's entering India with Muttonburgers and is already in Thailand and Malaysia, and Wendy's is reportedly studying entry into Southeast Asia and the Subcontinent).
- the middle and upper class of Pakistan seek dehydrated and frozen consumer products as they adapt to Western standards;

Also, as potatoes are often served in Pakistan in sauce or in combination with other vegetables, and in "Western type" casseroles, there is a significant potential for dehydrated potatoes products once the consumer is educated on their advantages/uses.

4. Potato Processing Export Market

While it is estimated the domestic market for processed potatoes will increase slowly, the export market offers the greatest opportunities, especially for dehydrated and frozen potato products.

C. Opportunities in Tomato Processing

1. Production

As Pakistan Governmental figures are believed to significantly understate the size of the annual Pakistan tomato crop, it is impossible to make accurate projections; however, the following ranges are felt to be reasonable.

a. Annual Production

1990	208,000 tons
1992	225,000 tons

Source: Statistics Division, Government of Pakistan

b. Annual Production Potential

1996	400,000± tons
1998	600,000± tons

Source: Statistics Division, Government of Pakistan

c. Production Varieties - Current

<u>Name</u>	<u>Year Released</u>	<u>Characteristics</u>
Red Top	1969	Early maturity, dwarf plant, fruit oblong
Roma	1969	Early maturity, dwarf plant, small fruit size
T-10	1964	High yield, good quality
T-43	1964	High yield, good quality, small fruit size

Source: -Present Status of Vegetable Crop and Seed Production in Pakistan, by M.H. Bhatti
-National Agricultural Research Center, Islamabad

d. Production Varieties - Currently Under Trial at National Agricultural Research Center

Eva
Feston
Lima
Money maker
Riograndele

e. Production Varieties - New

Pakistan farmers/farm organizations are very willing to try new tomato varieties if seed are available and there is a market for the new varieties.

f. Production Areas

While tomato crops are grown in all agricultural areas of Pakistan, it is estimated 50% of the annual tomato crop is grown in the Central Punjab where two and sometimes three crops are produced annually (or could be if there was sufficient demand), and the Southeast NWFD.

g. Production Seasonality

- Major harvest in the January-March period, when about 60% of the annual crop reaches the market.
- Spring harvest in April to June represents about 20% of total production.
- Summer crop reaches the market beginning in October, and again is estimated to be about 20% of total production.

h. Uses

It is estimated that in 1991 and 1992, about 85%± of crop was used fresh domestically, 10% processed and 5% exported. Export significantly declined in the late 1980's/early 1990's due to the wars in Afghanistan and The Gulf, and should grow to 8% to 10% by 1995 (assuming no new wars).

i. Prices

Like many commodities, tomatoes are subject to cyclical price fluctuations between high and low prices -- and in Pakistan, the cycle from low to high prices is three to four years. The fluctuations are attributed to relative elasticity of domestic demand, combined with the fact that minor output is used for processing or export.

A 1992 Private Survey estimated that the farm price of Pakistan tomatoes which could be used in processing was 60%± of the farm price of similar varieties in Eastern Europe and 40%± of US or Western European Farm prices.

j. Wastage

Although exact figures are impossible to obtain, it is estimated that 20% to 40% of Pakistan tomato crop goes to waste each year, due to on-farm losses at harvest, on-farm losses because of poor storage, losses in transport due to poor transportation/handling/storage, and in some years major oversupply.

2. Production Potential

a. Pakistan farmers/farm organizations feel the production of tomatoes and specific tomato varieties good for processing could be significantly improved in Pakistan if the following constraints were improved:

- (1) Limited supply of good quality seed and little advice/reason to change;
- (2) Inefficient use of inputs such as fertilizer, pesticides and water;
- (3) Limited technical information/help available on diseases and pest build-up and their control;
- (4) Limited availability of cold storage facilities;
- (5) Limited availability of decent transport;
- (6) Limited export help/facilities, etc.
- (7) Limited cash flow, limited access to credit facilities for tomato growers (especially small farmers);
- (8) Growing but still limited used in processing (mainly tomato paste and juice).

b. All of the above constraints could be materially reduced by a Multinational tomato processor entering Pakistan and working with farmers/farm organizations.

