OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY

Chamber of Commerce Building
Talpur Road
Karachi
74000

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ANNUAL REPORT FOR THE YEAR 1997

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

ANNUAL REPORT 1997

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MANAGING COMMITTEE OF THE CHAMBER FOR THE YEAR 1997-98

S. NASEEM AHMAD
PRESIDENT
Philips Electrical Company of
Pakistan (Private) Limited

I. S. SANGSTER OBE
VICE PRESIDENT
Lever Brothers Pakistan Limited

TARIQ MOHAMMED AMIN
Rhone Poulenc Group, Pakistan

DR. M. S. HABIB
Glaxo Wellcome Pakistan Limited and
Barrett Hodgson Pakistan (Private) Limited

MUNNAWAR HAMID OBE
ICI Pakistan Limited

FUAD AZIM HASHIMI
Gestetner (Private) Limited

M. YOUNAS KHAN
Deutsche Bank A. G.

ZAKIR MAHMOOD
Credit Agricole Indosuez

KAMRAN Y. MIRZA
Abbott Laboratories (Pakistan) Limited

D. M. WOODROFFE
The Hub Power Company Limited

ZAHID ZAHEER
SECRETARY GENERAL

MOHAMMAD ASLAM
DEPUTY SECRETARY

CHAIRMEN AND PRESIDENTS OF THE CHAMBER

CHAIRMEN

D. MCLVER	-	1860/61	F. CLAYTON C.I.E., M. L. C.	-	1922/23/24/25
W. NICHOL	-	1861/62	F. CLAYTON C.I.E., M. L. C.		
A. STEWART	-	1862/63/64	R. D. ENGLAND	-	1925/26
A. E. DENSO	-	1864/65/66	F. CLAYTON C.I.E., M. L. C.	-	1926/27/28
W. G.HALL	-	1866/67/68	F. CLAYTON C.I.E., M. L. C.		
J. G.TINDAL	-	1866/69/70	J. R. N. GRAHAM V.C.	-	1928/29
MAX DENSO	-	1870/71/72	E. A. PEARSON	-	1929/30
F. MASOTTI	-	1872/73	E. A. PEARSON	-	1930/31
W. THORBURN	-	1873/74	H. G. COOPER,		
W. M. MACAULAY	-	1874/75	M.C.D.C.M.	-	1930/31
W. THORBURN	-	1875/76	H. S. BIGG – WITHER,		
MAX DENSO	-	1876/77	O.B.E.	-	1931/32
JAMES GRANT	-	1877/78	J. R. N. GRAHAM, V.C.	-	1932/33
A. MCHINCH	-	1878/79/80	G. H. RASCHEN		
MAX DENSO	-	1880/81	R. H. MARTIN	-	1933/34
MAX DENSO	-	1881/82	H. S. BIGG – WITHER		
JAMES GRANT			O.B.E.	-	1934/35/36
JAMES GRANT	-	1882/83/84	G. H. RASCHEN C.B.E.	-	1936/37/38
MAX DENSO	-	1884/85	G. H. J. RICHMOND		
MAX DENSO	-	1885/86	R. H. MARTIN	-	1938/39
A. THOLE			J. H. BLACKWELL,		
A. THOLE	-	1886/87	C.B.E., M.C.	-	1939/40
A. MCHINCH	-	1887/88 TO 1889/90	J. HUMPHREY, O.B.E.	-	1940/41/42
JAMES CURRIE	-	1890/91 TO 1894/95	A. T. ORR DEAS, M.C.	-	1942/43
T. R. MCLELLAN	-	1895/96 TO	J. H. BLACKWELL,		
		1898/99	C.B.E., M.C.		1943/44
T. L. F. BEAUMONT	-	1899/1900	W. J. CULLEN, M.B.E.		
D. MCLVER	-	1900/01 TO	J. HUMPHREY,		
		1902/03	C.B.E., J.P.	-	1944/45
HON'ABLE W. T.	-				
O' BRIEN	-	1903/04	LT. COL W.B. HOSSACK,		
M. DE P. WEBB, C.I.E.	-	1904/05 TO 1909/10	M.L.A.	-	1945/46
M. DE P. WEBB, C.I.E.	-	1910/11	B. R. GRAHAM		1946/47
H. T. ROBSON			E. J. PAKES		
M. DE P. WEBB, C.I.E.	-	1911/12/13	R. L. COGHLAN	-	1947/48
M. DE P. WEBB, C.I.E.	-	1913/14	B. R. GRAHAM, O.B.E.	-	1948/49/50
W. U. NICHOLAS			J. N. KERR	-	1950/51
M. DE P. WEBB, C.I.E.	-	1914/15/16	D. B. ASHWORTH		
M. DE P. WEBB, C.I.E.			B. R. GRAHAM, C.B.E.	-	1951/52/53
W. U. NICHOLAS	-	1916/17	T. W. CREE	-	1953/54
M. DE P. WEBB, C.I.E.	-	1917/18/19	B. FANE SAUNDERS, C.B.E.	-	1954/55
H. G. JAUGHTON	-	1919/20	T. W. CREE	-	1955/56
SIR MONTAGUE WEBB			W. E. WILKIE – BROWN	-	1956/57
KT., C.I.E., C.B.E., M.L.C.	-	1920/21/22	MIRZA A. RAZA	-	1957/58

PRESIDENTS OF THE CHAMBER

PRESIDENTS

T. W. CREE, C.B.E.	-	1958/59/60
M. J. CONDON, C.B.E.		
W. N. BANKS	-	1960/61
W. B. BANKS	-	1961/62
S. R. STEPHENS	-	1962/63
H. C. G. BROWN, D.S.C.,	-	1963/64
I. HABIBULLAH		1964/65
J. F. C. GALLAHER	-	
C.B.E., D.S.O., D.F.C.,	-	1965/66
R. A. M. HENSON	-	1966/67
J. F. C. GALLAHER		
C.B.E., D.S.O., D.F.C.,	-	1967/68
J. D. LE VALLIANT	-	1968/69/70
D. JONGENEEL	-	1970/71
MASUD KARIM	-	1971/72/73/74
J. H. A. MIDWOOD	-	1974/75
K. Z. HASSAN	-	1975/76
W. R. A. KIMBER	-	1976/77/78
SALEEM MAJIDULLAH	-	1978/79/80
R. STOKELL	-	1980
N.A. SHAH	-	1980/81/82/83
D.M. KEITH, O.B.E.	-	1983/84/85
DR. M. S. HABIB	-	1985/86/87
NASEEM S. MIRZA	-	1987/88/89
DR. M. S. HABIB		1989/90/91/92
C. T. DULLAERT	-	1992
M. YOUNAS KHAN	-	1992/93/94
NISAR A. MEMON	-	1994/95
TARIQ IKRAM	-	1995/96
T. V. HIGGINS	-	1996/97
S. NASEEM AHMAD	-	1997/98

LIST OF SECRETARIES

Secretaries

R. Bell	
R. Stewart	
W. Nicol	1860-4
W.W. Beck	
J.W. Hill	
H. Jacob	
A.N. de Fleurimont	1864-68
Dan McIver, Jr.	1868-69
G.T. Portlock	1870-81
W. Cooper (Acting)	1881-82
G.Y. Portlock	1882
Harry W. Brooks	1882-87
Stephen W. Anderson	1887-90
H.E. Fuller (Acting)	1890-91
Col A.C. Cory	1891-93
T.L. F. Beaumont	1894-95
C.H. Chetham	1895-1908
E.L.Rogers	1908-20
Major Alan Duguid, AFC, MLC	1921-31
H.M. Gomes (Acting)	1932-42
M. de Melo (Acting)	1943
H.J. Martin, MBE	1944-53
J.S. Lobo	1953-58
M. Nazir Mohiyuddin (Acting)	1958-59
A. Eumorfopoulos	1959-64
P.T. Ensor	1964-78
Salamat R. Rizvi	1978-90

