

Pak-Swiss TradeInfo

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Pakistan's exports to Switzerland continue their growth in 2007

According to the recent data released by the Swiss customs, Pakistan's exports to Switzerland increased by 8.78% during 2007 and reached a new level of CHF 71 million (Rs 4.260 billion) as against CHF 65.92 million reached during 2006.

The main contributors to this increase were bed linen (+10.25%) and knitwear (+15.40%). Export of woven articles and leather products showed a minor increase of less than 4%.

	Major Pakistan exports to Switzerland in 2007		
	Value (Mill.chf)	% variation 07/06	% share in total exports
Home textile	17.04	10.25%	23.76%
Bed linen	13.77		
Toilet linen	2.46		
others	0.81		
Knitwear	5.03	15.40%	7.02%
Pantyhose, tights, stockings...	1.97		
Jerseys, pullovers, cardigans	0.65		
Gloves, mittens and mitts	0.49		
T-shirts, singlet and other vests	0.49		
others	0.34		
Apparel and accessories not knit or crocheted	15.92	3.27%	22.21%
Women's or girls' overcoats...	11.14		
Women's or girls' suits, jackets...	3.06		
Tracksuits, ski suits & swimwear;	0.61		
others	1.11		
Articles of leather	2.16	3.88%	3.02%
Gloves mittens & mitts other than for sport	1.24		
Articles of apparel of leather or of composition leather	0.54		
Gloves, mittens & mitts for sports	0.24		
others	0.13		
Cotton yarns, woven cotton fabrics	1.74	143.06%	2.43%
Ethanol	9.5	-22.13%	13.28%
Dried mushrooms	4.6	-3.49%	6.51%
Carpets	2.8	-15.71%	3.93%
Sports goods	2.01	-0.53%	2.81%
Cereals (rice)	0.83	-26.65%	1.17%
Total exports	71.7	8.78%	

Printed bed linen in cotton has achieved a remarkable result. Pakistan is the third largest supplier in the Swiss market of printed cotton bed linen after Germany and Turkey. In the previous year, Pakistan supplied 13.23% of the Swiss market.

Until recently, ethanol export from Pakistan had grown dramatically. However, during the previous year it declined by 22%. Nonetheless, it still remains the third largest export of Pakistan to Switzerland with a share of 13% of total exports. Other items which have declined are carpets (-15.71%) and cereals (-26.65%).

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PAKISTAN NEWS



Following a general election held on 18 February 2008, Pakistan has a new government headed by Prime Minister **Mr. Syed Yusuf**

Raza Gillani and consisting of 24 Cabinet members. Mr. Gillani previously served as Minister of Housing and Works, Railways, Tourism; finally Speaker of National Assembly during 1993 -96. He was given unanimous vote of confidence by all political parties.



Mr. Shahid Khaqan Abbasi is the new Federal Minister of Commerce. He is also the founder, chairman and CEO of a

Pakistan-based airline Airblue. He is graduated in Engineering from the University of California, and completed Master Degree in Engineering from George Washington University. His popularity with his constituents of Murree-Kahuta can be judged from the fact that they elected him to the National Assembly in every election that he contested beginning in 1988 and in follow-up elections in 1990, 1993, 1997 and 2008.

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On the other hand, Swiss exports to Pakistan remained relatively unchanged at CHF 330 million over the past year. Swiss exports to Pakistan are worth more than five times the value of Pakistani exports to Switzerland. For the foreseeable future, the balance of trade will remain in Switzerland's favour.

Of the key Swiss exports to Pakistan, electro-medical equipment, and miscellaneous chemical products have recorded an important growth respectively +153% and +272% . Other major exports which showed an increase include pharmaceutical products (+27.19%), electrical and electronic equipment (+5.41%). Nonetheless, a number of products showed a considerable decline. For example, machinery, clocks and watch declined nearly 40% as compared to 2006. Similarly, exports of organic chemicals fell by almost 20%.

An interesting fact to be noted is that despite their steep fall, exports of Swiss watches to Pakistan are still more than twice the total value of all exports from Pakistan to Switzerland.