3. Tomato Processing/Processed Tomato Domestic Market

- a. Currently the tomato processing (canning, concentrates, tomato ketchup) facilities in Pakistan are:

<u>Company</u>	<u>Annual Capacity</u> Tons	<u>Main Products</u>
Ahmad Fruits	760	Syrup, Juice, Jams, Jellies, Pickles, Ketchup
Benz Industries Ltd.	20,000	Canned Fruits, Vegetables and Juices
Food Technology Section, Agri Research Institute Tarnab, Peshawar	Unknown	Tomato Ketchup and Concentrates
Frontier Vegetables	200	Fruits and Vegetables
K.K. & Co.	1,500	Fruits and Vegetables
Military Farms, Kobat Road, Peshawar	Unknown	Tomato Ketchup and Concentrates
Mitchells Fruits	10,000	Canned Fruits, Vegetables and Juices
Okara Fruits and Vegetable Co-Op	Unknown	Tomato Ketchup and Concentrates
Peshawar Food Industry	1,000	Fruits and Vegetables
Sarjad Foods	200	Fruits and Vegetables
Shezan International Ltd.	8,500	Canned Fruits, Vegetables, Juices and Concentrates

Sources:

- AgriBusiness Cell
- "Study of Trade, Price and Institutional Policies Needed for Procurement, Processing, Marketing and Export of Perishable Commodities", 1989..

4. Tomato Processing Export Market

While the domestic market for processed tomato products is found to grow 5% to 10% a year, the export market offers the greatest opportunities, especially if the product quality can be improved to meet EC and Japanese standards.

D. Potential Joint Venture Partners

During the process of gathering information for this report, officers of the following Pakistan companies indicated they would like to meet with any Multinational Companies interested in establishing a Potato and/or Tomato Processing Joint Venture:

1. Ahmed Food Industries (Pvt.) Ltd.
D-112
Nuarus Road
S.I.T.E.
Karachi 16, Pakistan

Telephone: (92-21) 296049
Telex: 24651 AHMED PK
2. Farm Aids (Pvt.) Ltd.
201-Nizam Chamber
7 Sharah-e-Fatima Jinnah
Lahore, Pakistan

Telephone: (92-42) 304448
Fax: (92-42) 869284
Telex: 47074 FARM PK
3. Hunza Valley Food Industries (Pvt.) Ltd.
2/30 Al-Yusuf Chambers
Shahrah-E-Liaquat
Karachi, Pakistan

Telephone: (92-21) 2620570
Fax: (92-21) 2628823
4. Ice Pac Ltd.
8/3 Floor
Imtiaz Plaza
85 The Mall
Lahore, Pakistan

Telephone: (92-42) 879902

5. International MultiFoods Ltd.
1106-1110-903-604 Kashif Centre
Shahrah-e-Faisal
Karachi, Pakistan

Telephone: (92-21) 522093 or 528010
Fax: (92-21) 5683010
Telex: 20642 IMF PK
6. Mitchell's Fruit Farms (Pvt.) Ltd.
3-B, LDA Complex
Lawrence Road
Lahore, Pakistan

Telephone: (92-42) 301038 or 360795
Fax: (92-42) 369904
Telex: 44060 MFFLL PK
7. Shezan International Ltd.
Bund Road
Off Multan Road
Lahore, Pakistan

Telephone: (92-42) 419671
8. Sinsas Enterprises Ltd
20 Chinar Road
University Town
Peshawar

Telephone: (92-521) 41619
9. UDL Industries Ltd.
1st Floor
Hotel Metropol
Abdullah Haroon Road
Karachi, Pakistan

Telephone: (92-21) 513581
Fax: (92-21) 5681437
Telex: 20356 UDL PK
10. Unico Industries (Pvt.) Ltd.
5/32-33 Arkay Square Ext.
Shahrah-e-Liaquat
Karachi, Pakistan

Telephone: (92-21) 2424193
Fax: (92-21) 312948

In addition, there are other food companies, farmers and private individuals who may be interested in joint venture discussions. (See Section IV for help in contacting the above companies and others who may be interested in joint venture discussions.)

E. Lahore Horticultural Forum 1994

Currently, a Lahore Horticultural Forum is being organized and once the details are finalized, invitations aslong with all the related information will be sent to prospective participants.

