

Pak-Swiss TradeInfo

2006 in Review

Quarterly Newsletter of the Commercial Section
 Permanent Mission of Pakistan to the WTO
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Pakistan's exports to Switzerland grew by 45.5% in 2006

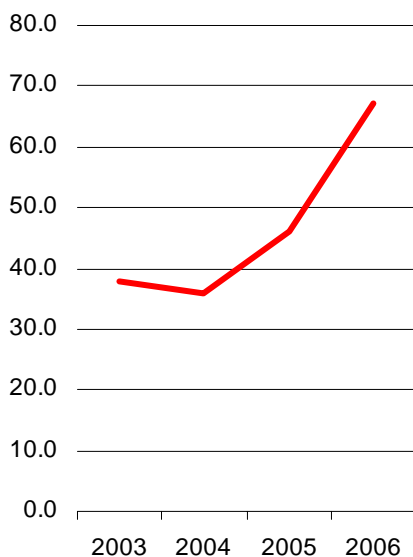
After remaining stagnant for several years, exports rose sharply during 2006. According to Swiss Customs data*, exports increased to CHF67 million (\$55.8 million) in 2006 from CHF46 million in 2005 (\$38.3 million).

A remarkable aspect of this growth was the manifold increase in export of non-traditional items. These included ethanol, which jumped from CHF25'400 in 2005 to CHF12 million in 2006, a surge of 47'500%! Dried mushrooms and truffles were other important items whose exports increased by 153% to reach CHF6.3 million. As a result, Pakistan became the second largest supplier of these products to Switzerland after China.

Textiles remained the largest exports with 50% share. They

increased from CHF24.9 million in 2005 to CHF33.1 million in 2006. Home textiles and clothing (other than knit-

Pakistan's exports to Switzerland, Millions CHF



wear) were the main items
 (Continued on page 2)

Message from Mr. Humayun Akhtar Khan, Commerce Minister of Pakistan

I am pleased that Pakistan's exports to Switzerland have shown an exceptional



growth of almost 50% during 2006. It is particularly satisfying to note that this growth has been achieved through a major boost in exports of non-traditional items whilst at the same time our traditional export items have also continued to grow.

Switzerland has traditionally been one of our key sources for investments, being the top investor in Financial Sector and the fourth overall largest investor. It is great news that Switzerland is now also emerging as a major export destination for Pakistani products.

I am sure much of this achievement is due to the enthusiasm and commitment shown by the Commercial Team at the Pakistan Mission to the WTO. I would like to thank them and all others who contributed towards this success and wish them an even more thriving 2007.

* Values for December 2006 are provisional.
 CHF = Swiss Francs

Swiss companies imported from Pakistan, selling them in Switzerland and Europe under their own brand names and designs.

Rice increased by 36.5% to CHF1.2 million in 2006. Leather items, especially bags and gloves, increased modestly by 5.5% to CHF1.9 million. Sports goods and footwear (including gaiters and parts) both increased substantially by 72% to CHF2.2 million and CHF1.2

million, respectively.

Downward trend for Swiss exports to Pakistan

In 2006, Swiss exports to Pakistan fell by 6.2% to CHF336 million. The main Swiss exports to Pakistan were machinery and parts, pharmaceuticals, chemicals, watches, and electronic and other equipment. These 5 sectors represented over 80% of exports to Pakistan.

Pakistan's booming international trade

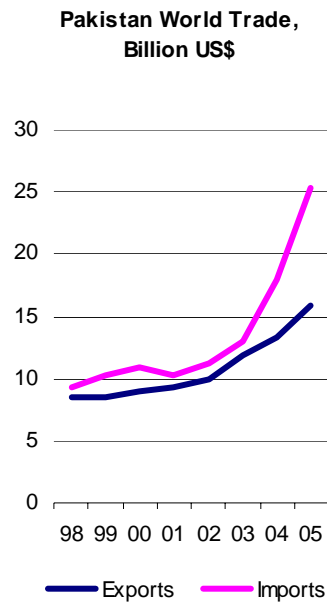
World's most surprising economic success story - Newsweek

Pakistan is amongst Asia's best performing markets - Credit Suisse

Pakistan is better placed now for an economic takeoff than in the past 15 years - Asian Development Bank

After sweeping government reforms and structural economic improvements initiated in 2000, Pakistan is seeing fast growth. Its GDP growth has been accelerating from near zero to an estimated 7% in 2006. Domestic demand shot up as business activity and trade grew at a rapid pace. On average, imports grew at 39% for the fourth consecutive year in 2005/2006. Exports also increased to double digits with 14.4% (see graph).

