

Our warmest felicitation to the friendly people and the Government of Islamic Republic of Pakistan on the occasion of Pakistan Day



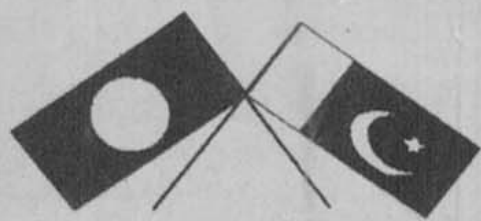
**Datari International**

Our best wishes and heartiest felicitations on the Occasion of Pakistan Day



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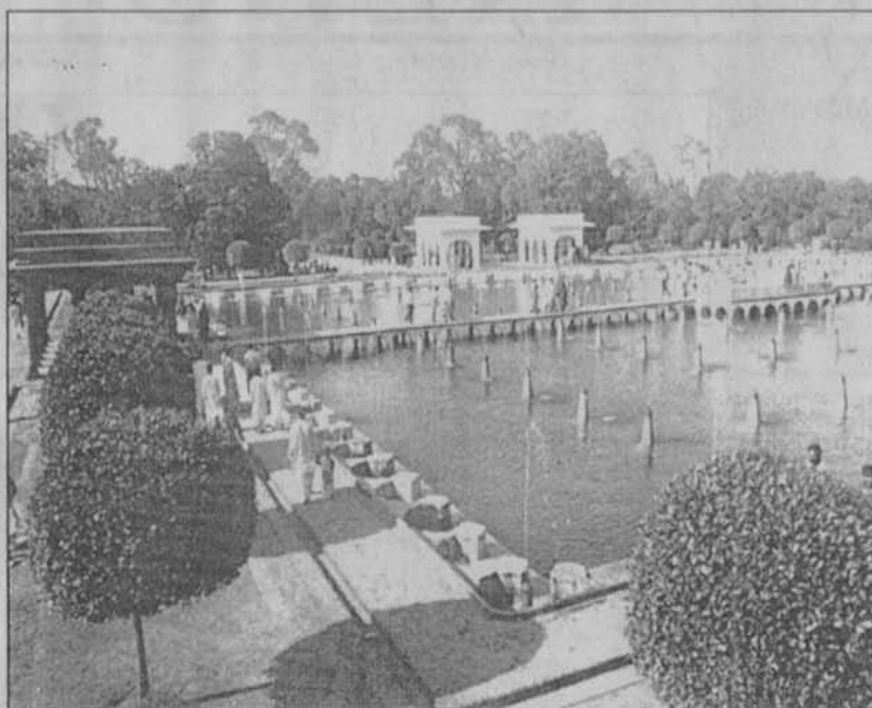
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Shalimar Gardens, Lahore.



A view of Kaghan Valley.

## Bright prospects for investment in Pakistan

ALAUDDIN MASOOD

INVESTMENT is a critical element in the socio-economic development of a country. Quite naturally, every government seeks an increased inflow of investments as a main plank of its development strategy. Pakistan is not an exception to this rule.

Normally, national savings are the main source of investment in a country. However, at 15 per cent of gross domestic product (GDP), the national savings remain at a low level in Pakistan. The other source of investment is the flow of foreign resources in the shape of aid, loans and direct investment.

At a time when foreign assistance is dwindling and private commercial borrowings are becoming costly and uneconomical, foreign direct investment (FDI) turns out to be a preferred alternate choice or mode for investment, especially when it is also impregnated with multiple benefits in the shape of technology transfer, skill development, induction of new management and aggressive marketing techniques.

The successive governments in Pakistan have been trying to woo foreign investments by offering various incentives. In the 1990s, the government further liberalized the policy and opened the sectors of telecommunications, energy and insurance to FDI. But, due to rapid political changes and inconsistency in policies the level of FDI remained low.