IV. TYPES OF ENTRY INTO PAKISTAN POTATO AND TOMATO PROCESSING

A. Multinational companies considering entry into the Pakistan Potato and Tomato Processing areas should primarily consider one of the following initially:

- subsidiary company
- joint venture company with local partner(s)
- licensing a local company

Also, a Multinational Company may want to use Cargill (see Section III.E.) or other local companies as a Contract Packer.

B. Multinationals should be prepared to offer advice/assistance to the local Pakistan company in each of the following general areas in addition to in-plant quality control and technical advice, marketing advice, management support and especially export help to international markets:

1. Planting materials, seeds, variety selection;
2. Pre-harvest advice as to correct time of planting/harvesting (state of development and harvesting);
3. Post-harvest advice/assistance, including use of cooling facilities to remove field heat and maximize shelf life, storage, transportation, etc.;
4. Grading advice;
5. Quality control assistance.

C. Although it is impossible to estimate how a Multinational company will choose to establish Pakistan operations, it has been estimated by two Pakistan Venture Capital investigations that to establish a quality potato or a tomato processing plant in Pakistan it would cost a minimum of \$4,000,000, excluding the land cost and the cost of getting facilities, (i.e., electricity, power, roads, telephone lines, water) to the plant.

V. ASSISTANCE AVAILABLE THROUGH PAKISTAN AGRIBUSINESS CELL

- A. In November, 1991, Pakistan AgriBusiness Cell was established within the Pakistan Ministry of Food, Agriculture and Cooperatives (MINFAC), with the general objective of promoting private agribusiness in Pakistan.

The specific objectives of the AgriBusiness Cell include the

- development of agribusiness data and resource material,
- promotion of local and foreign private investment in agribusiness,
- provision of investment enabling services to local and foreign investors, as well as
- being the catalyst in the collaboration between the public and private sector to expand Pakistan's international agribusiness investments, and
- advising MINFAC and other Pakistan Governmental Agencies on policies, procedures and incentives needed to stimulate Pakistan agribusiness development.

- B. The AgriBusiness Cell has assisted in the development of this proposal and is anxious to help Multinational Corporations in the investigation and establishment of agribusiness ventures or joint ventures in Pakistan.

Specific services/support the AgriBusiness Cell offers a Multinational Corporation include

- collecting information and resource material,
- arranging meetings with Pakistan Governmental Officials/Agencies and assisting in discussions/negotiations with these institutions,
- arranging meetings with The Federation of Pakistan Chamber of Commerce & Industry, The Overseas Investors Chamber of Commerce & Industry and local Chambers of Commerce & Industry,
- arranging meetings with Non-Government Organizations, as the Farmers Associates Pakistan Guarantee Ltd., and the Pakistan Swiss Potato Development Project
- arranging meetings with the local management of Multinational Corporations active in Pakistan,
- identifying potential joint venture partners and arranging meetings with such parties,
- identifying attorneys, chartered accountants and management/development consultants to aid in project planning and implementation, and
- providing assistance in arranging accommodations and travel in Pakistan.

C. Contacts with the Agribusiness Cell should be made through the following:

Mr. Amer Raza
Coordinator
AgriBusiness Cell
Ministry of Food, Agriculture and Cooperatives
Block "B"
Government of Pakistan Secretariat
Islamabad, Pakistan

Telephone: (92-51) 820162
Fax: (92-51) 822703
Telex: 5844 MINFA

VI. ADDITIONAL INFORMATION AVAILABLE ON PAKISTAN

In addition to the assistance available through the Pakistan AgriBusiness Cell (described in Section V) and the contact data which will be available through the Lahore Horticultural Forum II (described in Section III), further information on Pakistan can be obtained through the following sources:

A. General Information from

- Pakistan Embassy - UK

35/36 Lowndes Square,
London SW1X 9JN
United Kingdom

Telephone: 071-235-2044 or 772-0110
Fax: 071-416-8427
Telex: 51-290226

- Pakistan Embassy - US

2315 Massachusetts Avenue N.W.
Washington, D.C. 20008

Telephone: (202) 939-6200
Fax: (202) 387-0484

- Consulate General of Pakistan - US

12 East 65th Street
New York, New York 10021

Telephone: (212) 879-5800
Fax: (212) 517-6987

- Consulate General of Pakistan - US

10850 Wilshire Boulevard; Suite 1100
Los Angeles, California 90024

Telephone: (310) 441-0167; or 395-3921
Fax: (310) 441-9256

- Federation of Pakistan Chambers of Commerce and Industries

Federation House
Shahrah-e Firdousi
Main Clifton
Karachi, Pakistan

Telephone: (92-21) 532179
Fax: (92-21) 532587

- Overseas Investors Chamber of Commerce and Industry

Chamber of Commerce Building
Talpur Road
Karachi, Pakistan

Telephone: (92-21) 222557
Fax: (92-21) 237275

- Pakistan Export Promotion Board

Finance & Trade Center
Main Shahrah Center
Karachi, Pakistan

Telephone: (92-21) 522390
Fax: (92-21) 516205

- Pakistan Investment Promotion Bureau

Kandawala Building
M.A. Jinnah Road
Karachi, Pakistan

Telephone: (92-21) 7146149
Fax: (92-21) 2415977

- Pakistan Venture Capital, Ltd

Fourth Floor
State Life Building
No. 1, I.I. Chundrigan Road
Karachi, Pakistan

Telephone: (92-21) 2423895
Fax: (92-21) 2423892
Telex: 24614 POLKA PK

- PAKISTAN MINISTRIES

- Ministry of Finance

Block A
Pak Secretariat
Islamabad, Pakistan

Telephone: (92-51) 821707

- Ministry of Industry

Block A
Pak Secretariat
Islamabad, Pakistan

Telephone: (92-51) 820235

Fax: (92-51) 825130

- US AID

P.O. Box 1028
18 Sixth Avenue
Islamabad, Pakistan

Telephone: (92-51) 824071 or 824004

Fax: (92-51) 824086

- World Bank

P.O. BOX 1025
20-A Shahrah-e-Jamhuriat
Islamabad, Pakistan

Telephone: (92-51) 819781

Fax (92-51) 824807

B. General Guides:

- A TRAVELLER'S GUIDE TO PAKISTAN
by Hilary Adamson and Isabel Shaw

The Asian Study Group
Post Office Box 1552
Islamabad, Pakistan

Prepared by two Westerners who lived in Pakistan for several years.

- INSIGHT GUIDES - PAKISTAN
edited by Tony Halliday

APA Publications (HK) Ltd.
Höfer Media (Pte) Ltd.
Orchard Point Post Office Box 219
Singapore 9123

- LET'S SEE PAKISTAN
by Arshad Waheed Caudhry

Roshni Publications
Post Office Box 1589
Islamabad, Pakistan

- PAKISTAN
by Isabel Shaw

The Guidebook Company Ltd.
The Penthouse
20 Hollywood Road, Central
Hong Kong

A complete guide to Pakistan, written by a Westerner who has lived in Pakistan and visits Pakistan several times a year.

- PAKISTAN, A TRAVEL SURVIVAL KIT
by Jose Roleo Santiago

Lonely Planet Publications
P. O. Box 2001 A
Berkeley, California 94702
USA

- TIPS FOR TRAVELERS TO SOUTH ASIA
by U.S. State Department

Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402
USA

C. Geography Book

- A GEOGRAPHY OF PAKISTAN
by K.U. Kuresky

Oxford University Press
Karachi, Pakistan

D. History Books

- BREAKING THE CURFEW - A POLITICAL JOURNEY THROUGH PAKISTAN

by Emma Duncan

Arrow Books Limited
20 Vauxhall Bridge Road
London SW1V 28A
United Kingdom

A rich account of the politics, society and economics of Pakistan, updated in 1990 by an Economist journalist.