In exports, textiles and clothing led the growth in 2005/2006 accounting for nearly 70% to \$9.8 billion.



Other exports which increased significantly are leather garments, footballs, petroleum products, low-tech machinery, and rice. In imports, petroleum and related products led the growth, accounting for one third of the total increase in the import bill to \$6.7 billion in 2005/2006. Other imports that increased are machinery, raw materials, consumer durables, and food.

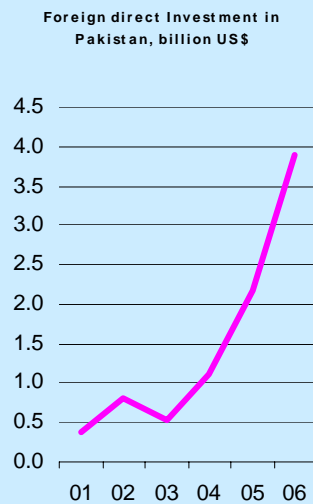
Investment Opportunities

Communication (IT&T)	410.2
Financial Business	393.7
Oil & Gas Exploration	221.0
Trade	84.4
Power	76.1
Construction	46.6
Other sectors	244.0
TOTAL	1476.0

Investing in Pakistan is now simpler and faster, according to the World Bank report "Doing Business 2007".

This report provides objective measures of business regulations and their enforcement across 175 countries. Pakistan scores better than OECD countries in certain areas. These include investor protection, where Pakistan scores 6.3 whereas OECD countries score 6. Another advantage over OECD is the lower tax rate of 43.4% as against 47.8%. Contrary to commonly held beliefs, the number of steps for starting a business in Pakistan are fewer than the average for OECD countries, 12 compared to 14.

Where are the opportunities for Swiss investors?



Swiss companies have so far focused on areas such as food & beverages, textiles, pharmaceuticals, chemicals, banking, and tourism.

For the period June 2005-July 2006, Switzerland was the 4th largest investor with \$158 million and the largest investor in the financial sector with \$130 million.

Building relations with Swiss trade promotion agency

However, Swiss investors will find major opportunities in dairy farming, live-stock farming, hydro-electric energy, urban mass transit projects, gas pipelines, and insurance.

Already, Nestle Pakistan plans to invest around \$209 million for the next five years to 2009. It would invest \$70 million in milk powder production, and \$31 million in bottled water plants.

Five countries – United Arab Emirates, USA, Saudi Arabia, Switzerland and United Kingdom – provide over 70% of foreign direct investment (FDI) flows in Pakistan. FDI into Pakistan in January-November 2006 stood at \$3.9 billion, according to data from the State Bank of Pakistan. FDI increased by 96% to \$1476 million in 2006 from \$752 million in 2005 for the period July-November (see table).

The Pakistan Embassy in Bern and the WTO Mission in Geneva are working together to promote bilateral trade relations with Switzerland.

A joint Pak-Swiss trade initiative was negotiated with the Swiss Import Promotion Programme (SIPPO), which has agreed to:

1. include Pakistani companies in their Exporters Directory,
2. conduct direct mailing to Swiss companies focusing on key sectors, and
3. make linkages with Pakistani websites.

SIPPO feels that bio-products offer the best opportunity for Pakistani exporters to Switzerland, as such products are in great demand and most are imported. Some examples of products that Pakistan should consider are bio-rice, bio-mangoes or bio-cotton, giving particular attention to certification and control of bio brands and quality of products.

In order to promote Pakistani products in Switzerland, SIPPO has agreed to disseminate product brochures from Pakistan to Swiss companies, which various Pakistani trade associations may already have or which they may develop for the Swiss mar-

ket.

Other highlights of 2006

The Mission to the WTO initiated a number of activities to promote trade and investment. These included:

- Launching this quarterly trade newsletter, PAK-SWISS TRADE-INFO.
- Conducting in-depth market studies in sectors of exports interest to Pakistan.
- Developing relations with 13 trade associations and government agencies in Pakistan.
- Promoting linkages with cantonal chambers of commerce in Switzerland, such as Geneva, Basel, Vaud, Ticino and Zurich.
- Initiating direct marketing campaigns to over 350 companies in Switzerland.
- Ensuring participation of Swiss companies in EXPO 2006.
- Providing trade leads to over 400 Pakistani companies, with a response time of 24 hours.
- Building in-house database of 3000 Swiss companies in key areas.
- Representing Pakistan in Swiss trade fairs.