Secretary General

Zahid Zaheer	1991-97

CIRCULAR NO. 77

12th May 1998

<u>CEO's of Member Firms</u>

<u>NOTICE OF THE 138TH ANNUAL GENERAL MEETING</u>

Notice is hereby given that the **138th Annual General Meeting of the Members of the OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY will be held at the Registered Office, Chamber of Commerce Building, Talpur Road, Karachi-74000 on TUESDAY 23rd JUNE, 1998 AT 11.00 AM** to transact the following business:

1. To confirm and sign the Minutes of the 137th Annual General Meeting held on Wednesday 25th June, 1997 at 10.30 AM.

2. To receive the Report of the Managing Committee for the year 1997.

3. To pass the Audited Accounts for the year ending 31st December, 1997.

4. To appoint Auditors for the Chamber for the year 1998 and to fix their remuneration.

5. To receive Report of the Scrutineers on the ballot for the election of Eight (8) Members of the Managing Committee and announce the results of the election.

6. Any other matter with the permission of the Chair of which due notice shall have been given as required under Article 26 of the Chamber's Articles of Association.

BY ORDER OF THE COMMITTEE

ZAHID ZAHEER
SECRETARY GENERAL

MINUTES of the 137th Annual General Meeting of the OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY held in the Council Hall of the Chamber at Chamber of Commerce Building, Talpur Road, Karachi on Wednesday, 25th June, 1997 at 10.30 AM

PRESENT IN PERSON

MR. THOMAS VICTOR HIGGINS
(PRESIDENT)
(SHELL PAKISTAN LIMITED)

MEMBERS

1.	AMERICAN EXPRESS BANK LIMITED	MR. TAWFIQ HUSAIN
2.	BAYER PAKISTAN (PRIVATE) LIMITED	MR F. J. WITASEK
3.	BLACKWOOD HODGE (PAKISTAN) (PVT) LTD.	MR. S. K. H. NIZAMI
4.	BOC PAKISTAN LIMITED	MR. MOHAMMAD ASLAM
5.	CADBURY PAKISTAN LIMITED	MR. ROBERT JONES
6.	CIGNA INSURANCE ASIA PACIFIC LTD.	MR. SYED UMER ALI SHAH
7.	GESTETNER (PRIVATE) LIMITED	MR. ZIAUL HASSAN
8.	HABIB BANK AG ZURICH	MR. R. ALVI
9.	HUB POWER COMPANY LTD. (THE)	MR. D. M. WOODROFFE
10.	IBM SEMEA - PAKISTAN BRANCH	MS. FERIAL SALEH
11.	INTERNATIONAL FINANCE INVESTMENT AND COMMERCE BANK LTD.	MR. SHAM ZAMAN
12.	ITOCHU CORPORATION	MR. MAHMOOD ASIF ALI
13.	JOHNSON & PHILLIPS (PAKISTAN) LIMITED	MR. SYED WIQAR ALI & MR. ANWAR SHAFI
14.	LEVER BROTHERS PAKISTAN LIMITED	MR. I. S. SANGSTER
15.	LUCAS SERVICE PAKISTAN (PRIVATE) LIMITED	MR. NAJMUL HASSAN
16.	MACKINNON, MACKENZIE & CO OF PAKISTAN (PVT) LTD.	MR. S. H. A. BUKHARI
17.	MARUBENI CORPORATION – KARACHI LIAISON OFFICE	MR. M. TANAKA
18.	OERLIKON-WELDING LTD. – ZURICH	MR. ARIF Y. VASI
19.	ORIX LEASING PAKISTAN LTD.	MR. HUMAYUN MURAD
20.	P&O CONTAINERS PAKISTAN (PVT) LTD.	MR. S. H. A. BUKHARI
21.	PAK WATER BOTTLERS (PVT) LTD.	MR. A. T. MIR MOHAMMADI
22.	PAKISTAN CABLES LTD.	MR. KAMAL A. CHINOY
23.	PAKISTAN GUM & CHEMICALS LIMITED	MR. MUHAMMAD FAHEEM
24.	PAKISTAN INTERNATIONAL COMPUTERS LIMITED	AIR CDR. V. A. ABDI
25.	PAKISTAN OILFIELDS LIMITED	MR. HUMAYUN AHMED
26.	PHILIPS ELECTRICAL COMPANY OF PAKISTAN (PVT) LTD.	MR. S. NASEEM AHMAD
27.	PHILIPS ELECTRICAL INDUSTRIES OF PAKISTAN LTD.	MR. S. NASEEM AHMAD
28.	PROCTER & GAMBLE PAKISTAN (PVT) LTD.	MR. PHILIPPE BOVAY
29.	REUTERS LTD.	MR. JAVED FARUQI
30.	SHELL PAKISTAN LTD.	MR. T. V. HIGGINS
31.	SKF SOUTH EAST ASIA & PACIFIC (Pte) LTD.	MR. BENOIT DE DORLODOT
32.	SMITH & NEPHEW PAKISTAN (PVT) LTD.	MR. REHMAN GHANI

PRESENT BY PROXY:

1 ALCATEL PAKISTAN LIMITED
2. BANK OF AMERICA NT & SA
3. BANK OF TOKYO MITSUBISHI LTD.
4. BANQUE INDOSUEZ
5. BOEHRINGER MANNHEIM PAKISTAN (PVT) LTD.
6. BRISTOL-MYERS SQUIBB PAKISTAN (PVT) LTD.
7. BURSHANE (PAKISTAN) LIMITED
8. CITIBANK N.A.
9. COCA-COLA EXPORT CORPORATION (THE)
10. COMMERCIAL UNION ASSURANCE COMPANY PLC
11. COMMONWEALTH DEVELOPMENT CORPORATION
12. CYANAMID (PAKISTAN) LIMITED
13. DEUTSCHE BANK A.G.
14. DOHA BANK LIMITED
15. DOMESTIC APPLIANCES LTD.
16. ENGRO CHEMICAL PAKISTAN LIMITED
17. ENGRO PAKTANK TERMINAL LTD.
18. EQUITY INTERNATIONAL (PRIVATE) LIMITED
19. FAYSAL BANK LIMITED
20. GEC AVERY (PRIVATE) LIMITED.
21. GHANDHARA NISSAN DIESEL LTD.
22. GILLETTE PAKISTAN LIMITED
23. GLAXO WELLCOME PAKISTAN LIMITED.
24. HINOPAK MOTORS LIMITED
25. INDUSTRIAL PROMOTION SERVICES (PAKISTAN) LTD.
26. KELLER GRUNDBAU GmbH
27. LUFTHANSA GERMAN AIRLINES
28. MERCK MARKER (PRIVATE) LIMITED
29. MITSUBISHI CORPORATION
30. ORGANON PAKISTAN (PRIVATE) LIMITED
31. OXFORD UNIVERSITY PRESS
32. PAKCOM LIMITED.
33. PHARMATEC PAKISTAN (PVT) LTD.
34. RAY SHIPPING ENTERPRISES LTD.
35. RECKITT & COLMAN OF PAKISTAN LIMITED
36. RHONE POULENC (PRIVATE) LTD.
37. RHONE POULENC RORER PAKISTAN (PVT) LTD.
38. ROCHE PAKISTAN LIMITED
39. ROYAL EXCHANGE ASSURANCE
40. STANDARD CHARTERED BANK
41. STARPAK GROUP (PVT) LTD.
42. TETRA PAK PAKISTAN LTD.
43. TOMEN CORPORATION
44. TRUST BANK LIMITED
45. UNITED LINER AGENCIES OF PAKISTAN (PVT) LTD.