- FOUNDING FATHERS OF PAKISTAN

edited by Professor Armad Husan Dawi

Bangsons Printers Ltd.
Islamabad, Pakistan

- GOVERNMENT AND POLITICS IN PAKISTAN

by Mushtaq Ahmad

Royal Book Company
P.O. Box 7737
Saddar
Karachi - 3, Pakistan

- JINNAH OF PAKISTAN

by Stanley Wolpert

Oxford University Press
Karachi, Pakistan

A biography of the founding fathers of Pakistan

- PAKISTAN, A POLITICAL PROFILE 1947-1988

by Ahmed Shaja Pusha

San-E-Meet Publications
22 Shakra-E-Pakistan (Lower Mall)
Lahore, Pakistan

- THE GREAT DIVIDE - BRITAIN-INDIA-PAKISTAN

by H. V. Hodson

Oxford University Press
Karachi, Pakistan

- THE HISTORICAL BACKGROUND OF PAKISTAN AND ITS PEOPLE
by Ahmed Abdulla

Tanzeem Publishers
446 Bahadurabad
Karachi, Pakistan

E. Investment/Tax Guides

- INVESTMENT OPPORTUNITIES IN PAKISTAN
by Pakistan Investment Board

Prime Minister's Secretariat
Government of Pakistan
Islamabad, Pakistan

- TAXATION STRUCTURE OF PAKISTAN, 1992-93
by Finance Division

Finance Division
Government of Pakistan
Islamabad, Pakistan

F. Sources of Agricultural Information

- AGRICULTURE & MARKETING STORAGE LTD.
Ali Plaza
Fazal-ul-Hag Road
Blue Area, Opp. G. 6/3
Islamabad, Pakistan

Telephone: (92-51) 216362

A Governmental Organization providing agricultural information and marketing/storage assistance for major agricultural crops.

- FARMERS ASSOCIATES PAKISTAN GUARANTEE LTD
55 Bridge Colony
Lahore, Pakistan

Telephone/Fax: (92-42) 370006

A private Non-Governmental Organization providing services to individuals and institutions related to agriculture.

- PAKISTAN-SWISS POTATO DEVELOPMENT PROJECT
H. No. 2
St. 72
F. 8/3
Islamabad, Pakistan

Telephone: (92-51) 852442

A private, Swiss funded potato project which has collected information on the potato industry in Pakistan and is doing significant work in improving potato production in Pakistan.

ASSISTANCE IN PAKISTAN CAN ALSO BE OBTAINED THROUGH ATTORNEY'S, CHARTERED ACCOUNTANTS AND MANAGEMENT/DEVELOPMENT CONSULTANTS, THE NAMES OF WHICH CAN BE OBTAINED THROUGH THE PAKISTAN AGRIBUSINESS CELL AND/OR THE PAKISTAN EMBASSIES/CONSULATES.

**POTATO AND TOMATO PROCESSING OPPORTUNITIES
IN
PAKISTAN**

FINAL SUMMARY AS OF DECEMBER 13, 1993

I. Basic Assignment

In late 1988, the Government of Pakistan and the United States Agency for International Development (USAID) Mission to Pakistan launched a project to determine the factors constraining the growth of agribusiness in Pakistan. As this analysis progressed, it became evident that Pakistan required a more focused approach to promote agribusiness development. This resulted in the May, 1991 Pakistan Agricultural Policy Announcement/Program and the November, 1991 establishment of the Pakistan AgriBusiness Cell in the Pakistan Ministry of Food, Agriculture and Cooperatives.

During 1991 and 1992, the Government of Pakistan embarked on a rapid program of deregulation/liberalization of governmental/administrative regulations and privatization of industry which has significantly improved the investment climate in Pakistan.

In the early 1990's, partially because of the Lahore Horticultural Investment Forum held in August 1990, it was recognized that potato and tomato processing were two potential areas for development in Pakistan, especially with the assistance and cooperation of Multinational Companies who could provide technical, marketing and management assistance as well as financial resources.

To provide basic information for Multinational Companies, USAID contracted with Robert K. Swanson (Contract Number 391-0492-6-00-1790), to work with the Pakistan AgriBusiness Cell to develop a Report on "Potato and Tomato Processing Opportunities in Pakistan" and to present this Report to Multinational Companies who might be interested, or could become interested in establishing a processing operation in Pakistan.

II. Preparation of Final Report

A. The Preparation of the Final Report was delayed by four factors:

1. R.K. Swanson's prostate cancer operation in early 1992, and the resulting medical restrictions on my travel to Pakistan.
2. The lack of basic production, processing and export information on potatoes and tomatoes in Pakistan, and the inability of the Pakistan AgriBusiness Cell to respond in a reasonable timeframe to requests for information/corrections on Drafts of the Report, etc.
3. The political turmoil/elections in Pakistan from May to October, 1993, which delayed the production of the Final Report until after the October, 1993 elections.
4. The insistence by USAID/Pakistan AgriBusiness Cell that they produce the Final Report, and when it was produced, it was so poorly prepared that it had to be redone in the US.