About Pak-Swiss TradeInfo

Distribution

Pak-Swiss TradeInfo is distributed to around 1200 people in Pakistan and Switzerland. 900 people receive the newsletter by email. 300 printed copies are distributed. The readership comprises businesses, agencies and missions of both countries, and international organizations and chambers of commerce.

What our readers say

A well produced Newsletter. Felicitations on this excellent initiative. Good luck for the future issues. - Toheed Ahmad, Ambassador of Pakistan, Dublin.

It is a good opportunity to learn more about what's happening. Maybe an idea for the future would be to include a section on "Business Opportunities". - Marcel A. Cueni, Financial Consulting & Accounting Group GmbH, Switzerland.

We do appreciate your innovative newsletter. Thank you! - Denise Meister, Corporate Communications, Nestlé S.A., Switzerland.

Excellent effort. It will improve market transparency and in turn trade related decisions both in public and private sectors. - Muhammad Iqbal, CEO, Pakistan Horticulture Development and Export Board.

2007 calendar of events in Pakistan

Muslims Business & Investment Gala, 10-12 February 2007, Karachi, Access to over 50 Middle-Eastern, African, Asian and CIS Muslim countries. www.muslimbig.com.pk

1st International Exhibition on CNG, LPG and Alternative Sources of Energy, 16-18 February 2007, Karachi. www.fuellingpakistan.com

ITIF Asia 2007, industrial machinery, 9-11 March 2007, Karachi. www.itifasia.com

4th Textile Asia 2007, International Textile & Garment Machinery Show, 18-21 March 2007, Karachi. www.textileasia.com.pk

EXPO 2007, Mega-event showcasing Pakistan, 29 March-1 April 2007, Karachi, epb.magsnet.net/expo07

5th Pakistan Oil, Gas & Energy Exhibition & Conference, 16-19 May 2007, Karachi. www.pogeepakistan.com

ITCN Asia 2007, international IT & telecom, 9-11 August 2007, Karachi. www.itcnasia.com

Health Asia 2007, 18-20 August 2007, Karachi, www.health-asia.com

Build Asia, international housing, real estate & construction, 28-30 August 2007, Karachi. www.buildasia.net

Food, Agri & Livestock Asia, agriculture machinery, 8-10 September 2007, Karachi. www.agroasia.net

The new hot destination for offshore outsourcing

Daimler-Chrysler, Toyota, Lehman Brothers, BMW, British Petroleum, Caltex, Texaco, Microsoft,...

These are just a selection of international companies newly outsourcing IT in Pakistan. IDC, an international market research company, says Pakistan is the new home in South East Asia for Outsourced Customer Management.

Pakistan's IT industry has been rising steadily for the last three years. The country is on its way to become a new hub of IT outsourcing in Asia. In 2005/6, export of IT services was estimated at \$72 million, growing by 50% from a year earlier. But, this figure under-estimates reality. According to the Pakistan Software Export Board (PSEB), a government-owned company established to promote Pakistan's IT sector, total IT export revenues are much higher as many IT companies do not report their earnings

Total industry size	US\$ 2 billion
IT services export in 2005/6	US\$ 72 million
Total number of IT companies	732, of which 100 are ISO-certified
Number of new IT graduates	20'000 per year
IT professionals employed	90'000

with the State Bank and substantial amounts are kept abroad. The PSEB believes the real export figure may be closer to \$600 million (for more information go to www.pseb.org.pk)

The Government of Pakistan has been proactively developing the IT sector in Pakistan, providing incentives including tax exemption up to 2016, IT Parks with low rent, permitting foreign ownership and 100% profit repatriation.

Pakistan is attracting large multinationals, as the country offers various competitive advantages over other outsourcing destinations, such as very competitive costs, a trained workforce, high quality software development, swift and easy establishment of businesses, and state-of-the-art infrastructure.

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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 Commercial Section at:

Internet: www.wto-pakistan.org
Email: info@wto-pakistan.org
Tel.: +4122 – 748 70 10
Fax: +4122 – 748 70 29

Edited by **Sharafat Ahmad**