Mr. Mohammad Aslam invoked the meeting, with a recitation from the Holy Quran. The President, Mr. T. V. Higgins addressed the meeting as follows:

Gentlemen,

I welcome you to the 137th Annual General Meeting of the Chamber. In addition to the Members present in person, we have received 45 proxies from Members as prescribed in Article 36 of the Chamber's Articles of Association. We, therefore, constitute the necessary quorum (prescribed under Article 31) and can proceed to transact business on the Agenda.

The Notice convening the meeting having already been circulated, I propose that this be taken as read. The first item on the Agenda is to confirm and sign the Minutes of the 136th Annual General Meeting held on Thursday 27th June, 1996 at 11 AM. These have already been circulated to all Members and if there are no comments, I propose that these be taken as confirmed and I will now sign the Minutes.

(THE PRESIDENT SIGNED THE MINUTES)

The second item on the agenda is to confirm and sign the Minutes of the Extraordinary General Meeting of the Chamber held on Thursday 20th March, 1997 at 11.30 AM. These have also been circulated to all Members, and have been in your hands for some time. I propose that these be also taken as read and if there are no comments I wish to confirm them. I will now sign these Minutes too.

(THE PRESIDENT SIGNED THE MINUTES)

The next item on the Agenda is to receive your Committee's Annual Report for the year 1996. My own Review and the Committee's Report have already been circulated to you. I will be pleased to answer any question arising therefrom, and now invite discussion.

Since there are no questions forthcoming, may I request a Member to PROPOSE that the Report of the Committee for the year 1996 as circulated to Members be ADOPTED.

<u>RESOLUTION</u>

"THAT THE REPORT OF THE COMMITTEE FOR THE YEAR 1996 AS CIRCULATED TO MEMBERS, BE AND IS HEREBY ADOPTED".

(PROPOSED BY Mr. Mohammad Aslam of BOC Pakistan Limited

AND

(SECONDED BY Mr. S. H. A. Bukhari of Mackinnon, Mackenzie & Company of Pakistan (Private) Limited

The resolution was carried.

The next item on the Agenda is to pass the Audited Accounts for the year 1996. Copies are already with you and if there are any questions, I shall endeavor to reply to them.

As there are no questions, may I request a Member to PROPOSE the adoption of the Accounts for the year ended 31st December, 1996 and another Member to SECOND the RESOLUTION.

RESOLUTION

"THAT THE AUDITED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 1996 BE AND ARE HEREBY ADOPTED"

(PROPOSED BY Mr. Mohamamd Aslam of BOC Pakistan Limited)

AND

(SECONDED BY Mr. Ziaul Hasan of Gestetner (Private) Limited)

The Resolution was carried.

The Fifth item on the Agenda is to consider appointment of Auditors for the year 1997.

I request a Member to PROPOSE and another Member to SECOND a RESOLUTION for the appointment of Auditors.

RESOLUTION

"THAT MESSRS. A. F. FERGUSON & COMPANY BE AND ARE HEREBY RE-APPOINTED AS AUDITORS FOR THE YEAR 1997 AT A FEE OF RS. 20,000 PER ANNUM".

(PROPOSED BY Mr. S. H. A. Bukhari of Mackinnon, Mackenzie & Company of Pakistan (Private) Limited)

AND

(SECONDED BY Mr. Mohammad Aslam of BOC Pakistan Limited)

The Resolution was carried.

The Sixth item on the Agenda is to record the election of Eight other Members of the Managing Committee for the year 1997 - 98 and to receive Scrutineers Report on the election.

The Vice President, Mr. S. Naseem Ahmad of Philips Electrical Industries of Pakistan Limited will succeed me and will assume the office of the President immediately after this meeting.

Since Mr. I. S. Sangster, O.B.E. of Lever Brothers Pakistan Limited was the only candidate who sent his nomination for the office of the Vice President, an election was not necessary. Mr. I. S. Sangster, O.B.E., therefore stands elected as the Vice President of the Chamber for the year 1997 / 98.

This year elections were held only for the Eight Members of the Managing Committee. Mr. Ahmad Mahmud and Mr. Brian C. Murphy were kind enough to act as Scrutineers this year and I wish to thank them both for having rendered this service.

I will now open the envelope and read the Scrutineers Report on the result of the Ballot.

The result of the Election was read.

MEMBERS OF THE MANAGING COMMITTEE
(In alphabetical order)

MR. TARIQ MOHAMED AMIN
DR. M. S. HABIB
MR. MUNNAWAR HAMID
MR. FUAD AZIM HASHIMI
MR. M. YOUNAS KHAN
MR. ZAKIR MAHMOOD
MR. KAMRAN Y. MIRZA
MR. D. M. WOODROFFE

I would like to take this opportunity to congratulate all the Members who have been elected to serve on the Managing Committee and to thank those who have not been successful, for the interest they have shown in the affairs of the Chamber.

The last item on the Agenda is to discuss any other business for which due notice should have been given.

No notice has been received from the members.

Before closing the meeting, I would like to request Mr. S. Naseem Ahmad, the President elected to address you.

Mr. S. Naseem Ahmad thanked the members for the confidence reposed in him. He stated that your Chamber under the able leadership of his predecessor has kept an ongoing dialogue with the Government throughout the year and it is heartening to note that the Government has been listening to the business point of view. It is important for us to understand the parameters and the limitations of the criteria in which national development is going to take place. Your new committee will pursue vigorously with the Government all matters, and will build on the success of the past. The Committee will continue to play an effective role to further the Chamber's image and credibility.

The President thanked all the Managing Committee members for their support, and those who had served on sub-committees.

The business of the Annual General Meeting having finished, the President invited members to join him for tea.

ZAHID ZAHEER
SECRETARY GENERAL

S. NASEEM AHMAD
PRESIDENT

PRESIDENT'S REVIEW - 1997

It gives me immense pleasure to welcome you to the 138th Annual General Meeting of the Chamber.

The year that has passed by began with an uncertain note and has been eventful in many ways. The interim government led by Caretaker Prime Minister, Mr. Mairaj Khalid passed over the mantle to the new Government of Mr. Nawaz Sharif in February 1997. Although the interim Government introduced several reforms in the economic area, fragility of the economy continued, requiring drastic and more durable measures. These came on 28th May, 1997 in the form of several economic revival packages followed in quick succession by the budget in June, 1997. These were positive initial steps towards revival of the economy.

The Rupee was devalued by 8.7% on 15th October. Thereafter IMF approved the $ 1.56 Billion ESAF/EFF loan program, but there were little improvements in the 3rd Quarter 1997. The first tranche of $ 208 Million was released in November, 1997. Amidst reports of continued shortfalls in revenue, agitations against downsizing in the Government, and the IMF's declaration about the continued fragility of the Pakistan economy, the Government announced a liberal investment policy opening all sectors of the economy to foreign investment. The constitutional crisis that culminated in the exit of both the President and the Chief Justice in early December did not help to restore the depleting business confidence. However the structural reforms by their very nature could not produce immediate significant results and the year ended with a somber note with all the economic indicators falling.