	Major Pakistan imports from Switzerland in 2007		
	Value (Mill.chf)	% variation 07/06	% total share in exports
Pharmaceutical products	77.11	27.19%	23.37%
Medicaments in dosage	40.39		
Antisera and other blood fractions	17.72		
Antibiotics nes, in dosage	11.78		
others	7.22		
Machinery	65.63	-48.07%	19.88%
Optical and medical apparatus	33.65	153.96%	10.2%
Instruments,for demonstrational purposes	13.88		
Electro-medical apparatus	6.42		
meteorological instruments	3.36		
others	9.99		
Electrical and electronic equipment	26.69	5.41%	8.09%
Organic chemicals	21.10	-19.81%	6.39%
Clocks and watches and parts thereof	16.87	-43.28%	5.11%
Miscellaneous chemical products	12.54	272.55%	3.80%
Herbicides, fungicides and insecticides	10.26		
others	2.28		
Plastics and articles thereof	9.42	-1.51%	2.85%
Tanning, dyeing extracts, etc	8.63	-7.78%	2.62%
Aircraft, spacecraft, and parts thereof	6.38	1442.05%	1.93%
Total exports	330.04	0.79%	

Pakistan is now called the hot spot for IT outsourcing development and enabled services. A leading IT research company, Gartner, in their report (*Gartner's 30 leading locations for offshore services*) mentioned that Pakistan is a competitive location in terms of cost. Its salaries and infrastructure cost less than most offshore destinations.

This leading position has been the result of Government efforts to promote the Pakistan IT industry. A massive investment worth over \$67 million, along with the construction of IT parks, the Government policy of allowing foreign investors 100% ownership equity, tax exemptions for IT companies until 2016 and tax exemptions on export income from computer software and related services have helped to boost the IT industry.

Pakistan IT industry is reported to be worth over US\$ 2.8 billion, with an estimated annual exports exceeding US\$ 1.4 billion. Nearly eleven hundred active IT companies are currently based

While some multinational companies have located their headquarters in Pakistan for software development or support centres, others outsource their work to local companies. BearingPoint and NCR are have set their development centres in Pakistan.

Pakistan: an emerging hot spot for IT outsourcing

in Pakistan, 150 companies out of these are ISO/CMMi certified, which makes Pakistan a country with the highest rate of ISO/CMMi certified companies. ISO is the International Standard Organization and CMMi stands for Capability Maturity Model integration which is a process improvement certification.

IT outsourcing is on average, 20 per cent cheaper than its neighbour India. This due primarily to the valuation of the currency.

Pakistan's local IT companies have not only acquired business from leading corporations such as GE, Google, and IBM but also produce some leading software. Amongst the leaders are Ultimius, well known for its business process management products and solutions, and Net-Sol's car leasing products, widely used within European and Asian car manufacturers.

(Source: *Business and Finance Review*, Alauddin Masood)

Export potential in the sports goods sector

The International Trade Centre (ITC) undertook five sector studies, as part of their mission to implement the European Union Trade-related Technical Assistance Programme in Pakistan.

The studies were done in collaboration with national and international consultants. Five sectors covered in these studies include the automotive parts, footwear, furniture, pharmaceuticals and sports goods. In this issue, salient features of the study relating to the sports goods sector are given. For other sectors, similar reports will follow in the future issues of Pak-Swiss TradeInfo.

In the sports goods sector, the city of Sialkot has gained a unique reputation for being centre of excellence for several kinds of sports goods. These include all types of inflatable balls, sports accessories and sportswear. 97% of the products are exported to EU and US. Internationally well known brand names such as Adidas, Nike, Micassa, Puma, Mitre, Lotto, Decathlon, Wilsons, etc are sourcing from Sialkot.

From all the sports goods manufactured and exported by Pakistan, inflatable balls have the major share in exports making more than 50% of the sector's exports. Pakistan is the second exporter of inflatable balls after China. Pakistan supplies 22.4% of the total world exports of over one billion dollars.

Other outdoor sports articles and equipment account for 24%

of Pakistan's exports, and the special sports gloves have 10% share in exports.

Following the SWOT analysis for this sector, it appears that the strengths of this sector lie on the reliable business relations built with international partners, the flexibility in the production, the export business culture of Pakistan companies, the focus on specific products, and the existence of an important vendor network.

The opportunities in this business sector are mainly due to the low income tax rate (1% of total annual export), the GSP scheme that Pakistan benefits to facilitate market access, the low rate on working capital loans, and the increasing health and fitness consciousness.

However, threats and weaknesses that the sector has to overcome concern the lack of internationally accredited laboratories, limited product innovation, power shortage during summer time, the licensing requirements by international producers of raw materials, some trade barriers such as social, environmental and technical compliances imposed by importing countries.