One must give credit to the present government for taking steps which resulted in increasing the inflow of FDI in Pakistan by 71 per cent in 2003 than their level during the preceding year. In 2002, the total stock of FDI in Pakistan, was \$6.4 billion, which exceeded by \$820 million during 2003. Of late, the prospects for FDI in Pakistan have further brightened. The indicators, which impel one to arrive at this conclusion, are:

1. Improvement in economic growth to 5.3% in 2003, which is expected to rise to 6% this year against a level of 5.1% in 2002.
  2. Macro-economic stability, as reflected in low level of budget deficit, decrease in external debts from some \$38.5 billion to \$32.5 billion, increase in remittances by the expatriate Pakistanis as well as foreign exchange reserves from a negligible figure of a few hundred million dollar in 1999 to over 12 billion dollars, and a stable currency.
  3. Continuation of economic reforms, reduction in the cost of doing business in the country and upgradation of Pakistan's credit rating.
  4. Political stability, restoration of democracy and relatively a better law and order situation.
  5. Continuation of the privatization process and disinvestment of government holdings in Karachi Electric Supply Corporation (KESC), Pakistan State Oil (PSO), Oil & Gas Development Corporation (OGDC), Habib Bank etc.
  6. Launching of mega projects like Gwadar deepsea port, Saindak Gold Project, highways, gas pipeline link with Iran and Central Asia, and also in the irrigation sector in all provinces.
  7. A market of over 145 million people and also a fast emerging hub for regional economic activity, in particular for export of manufactures to the Middle East, Central Asia and South Asia.
  8. Expected rebound in the global economy this year after a sharp decline in the beginning of the century.
- In short, years of robust economic reforms have finally yielded dividends and turned Pakistan's macro-economic indicators into positive and brought its economy

to a take-off stage. Pakistan's business-friendly environment has also become conducive for setting up lucrative ventures.

Encouraged with the success of their economic reforms, which have led towards a robust growth, Pakistani leaders are now focusing on attracting new foreign investments to the country.

One may make a special mention in this context of President Pervez Musharraf's address, on January 22, at a working dinner hosted by the World Economic Forum in Switzerland's resort city of Davos. Pakistan President asked the participants of the Economic Forum, numbering over 2,000, to benefit from Pakistan's investment-friendly climate, robust economic growth, aggressive privatization policy, improved governance and strong commitment to stamp out extremism from the society.

Now, foreign investors in Pakistan can hold 100 per cent equity, enjoy generous tax concessions, can repatriate profits, dividends and capital without any restriction while their investments remain protected under the law, President Musharraf said. As a result of reduction in red-tapism and cost of doing business, the country's exports and revenues are rising. There was liquidity in banks and local credit was available to foreign investors, the President added.

As a result of vigorous efforts by the authorities and the positive developments within and outside the country, Pakistan expects to attract a larger inflow of investment this year. The potential for fresh investment in agriculture, industry, information technology, oil and gas has already been established and acknowledged, while some entrepreneurs from Arabian and other countries have expressed willingness to invest in the lucrative fields of banking, communication, IT and other sectors.

Recently, the Commonwealth Development Corporation expressed its interest in the exploration of investment opportunities in power, oil, gas, telecommunications and privatization. In a meeting, last December, with Finance Minister Shaukat Aziz, the Corporation's Chairman Earl Cairns said that they would also explore investment opportunities in financial services with focus on management, private equity and venture capital.

China, Iran and South Korea have already signed agreements with Pakistan for enhanced economic cooperation and boosting up bilateral trade. Recently, Turkey and Pakistan have decided to set-up a joint investment company to institutionalize the bilateral economic cooperation. A group of entrepreneurs from America, Saudi Arabia and some other Middle Eastern countries visited Pakistan, during the quarter ending December, 2003 to explore the possibilities of investment in the country. Business leaders from many other countries have also shown interest in visiting Pakistan to explore the investment opportunities.

As Pakistan offers attractive incentives to investors, the world business leaders seem keen to explore the investment prospects by keeping in view the incentives as well as the accessibility to various markets.

The innumerable positive economic indicators, coupled with the country's strategic location and liberal investment policy, lead one to the conclusion that Pakistan was likely to emerge as an attractive and secure destination for foreign investment.

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