The State Bank of Pakistan intervened through an expansionary monetary policy to supplement the supply side fiscal measures, with a view to lowering interest rates to induce investment. But industrial revival did not take place till the end of the year.

The State Bank of Pakistan report submitted to the Parliament in January, 1998 speaks of low GDP growth, falling revenues, double digit inflation, stagnant exports, rising debt burden and critically low foreign exchange reserves.

Although the second tranche of the ESAF of $ 180 Million was released by the IMF on 30th March, 1998, but it was only after the Government of Pakistan agreed to raise Electricity and Gas tariffs, strict control of Government expenditure at both Provincial and Federal levels, and its determination to meet budget deficit targets.

It is against this backdrop that your Committee has continued to interact with the Government. Till June, 1997 my predecessor Mr. T. V. Higgins led many parleys with senior officials of the Government, and thereafter I have continued these efforts to strengthen the partnership between the Government and the private sector.

The Chamber participated in the committee set up by the Government for Industrial Investment. The Chamber has also expressed concerns to the Government on overprotective Labour Laws that inhibit productivity and investment.

In August, 1997 the Chamber had a meeting with the new Federal Minister for Investment, Mr. Humayun Akhtar Khan. In September, I led a delegation of Committee Members to a meeting with the Prime Minister of Pakistan in Karachi, in which the Chief Minister of Sindh and several federal Ministers participated.

Again in October, 1997 we had a follow up meeting with the Chief Minister of Sindh in which provincial issues were taken up.

Early in January, 1998 the Prime Minister set up a Private Sector Advisory Council (PSAC) and I represented your Chamber at this meeting in Islamabad. More recently at the meeting with the Multinationals in Karachi on 7th March, 1998, I had the privilege to lead the delegation on behalf of the Chamber , where I highlighted that the economic squeeze was pronounced and more needs to be done before the economy is out of the woods and business confidence is restored.

I would like to place on record my appreciation for the time given and the hard work that followed by all those Members who participated in the various standing Sub Committee Meetings of the Chamber, and at the various external forums. The invaluable support provided to me by my colleagues on the Managing Committee has been a source of strength to me. Mr. Zaffar Khan and Mr. Martin Sulger were co-opted to your Managing Committee during the year, and I wish to acknowledge their contributions also.

I also wish to acknowledge the contributions of the Chamber's staff and make special mention of the Secretary General, who is the main point of reference for most of our members and also for the Chamber's numerous outside contacts. His hard work and support has been of great benefit to myself and the Committee.

As you are aware, Mr. I. S. Sangster will succeed me as President of your Chamber. The Chamber will benefit from his wide experience and leadership qualities. I wish the new President and the new Committee every success as they start the new term of office.

I shall look forward to hearing about the Chamber's achievements in its efforts to espouse the cause of Trade & Industry.

SYED NASEEM AHMAD

REPORT OF THE COMMITTEE OF THE OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY

FOR THE YEAR 1997

THE MANAGING COMMITTEE SUBMITS TO MEMBERS THEIR ANNUAL REPORT UPON THE MORE IMPORTANT SUBJECTS DEALT WITH BY THE CHAMBER DURING THE YEAR ENDED 31ST DECEMBER, 1997

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CHAMBER MEMBERSHIP

NEW MEMBERS

During the period January 1997 to June 1997, following ten members were elected as new members of the Chamber:

1. **R. J. REYNOLDS (PVT.) LIMITED**
   3, Brunton Road
   Civil Lines (1st Floor)
   Karachi.
   Telephone No : 5687213 / 5687459
   Fax No.: 5686721 / 5685619

   Business
   Cigarettes & Tobacco importers & manufacturers.

   Chief Executive
   Mr. Omar A. Jilani
   Country Manager

2. **TRUST BANK LIMITED**
   20, Sasi Arcade (4th Floor)
   Block 7, Clifton
   Karachi.
   Telephone No : 5872201-2
   Fax No.: 5851511

   Business
   Banking.

   Chief Executive
   Mr. Humayun Zia
   Chief Executive - Pakistan Operations

3. **CLARIANT PAKISTAN LIMITED**
   5th & 6th Floor
   Bahria Complex
   24, M. T. Khan Road, P. O. Box 7247,
   Karachi - 74000
   Telephone No : 5611406 / 5611585
   Fax No. : 5610628

   Business
   Manufacturing and Marketing of Dyestuffs and Chemicals and Master batches.

   Chief Executive
   Mr. Farhat Abbas Mirza
   Chief Executive

4. **BARRETT HODGSON PAKISTAN (PVT.) LTD.**
   F/423, S.I.T.E.
   Karachi.
   Telephone No : 2570651-7
   Fax No : 2570650, 2573462

   Business
   Manufacturer of Pharmaceutical products.

   Chief Executive
   Dr. M. S. Habib
   Chairman

5. **CONTINENTAL BISCUITS LTD.**
   1ST Floor, PIDC House,
   Dr. Ziauddin Ahmed Road
   Karachi.
   Telephone No : 5681498/5686551-2
   Fax No. : 5683378

   Business
   Food Products.

   Chief Executive
   Mr. Syed Hasan Ali Khan
   Managing Director

6. **MARUBENI CORPORATION-LIAISON OFFICE**
2nd Floor, State Life Building No.11
Abdullah Haroon Road
Karachi.

Telephone No : 515015-18
Fax No. : 5685002

Business
General Trading.

Chief Executive
Mr. Masashi Tanaka
General Manager

7. **COCA-COLA BEVERAGES PAKISTAN LTD.**
D-51, Estate Avenue
S.I.T.E., Karachi.

Telephone No : 2576351-4
Fax No. : 2564249

Business
Manufacturer/Bottlers of Beverages.

Chief Executive
Mr. Tariq A. Khan
Manager

8. **ALBARAKA ISLAMIC INVESTMENT BANK B.S.C. (E.C.)**
Lakhani Centre, P. O. Box 949
I. I. Chundrigar Road,
Karachi.

Telephone No : 2636261-5
Fax No : 2635045

Business
Commercial/Schedule Bank.

Chief Executive
Mr. Ahmed Shuja Kidwai
Manager

9. **JARDINE FLEMING PAKISTAN BROKING (PVT.) LTD.**
2nd Floor, Bahria Complex II
M. T. Khan Road,
Karachi.

Telephone No : 5610861-5
Fax No. : 5610261

Business
To carry on the business of brokers in stock, shares, securities, etc.

Chief Executive
Mr. John Richard Style
Chief Executive

10. **KOT ADDU POWER COMPANY LTD.**
5th Floor, Aiwan-e-Iqbal,
Egerton Road,
Lahore.

Telephone No : 042-6307000-05
Fax No. : 042-6309195

Business
Electric Power Generation.

Chief Executive
Mr. Tom Scott-Morey
Manager

11. **AES LAL PIR LIMITED**
Thermal Power Plant
Near Mehmood Kot
Distt. Muzaffargarh

Telephone No : (92-661) 422967-69
Fax No. : (92-342) 364715

Business
Development, Construction, Operation and Maintenance of 362 MW Oil Fired Thermal Power Plant.

Chief Executive
Mr. William Louis Ruccivs
Chief Executive

♦ CHANGE IN NAMES OF MEMBERS

On request from the respective members change in their names have been recorded in the Chamber register as follows:

Previous	**Present**
Glaxo Laboratories Pakistan Limited	Glaxo Wellcome Pakistan Limited
Carr Mashriq (Private) Limited	Indosuez W.I. Carr Securities Pakistan (Private) Limited
Hoechst Pakistan Limited	Hoechst Marion Roussel (Pakistan) Limited
Banque Indosuez	Credit Agricole Indosuez *(The Global French bank)*
IBM Semea	IBM Italia

♦ OUT GOING MEMBERS

Names of the following members have been deleted from the membership of the Chamber for the reason noted against each.