In 2007, Pakistan was the second supplier to the Swiss market in inflatable balls after Germany. According to AFD, out of the CHF 11.3 million of inflatable balls imported in Switzerland, Pakistan has supplied CHF1.7 million.

New publications from SIPPO (Swiss Import Promotion Programme)

The Swiss Import Promotion Programme (SIPPO) which help to promote the emerging markets to access European markets has published their forecasts trend in textile industry for 2008/09.

The first report concerns the fashion forecast for autumn and winter 2008/2009. This report is only accessible for companies from developing countries and therefore require companies to register first in order to access the report. (www.sippo.ch/fashionforecast)

The second report is on the interior and bed linen trend forecast for 2008/2009. The report can be accessed via the following link: www.sippo.ch/files/publications/garm_home08.pdf

Since the start of this year SIPPO has been integrated into OSEC. SIPPO activities have been extended for another four years and will be conducted under the auspices of OSEC (www.osec.ch)

SOFI, the Swiss Organisation for Facilitating Investment, founded by the Swiss State Secretariat for Economic Affairs (SECO) in 1997 has ceased its activities since December 2007. SECO still provides assistance in the field of investment promotion through OSEC

Calendar of events

Pakistan

IFTECH, International Food and Technology exhibition

13-16 May 2008
www.foodtech.com.pk

Connect Pakistan, 3rd Information & Communications Technology Exhibition & conference

15-17 May 2008
Karachi
www.connectit.com.pk

MTAP, 4th international Automobiles, autos parts & accessories exhibition

04-06 November 2008
Karachi
www.automation.com.pk

EXPO 2008

27-30 October 2008
Karachi
www.expopakistan.gov.pk

Switzerland

Vitafoods International & Finished Products Expo Global Exhibition and Conference on Nutritional Ingredients and Related Services

06-08 May 2008
Palexpo, Geneva
www.finishedproductsexpo.com

Orbit-iEX The Swiss Exhibition for IT and Communication

20-23 May 2008
Zurich
www.orbit-iex.ch

DENTAL Swiss dental exhibition

29-31 May 2008
Montreux
www.dentalexpo.ch

Swiss Exports growth are likely to slowdown in 2008

According to the Swiss Economic Institute based in Zurich, KOF, Swiss exports may slowdown to 3.9% in 2008. This is seen as in line with the international economic outlook.

In 2007, Swiss exports in goods have increased by 6.5%, after the record of + 9.4% in 2006. This growth was attributed to the food beverage and tobacco industry which increased their exports by + 24% and the watch making industry with +16.1% increase in their exports.

Despite a decline of 0.6% in the final quarter of 2007, imports of goods are expected to keep a growth at 5.2% in 2008.

A survey carried out by KOF, in January 2008, on the manufacturing, construction and service industries showed that the growth registered in the second half of 2007 is not likely to be maintained in 2008. The outlook for export oriented industrial enterprises is not very bright which contrasts with the forecast for a booming retail trade as consumers spending and consumer confidence are sustained by steady growth in employment and high rise in incomes. The Swiss manufacturing is expecting stagnating demand and limited production expansion.

Pakistan economic forecast

The State Bank of Pakistan (SBP) forecasts a real GDP growth between 6.6-7% for FY 2007/08, whilst Business Monitor International predicts a 6.6% growth for FY07/08 and 6.9% for FY08/09.

SBP in its quarterly reports FY 07/08 predicts that overall exports are likely to decelerate due to some issues facing mainly the textile sector. The textile sector which is the major contributor to the Pakistan exports' growth is under increasing competition as the safeguard measures imposed on China to the EU and US markets will end soon. The textile sector may face a slow demand from the US and EU markets if their respective domestic inflation persists.

However, according to gulfnews.com, Pakistan is an emerging market with a tremendous potential. Economic indicators, trends and investment patterns confirm that Pakistan is performing well: the Dow Jones Wilshire Pakistan Index is up 7.8% and the Dow Jones Islamic Index for Pakistan up 7.62% as of March 25. Economic growth averaged 7.5% over the last five years and the GDP in 2007 amounted \$145 billion.

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Commercial Section, Permanent Mission of Pakistan to the WTO, 37-39 Rue de Vermont, 1211 Geneva, Switzerland.

For trade enquiries please contact the Commercial Section at:

<http://www.wto-pakistan.org>
Email: info@wto-pakistan.org
Tel.: +4122 – 748 70 25
Fax: +4122 – 748 70 29