III. Contacts with Multinational Companies

A. Throughout the period of this project, contacts were made with the following companies to discuss their interest in considering an investigation of Potato and Tomato Processing Opportunities in Pakistan:

- Basic American Foods
- Beatrice/Hunt Wesson
- Borden
- Campbell Soup
- Carnation
- Del Monte
- General Mills
- Grand Metropolitan (Pillsbury)
- Heinz
- Mars UK
- Ragu Foods
- J. R. Simplot

B. Of the 12 Companies contacted, 6 had no interest because of the following reasons:

1. Quotes

- "Bob, you have to be kidding! Other than Libya and Iraq, it's the last place we'll enter. My Board would think I'm nuts if I spent one dime investigating a Pakistan effort."

Chairman - Food Company

- "Sorry, no interest! I understand that even the US Government is stopping aid and has sanctions in place, so why should we look at Pakistan."

President/CEO - Food Company

2. Specific Reasons for "No Interest"

a. Poor Overall Pakistan Image

- Political instability - military dictatorship history - current doubts on new government
- Bureaucratic problems
- Corruption
- Moslem Fundamentalism

b. Apparent US Government Problems with Pakistan

- Pressler Amendment
- Sanctions
- Potential declaration as "terrorist state"
- Upcoming cut/stop in USAID

c. Problems Current Multinationals Are Having in Pakistan

d. Already Have Production Plants in Nearby Countries Which Serve/Can Serve Pakistan

e. Better Opportunities Exist in Other Countries

- Eastern Europe
- Middle East
- Southeast Asia - Thailand specifically

C. The following 6 Multinational Companies indicated an interest in reviewing the POTATO AND TOMATO OPPORTUNITIES IN PAKISTAN Document, and the Final Report was sent to them in mid-November:

US - Basic American Foods
Carnation
Heinz
Pillsbury
J. R. Simplot

UK - Mars UK

D. On further contact, the following three Multinational Companies indicated they were not interested in investigating potato and/or tomato opportunities in Pakistan at this time, and had no interest in a December meeting with Pakistan AgriBusiness Cell representatives:

US - Carnation
Pillsbury

UK - Mars UK

If any of these companies are interested in pursuing potato and/or tomato opportunities in Pakistan in the future, they will contact the Pakistan AgriBusiness Cell.

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- E. Basic American Foods and Heinz (through its Ore-Ida Foods Subsidiary), indicated they had not had time to study the Report and/or discuss it with their Far East management, and probably couldn't do this before the Holidays. **Therefore they will contact the Pakistan AgriBusiness Cell in early 1994 if they want to proceed in the future.**

The contact people are:

Mr. Gordon Lewis
VP-Sales & Logistics
Basic American Foods
555 Kearny Street; Suite 100
San Francisco, CA 94108
Telephone (415) 981-5590

Mr. R. H. Wamhoff
President
Ore-Ida Foods
220 West Park Center Boulevard
Boise, ID 83706
Telephone (208) 383-6100

- F. **J. R. Simplot indicated they might be interested in licensing potato processing technologies to a Pakistan firm, and if there is any interest from a Pakistan company, the person to contact is:**

Mr. Kent Ernes
Director of International Sales & Markets
J. R. Simplot & Co.
P.O. Box 9386
Boise, ID 83707
Telephone (208) 336-2110

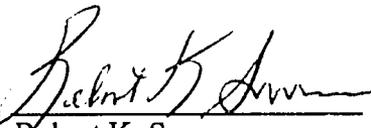
IV. Successes and Failures of Project

A. Successes

1. According to USAID comments, and discussions with various Pakistan officials and US and UK Multinationals, the POTATO AND TOMATO PROCESSING OPPORTUNITIES IN PAKISTAN Report was well done.
2. Twelve US and UK Multinationals were made more aware of opportunities in Pakistan.
3. Six US and UK Multinationals indicated an initial interest in discussing potato processing opportunities in Pakistan.
4. Two US Multinationals (Basic American Foods and Heinz's Ore-Ida Foods) are still considering, and one Multinational (J. R. Simplot) might be interested in licensing technology.

B. Failures

1. The Final Report was not as complete (especially the Tomato Section), as it could/should have been.
2. To date, no US or UK Multinational has indicated a definite interest in considering Potato and/or Tomato Processing Opportunities in Pakistan.

Submitted By: 
Robert K. Swanson

Submitted On: December 13, 1993