(i)	Juma Haji & Company (Pvt.) Ltd.	-	Own Reasons Not declared
(ii)	Nisho Iwai Corporation	-	Own Reasons Not declared
(iii)	Wellcome Pakistan Ltd.	-	Merger with Glaxo laboratories (Pak) Ltd.
(iv)	British Airways	-	Business constraints
(v)	Norwich Union Fire Insurance Society Limited	-	Business Constraints

♦ CLASSIFICATION OF MEMBERS

The Membership of the Chamber as on 31st December 1997 stands to 186. List of Members in alphabetical order appearing at the next page.

Classification of Membership as per geographical order and activities is as follows.

Country Wise

BRITISH	54	
AMERICAN	44	
SWISS	14	
GERMAN	13	
JAPANESE	15	
DUTCH	7	
FRENCH	8	
BELGIAN	6	
U.A.E	3	
HONG KONG	5	
CANADIAN	1	
SAUDI	2	
SWEDISH	2	
BANGLADESH	2	
AUSTRALIAN	1	
DOHA	1	
BAHRAIN	3	
SINGAPORE	1	
KENYA	1	
GREEK	1	
SIRI LANKA	1	
OTHERS	1	
		186

Category Wise

1.	CHEMICAL / PESTICIDES / FERTILIZERS / PAINTS	12	
2.	BANKING	21	
3.	INSURANCE	6	
4.	LEASING & FINANCIAL COMPANIES	14	
5.	PHARMACEUTICAL INDUSTRIES	31	
6.	FOOD & CONSUMER PRODUCTS	14	
7.	SHIPPING & AIRLINES	8	
8.	TRADING & OTHER SERVICES	33	
9.	OIL / GAS & ENERGY	19	
10.	ENGINEERING & INDUSTRIAL PRODUCTS	19	
11.	TOBACCO & OTHER MANUFACTURING COMPANIES	9	
			186

Note: Fifty Four members are quoted at Karachi Stock Exchange.

♦ LIST OF MEMBERS AS AT 31ST DECEMBER 1997

1. ABBOTT LABORATORIES (PAKISTAN) LIMITED
2. ABN AMRO BANK N.V.
3. AEG PAKISTAN (PRIVATE) LIMITED.
4. AES LAL PIR LIMITED
5. AGREVO PAKISTAN (PRIVATE) LIMITED
6. ALBARAKA ISLAMIC INVESTMENT BANK B.S.C. (E.C.)
7. ALCATEL PAKISTAN LIMITED
8. AMERICAN EXPRESS BANK LIMITED
9. ANZ GRINDLAYS BANK PLC
10. AST RESEARCH INC.
11. ATLAS INVESTMENT BANK LTD.
12. ATLAS LEASE LIMITED
13. ATTOCK CEMENT PAKISTAN LIMITED.
14. ATTOCK INDUSTRIAL PRODUCTS LIMITED
15. ATTOCK OIL COMPANY LIMITED (THE)
16. ATTOCK REFINERY LIMITED.
17. BANK OF AMERICA NT & SA
18. BANK OF CEYLON
19. BANK OF TOKYO MITSUBISHI LTD.
20. BARRETT HODGSON PAKISTAN (PVT) LTD.
21. BASF PAKISTAN (PRIVATE) LIMITED
22. BATA PAKISTAN LIMITED
23. BAYER PAKISTAN (PRIVATE) LIMITED
24. BEECHAM PAKISTAN (PRIVATE) LIMITED
25. BERGER PAINTS PAKISTAN LTD.
26. BHP MINERALS INTERNATIONAL EXPLORATION INC.
27. BLACKWOOD HODGE (PAKISTAN) (PVT) LTD.
28. BOC PAKISTAN LIMITED
29. BOEHRINGER MANNHEIM PAKISTAN (PVT) LTD.
30. BRINKS PAKISTAN (PVT) LTD.
31. BRISTOL-MYERS SQUIBB PAKISTAN (PVT) LTD.
32. BROOKE BOND PAKISTAN LIMITED
33. BURMAH OIL COMPANY (PAKISTAN TRADING) LTD.
34. BURSHANE (PAKISTAN) LIMITED
35. CADBURY PAKISTAN LIMITED
36. CALTEX OIL (PAKISTAN) LTD.
37. CASTROL LTD.
38. CIBA-GEIGY (PAKISTAN) LIMITED
39. CIGNA INSURANCE ASIA PACIFIC LTD.
40. CITIBANK HOUSING FINANCE CO. LTD.
41. CITIBANK N.A.
42. CITICORP INVESTMENT BANK (PAKISTAN) LIMITED
43. CLARIANT PAKISTAN LIMITED
44. COCA-COLA BEVERAGES PAKISTAN LTD.
45. COCA-COLA EXPORT CORPORATION (THE)
46. COMMERCIAL UNION ASSURANCE COMPANY PLC
47. COMMONWEALTH DEVELOPMENT CORPORATION
48. CONTINENTAL BISCUITS LTD.
49. COX & KINGS (AGENTS) LTD.
50. CPC RAFHAN LTD.
51. CREDIT AGRICOLE INDOSUEZ *(The Global French Bank)*
52. CYANAMID (PAKISTAN) LIMITED
53. DADEX ETERNIT LTD.
54. DAWOOD HERCULES CHEMICALS LIMITED
55. DEUTSCHE BANK A.G.

56. DOHA BANK LIMITED
57. DOMESTIC APPLIANCES LTD.
58. DOWELANCO B.V.
59. DU PONT FAR EAST INC.
60. EMIRATES BANK INTERNATIONAL LIMITED
61. ENGRO CHEMICAL PAKISTAN LIMITED
62. ENGRO PAKTANK TERMINAL LIMITED
63. EQUITY INTERNATIONAL (PRIVATE) LIMITED
64. EXIDE PAKISTAN LTD.
65. FAYSAL BANK LIMITED
66. FILTRONA INTERNATIONAL LIMITED
67. GEC AVERY (PRIVATE) LIMITED.
68. GENERAL TYRE & RUBBER CO. OF PAKISTAN LTD. (THE)
69. GESTETNER (PRIVATE) LIMITED
70. GETZ PHARMA PAKISTAN (PRIVATE) LIMITED
71. GHANDHARA NISSAN DIESEL LTD.
72. GILLETTE PAKISTAN LIMITED
73. GLAXO WELLCOME PAKISTAN LIMITED.
74. HABIB BANK AG ZURICH
75. HINOPAK MOTORS LIMITED
76. HOECHST MARION ROUSSEL (PAKISTAN) LIMITED
77. HONDA ATLAS CARS (PAKISTAN) LTD.
78. HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE)
79. HUB POWER COMPANY LTD. (THE)
80. IBM ITALIA - PAKISTAN BRANCH
81. ICI PAKISTAN LTD.
82. ICI PAKISTAN POWERGEN LTD.
83. INDOSUEZ W.I. CARR SECURITIES PAKISTAN (PVT) LTD.
84. INDUS MOTOR COMPANY LTD.
85. INDUSTRIAL PROMOTION SERVICES (PAKISTAN) LTD.
86. INTERNATIONAL FINANCE INVESTMENT AND COMMERCE BANK LTD.
87. INTERNATIONAL HOUSING FINANCE LTD.
88. ITOCHU CORPORATION
89. J. & P. COATS PAKISTAN (PVT) LTD.
90. JAMES FINLAY PLC.
91. JARDINE FLEMING PAKISTAN BROKING (PRIVATE) LTD.
92. JOHNSON & JOHNSON PAKISTAN (PVT) LTD.
93. JOHNSON & PHILLIPS (PAKISTAN) LIMITED
94. KELLER GRUNDBAU GmbH
95. KHADIM ALI SHAH BUKHARI & CO. LTD.
96. KLM ROYAL DUTCH AIRLINES
97. KNOLL PHARMACEUTICALS LIMITED
98. KODAK LIMITED
99. KOT ADDU POWER COMPANY LTD.
100. *KSB PUMPS COMPANY LIMITED*
101. LAKSON TOBACCO COMPANY LTD.
102. LASMO OIL PAKISTAN LIMITED
103. LEVER BROTHERS PAKISTAN LIMITED
104. LEVER CHEMICALS (PVT) LTD.
105. LUCAS SERVICE PAKISTAN (PRIVATE) LIMITED
106. LUFTHANSA GERMAN AIRLINES
107. MACKINNON, MACKENZIE & CO OF PAKISTAN (PVT) LTD.
108. MARUBENI CORPORATION – KARACHI LIAISON OFFICE
109. MASHREQBANK PSC
110. MERCK MARKER (PRIVATE) LIMITED
111. MERCK SHARP & DOHME OF PAKISTAN LIMITED
112. 3M PAKISTAN (PRIVATE LTD.
113. M-I OVERSEAS LTD.
114. MITSUBISHI CORPORATION
115. MITSUI & CO. LTD.

116. MONOTYPE SYSTEMS LIMITED
117. MULLER & PHIPPS PAKISTAN (PRIVATE) LIMITED
118. NALCO GULF LTD.
119. NATIONAL CARBON COMPANY PAKISTAN (PVT) LTD.
120. NATIONAL POWER INTERNATIONAL
121. NCR CORPORATION
122. NESTLE MILKPAK LIMITED
123. NEW HAMPSHIRE INSURANCE COMPANY
124. NICHIMEN CORPORATION
125. NORTHERN BOTTLERS (PVT) LTD.
126. NORWICH UNION FIRE INSURANCE SOCIETY LTD.
127. OERLIKON-WELDING LTD. – ZURICH
128. ORGANON PAKISTAN (PRIVATE) LIMITED
129. ORIX LEASING PAKISTAN LTD.
130. OTSUKA PAKISTAN LIMITED
131. OXFORD UNIVERSITY PRESS
132. P&O CONTAINERS PAKISTAN (PVT) LTD.
133. PAK WATER BOTTLERS (PVT) LTD.
134. PAKCOM LIMITED.
135. PAKISTAN CABLES LTD.
136. PAKISTAN CREDIT RATING AGENCY [PRIVATE] LIMITED
137. PAKISTAN GUM & CHEMICALS LIMITED
138. PAKISTAN GUM INDUSTRIES (PVT) LTD.
139. PAKISTAN INTERNATIONAL COMPUTERS LIMITED
140. PAKISTAN OILFIELDS LIMITED
141. PAKISTAN PETROLEUM LIMITED
142. PAKISTAN TOBACCO COMPANY LIMITED
143. PAKTEL LIMITED
144. PARKE, DAVIS & COMPANY LIMITED.
145. PEPSI-COLA INTERNATIONAL (PRIVATE) LIMITED
146. PFIZER LABORATORIES LIMITED
147. PHARMACIA & UPJOHN (PRIVATE) LIMITED
148. PHARMATEC PAKISTAN (PVT) LTD.
149. *PHILIPS ELECTRICAL COMPANY OF PAKISTAN (PVT) LTD.*
150. PHILIPS ELECTRICAL INDUSTRIES OF PAKISTAN LTD.
151. PROCTER & GAMBLE PAKISTAN (PVT) LTD.
152. R. J. REYNOLDS (PVT) LIMITED
153. RAY SHIPPING ENTERPRISES LTD.
154. RECKITT & COLMAN OF PAKISTAN LIMITED
155. REUTERS LTD.
156. RHONE POULENC (PRIVATE) LTD.
157. RHONE POULENC CHEMICALS (PVT) LTD.
158. RHONE POULENC RORER PAKISTAN (PVT) LTD.
159. ROCHE PAKISTAN LIMITED
160. ROYAL EXCHANGE ASSURANCE
161. ROYAL INSURANCE PLC
162. RUPALI BANK LIMITED
163. SANDOZ (PAKISTAN) LIMITED
164. SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT CO. (PVT) LTD.
165. SCHERING ASIA GmbH (Pakistan Branch)
166. SECURITY LEASING CORPORATION LIMITED
167. SGS PAKISTAN (PRIVATE) LIMITED
168. SHEIKHOO SUGAR MILLS LTD.
169. SHELL PAKISTAN LTD.
170. SIEMENS PAKISTAN ENGINEERING CO. LTD.
171. SINGER PAKISTAN LIMITED
172. SKF SOUTH EAST ASIA & PACIFIC (Pte) LTD.
173. SMITH & NEPHEW PAKISTAN (PVT) LTD.
174. SMITH KLINE & FRENCH OF PAKISTAN LIMITED

175. SOCIETE GENERALE
176. STANDARD CHARTERED BANK
177. STARPAK GROUP (PVT) LTD.
178. TEAM S.A. (LUXEMBOURG)
179. TETRA PAK PAKISTAN LTD.
180. TOMEN CORPORATION
181. TRUST BANK LIMITED
182. UNION TEXAS PAKISTAN, INC.
183. UNISYS PAKISTAN (PVT) LTD.
184. UNITED LINER AGENCIES OF PAKISTAN (PVT) LTD.
185. W. WOODWARD PAKISTAN (PRIVATE) LIMITED
186. WYETH LABORATORIES(PAKISTAN) LIMITED

MANAGING COMMITTEE

MEETINGS OF THE MANAGING COMMITTEE

During the period under review the Managing Committee held its meeting on 16th January, 18th February, 4th March, 20th March, 9th April, 5th May, 24th June, 7th July, 11th August, 2nd September, 7th October, 4th November and 9th December, 1997. Copies of the minutes of the meeting have already been circulated to the members.

At the 137th Annual General Meeting held on 25th June, 1997, following Members were elected to the Managing Committee for the year 1997-98.

NAME	ORGANIZATION
1. Mr. Tariq Mohamed Amin	Rhone Poulenc Group In Pakistan
2. Dr. M. S. Habib	Glaxo Wellcome
3. Mr. Munnawar Hamid	ICI Pakistan Limited
4. Mr. Fuad A. Hashimi	Gestetner (Private) Limited
5. Mr. M. Younas Khan	Deutsche Bank A.G.
6. Mr. Zakir Mahmood	Credit Agricole Indosuez
7. Mr. Kamran Y. Mirza	Abbott Laboratories (Pakistan) Limited
8. Mr. Daniel M. Woodroffe	The Hub Power Company Limited

MANAGING COMMITTEE CO-OPTION

The following members were co-opted to the Managing Committee in a meeting held on 7th July, 1997.

Mr. M. Sulger	-	Siemens Pakistan Engineering Co. Limited
Mr. J. B. Maude	-	Merck Marker (Private) Limited
Mr. Zaffar Khan	-	Engro Chemical Pakistan Limited

CHANGES IN THE MANAGING COMMITTEE

Consequent upon his registration from the employment of Glaxo Wellcome Pakistan Limited, Dr. M. S. Habib submitted his resignation for the membership of Managing Committee on 15th July, 1997.

SIGNIFICANT ACTIVITIES OF THE MANAGING COMMITTEE

- Pre-budget Activities

- On 19th January, 1997, the President forwarded General Budget submission of the Chamber to the Chairman CBR for consideration. Details can be seen in **Appendix-1 (i).**

- CHAMBER SPECIFIC TAX PROPOSALS FOR THE FEDERAL BUDGET 1997-98

  The Chamber submitted to the Ministry of Finance the Specific Tax Proposal of the Chamber for the year 1997-98 on 21st March, 1997. Details of the Proposal can be seen in **Appendix-2 (i) to (ix).**

- Dinner meeting with Mr. Sartaj Aziz was held on 14th March 1997. The points raised at this meeting can be seen in **Appendix-3 (i) to (iv).**

- VICE PRESIDENT'S LETTER DATED 8TH MAY, 1997

  As a follow up a letter was addressed to the Finance Minister Mr. Sartaj Aziz, stressing the necessity of providing at least 35% net protection to local manufacturing Industries. **Appendix-3 (v).**

- **MEETING OF ADVISORY COUNCIL FOR FINANCE DIVISION**

  Mr. S. Naseem Ahmad, Vice President attended meeting of the Advisory Council of the Finance Division on 19th may, 1997 held at Islamabad, wherein matters related to 97-98 Federal Budget proposals and taxation issues were discussed. He advocated the Chamber proposals.

- Post-budget Activities

- Chambers comments on Federal Budget 1997-98 can be seen in the Press Release issued on 17th June, 1997 vide **Appendix-4(i).**

- The Chamber submitted its proposals for the 1997-98 Trade Policy to the Ministry of Commerce on 9th June, 1997. **Appendix-44 (i) to (vi).**

♦ OTHER ACTIVITIES

- **CHAMBER REPRESENTATIONS ON VARIOUS BODIES FOR 1997-98**

  The Managing Committee in its meeting held on the August 1997, approved names of Chambers representations on various Government / Semi Government / Autonomous bodies and the Federation of Pakistan for the year 1997-98. Details are in **Appendix-5 (i) to (iii).**

- **CHAMBER'S NOMINATION ON KARACHI STOCK EXCHANGE BOARD**

  During discussion with Chairman Corporate law Authority it was noted with satisfaction that the OICC&I will get a representation on the Karachi Stock Exchange Board, when it is reconstituted.

- **TAXATION ON ROYALTY & DIVIDEND INCOME UNDER CERTAIN TREATIES**

  Subsequent to the discussion with the Commissioner of Income Tax, the Secretary General forwarded comments on above subjects vide letter dated 2nd *January 1997*, ***Appendix-6 (i).***

- **CHAMBER DELEGATION TO MEET THE BRITISH PRIME MINISTER**

  Karachi being not in the itinerary of the British Prime Minister, Mr. John Major's last visit to Pakistan, a delegation of the Chamber, led by the President met the British Prime Minister, at Lahore on 14th January, 1997.

  The President highlighted the impediments to inflow of foreign investments. Apart from the President, short representations were made by ICI, J & P Coats, Paktel and Smith Kline & Beecham.

- **MEETING WITH THE CHAIRMAN MONOPOLY CONTROL AUTHORITY**

  President's speech on the occasion of the visit of Chairman Monopoly Control Authority on 16th January, 1997 can be seen in **Appendix-7 (i) to (iii).**

- **PRIME MINISTER OF PAKISTAN'S BUSINESSMEN CONVENTION**

  On behalf of the Chamber, Mr. T. V. Higgins, the President and the Secretary General attended the Convention of Businessmen called by the Prime Minister at Islamabad on 26th February, 1997.

  A copy of the President's speech delivered on the occasion can be seen in **Appendix-8 (i).**

- **TASK FORCE ON DE-REGULATION**

  The Chamber was made member of the task force. Secretary General in his note of 8th January 1997 to the President highlighted the points, for the President to raise in the meeting on the Task Force De-regulation. Details can be seen in **Appendix-9 (i) to (iii).**

- **CHAMBER SUBMISSION TO THE DE-REGULATION COMMISSION**

  The Task Force later was converted to a commission. The Chamber submitted its final proposals on 27th January 1997.

- **ISSUES RELATED TO SMUGGLING**

  The Vice President Mr. Naseem Ahmad in his letter dated 3rd February, 1997 to the *Chairman Commission on De-regulation Islamabad, submitted a paper on* smuggling. Copy of the letter along with the paper can be seen in **Appendix-10 (i) to (x).**

- **DELIBERATION ON THE COMMISSION OF DE-REGULATION**

  Mr. Naseem Ahmad, the Vice President participated in the meeting of the Commission on De-regulation in March, 1997. On behalf of the Chamber Mr. Naseem Ahmad, raised among other issues, the need to rationalize the over protective labour laws that inhibit productivity and discourages productive investment.

- **OIL & GAS SEMINAR**

  The President of the Chamber addressed the Oil & Gas Seminar held at Karachi on 3rd March, 1997. His speech delivered at the Seminar can be seen in **Appendix-11 (i) to (iii).**

- **CHAMBER'S LETTER TO BOARD OF INVESTMENT ON 13TH MARCH 1997**

  Secretary General's letter to Board Of Investment regarding over-protective Labour Laws – **Appendix-12 (i) to (vi).**

- **LETTERS TO THE CHAIRMAN CORPORATE LAW AUTHORITY ON CENTRAL DEPOSITORY ORDINANCE - 1997**

  Secretary General on behalf of the Chamber expressed his concern to the Chairman, Corporate Law Authority on the draft of Central Depository Ordinance 1997 vide letter dated 16th April, 1997 - **Appendix-13 (i).**

  On 29th & 30th April, 1997 Mr. Javed Panni Chief (Securities) Corporate Law Authority visited the Chamber to discuss the issue with the Members. Minutes of the Meeting can be seen in **Appendix-14 (i) to (iii).**

  The discussion was confirmed by the Secretary General in his letter addressed to Mr. Panni dated 29th April, 1997. Text of the letter can be seen in **Appendix-15 (i) to (iii).**

- **OVER-PROTECTIVE LABOUR LAWS**

  The President expressed Chamber's concern on the over protective labour laws to Mr. Arshad Farooq Federal Secretary, Ministry of Labour and manpower, Government of Pakistan vide his letter of 29th April, 1997. Text of the letter can be seen in **Appendix-16(i).**

- **PAPERS SUBMITTED TO THE COMMITTEE FOR INDUSTRIAL INVESTMENT**

  Secretary General through his note of 1st April, 1997 submitted Chamber's views to the Committee for Industrial Investment. **Appendix-17 (i) to (vii).**

- **CHAMBER'S VIEWS ON OVER-PROTECTIVE LABOUR LAWS**

  The Chamber once again through letter dated 2nd July addressed to the Federal Secretary Ministry of Labour once again drew Government's attention towards over-protective Labour laws that need to be amended. **Appendix-18 (i).**

- **PRESIDENT'S LETTER TO THE PRIME MINISTER ON PROBLEMS RELATED TO PHARMA INDUSTRY**

  The President through his letter dated 16th July addressed the Prime Minister on problems related to Pharma Industries. **Appendix-19(i).**

- **MEETING WITH MR. HUMAYUN AKHTER, MINISTER/CHAIRMAN, BOARD OF INVESTMENT**

  This meeting was held in Karachi on 27th August, 1997. Copy of the President's speech on this occasion can be seen in **Appendix-20 (i) to (iv).**

- **MEETING WITH THE PRIME MINISTER & WITH THE CHIEF MINISTER OF SINDH**

  A joint meeting with the Prime Minister and Chief Minister of Sindh and other Government Officials was held on 3rd September, 1997 followed by lunch hosted by the Chief Minister, Sindh. A copy of the Presidents speech and the Minutes of the Meeting can be seen in **Appendix-21 (i) to (vi).**

- **MEETING WITH SENATOR AHSAN IQBAL, MINISTER OF STATE & CHIEF COORDINATOR PAKISTAN 2010 PROGRAM**

  This meeting was held in Karachi on 8th October 1997. A copy of the President's speech along with the Minutes of the Meeting can be seen in **Appendix-22 (i) to (iii).**

- **LUNCH MEETING HOSTED BY MR. NAWAZ SHARIF, PRIME MINSTER OF PAKISTAN IN ISLAMABAD ON 21ST OCTOBER, 1997**

  A Luncheon Meeting hosted by Mr. Nawaz Sharif, Prime Minister of Pakistan was held on Tuesday 21st October, 1997 in Islamabad, to meet the President of the World Bank. President & Secretary General attended the meeting.

- **MEETING WITH CHIEF MINISTER OF SINDH HELD IN CHIEF MINISTER'S HOUSE ON 24TH OCTOBER 1997**

  A copy of the President's letter to the Chief Minister and Memorandum of the Meeting can be seen in **Appendix-23 (i) to (ii).**

- **CHAMBER'S COMMENTS ON NEW POLICY FOR INDEPENDENT POWER PLANT (IPP)**

  The President addressed the Federal Secretary Ministry of Water & Power vide his letter dated 17th November, 1997 on Government's new policy for Independent Power Plant. **Appendix-24 (i) to (iv).**

- **FOURTH ECONOMIST ROUNDTABLE CONFERENCE IN ISLAMABAD ON DECEMBER 3 – 5, 1997**

  Mr. Tariq M. Amin, Chief Representative, Rhone Poulenc Group represented the Chamber at the round table conference organized by the Economist.

- **WORKSHOP AT HOLIDAY INN. ISLAMABAD ON DECEMBER 8 & 9, 1997 – MINISTRY OF WATER & POWER**

  Mr. D. M. Woodroffe represented the Chamber at this meeting in Islamabad.

- **MEETING OF THE PRIVATE SECTOR ADVISORY COUNCIL (PSAC) IN ISLAMABAD ON 19TH JANUARY, 1998**

  President attended the above meeting. A copy of the Secretary General's Note dated 16th January 1998 outlining the issues can be seen in **Appendix-25 (i) to (ii).**

♦ OTHER CORRESPONDENCE

- Chamber's letter dated 19th March, 1997 issued to Ministry of Finance and Economic Affairs, Government of Pakistan, on amendments to the Insurance Act 1938. Text can be seen in **Appendix-26 (i).**

- The Chamber addressed the Secretary, Ministry of Commerce vide letter dated 19th March, 1997 requesting for Chamber's representation on Insurance Advisory Board. Reference **Appendix-27 (i).**

- The Chamber's letter dated 17th June, 1997 drawing the attention of the Governor, State Bank of Pakistan on the issue of "Foreign Currency Life Insurance Policy" is appearing in **Appendix-28 (i) to (ii).**

✪ VISITORS TO THE CHAMBER

During the period under review following visited the Chamber.

- **16th January, 1997** - **Chairman, Monopoly Control Authority**

Mr. Iqbal Junejo, Chairman Monopoly Control Authority visited the Chamber and discussed issues related to Monopoly Control Authority.

- **19th January, 1997** - **Chief Operative Officer of Instaphone/Pakcom Limited**

Mr. Christopher J. Vicic, Chief Operating Officer of INSTAPHONE called on the Chamber and had useful discussions on matters of mutual interest with the Secretary General.

- **15th March, 1997** - **B.P. Exploration**

Mr. Caitlin Philips Commercial Analyst International Gas B.P. Exploration visited the Chamber and discussed relevant issues with the Secretary General.

- **17th March, 1997** - **IFC Delegation**

An IFC Delegation headed by Mr. Andre Hovaguimian, Director for Central Asia, Middle East and North Africa region visited the Chamber and discussed issues related to investments and economic prospects with the Members of the Chamber.

- **25th March, 1997** - **GTZ Germany**

A two member team of Mr. Peter E. Bibus of Business Advisory Service and Dr. Dieter Stilz, Senior management Consultant of GTZ, Germany visited the Chamber and discussed matters of mutual interest with the Secretary General.

- **2nd April, 1997** - **Delegation from Ghulam Ishaque Khan Institute of Engineering, Sciences and Technology (GIK)**

A team of three professors and head of the departments of GIK Institute headed by its Pro-rector Dr. Manzoor H. Khan appraised the members of the Chamber about the activities and the contributions of the Institute.

- **14th April, 1997** - **Delegation of AUDI group (Germany) along with a group of Allied Engineering Services Ltd.**

A meeting was held with the following persons from VW AUDI Group (Germany) and a group of Allied Engineering Services Ltd. with the President. The VW Group discussed possible investment opportunities in Pakistan.

VW Group	**Allied Group**
Dr. Lutz Wagner	Mr. K. A. Rahman
Dr. Viet Vu-Han	Mr. R. H. Zaidi
Mr. H. J. Dittrich	
Mr. F. Schiller	
Mr. Wolfe	
Mr. Betker	

- **20th May, 1997** - **SARC - Geopolitical Exploratory Mission**

The above SARC mission headed by Professor Fouder visited the Chamber and discussed matters of related interest.

- **22nd May, 1997** - **Austrian Trade Commissioners**

Dr. Carl de Colle and Mr. Frauz Schmirmaul of Austrian Trade Commission called on the Chamber and discussed business and investment environment in Pakistan with the Secretary General.

- **26th May, 1997** - **Professor of the University of Lumiere Lyon, France**

The above gentleman visited the Chamber and discussed with the Secretary General, the possibility of trade in SARRC region.

- **30th May, 1997** - **Representatives of Australian Foreign Affairs & Trade and Australian High Commission in Islamabad**

Mr. David Garner Executive Officer International Trade & Finance of Foreign Affairs & Trade of Australian Government, along with Mr. Geoff Brooks Deputy High Commission of Australian High Commissioner in Pakistan discussed various issues related to growth prospects for Pakistan and the region, the constraints facing the Pakistan Government and prospects of further investments. with the Secretary General.

- **2nd June, 1997** - **Chief Executive of Hoechst Ravi Chemicals Ltd.**

Mr. Brian Carroll of the above organization discussed the role of the Chamber and possibility of attaining its membership with the Secretary General.

- **3rd July, 1997** - **Delegation of FPCC&I**

Mr. Shahzada Alam representing FPCC&I Committee on ITP visited the Chamber and briefed the Members present about the methodology of ITP Valuation as in vogue with Pakistan Custom, and exchanged views on the subject.

- **3rd July, 1997** - **Central Depository Company of Pakistan**

A meeting with Mr. Najam Ali, the Chief Executive Officer of the Central Depository Company of Pakistan Limited was held in the Council Hall of the Chamber to remove some of the apprehensions of member Companies in particulars the regulations relating to the Central Depository Company.

- **21st July, 1997** - **British Deputy High Commissioner**

Mr. David Merry, British High Commissioner, visited the Chamber and discussed with the Secretary General of the Chamber, the foreign Investment, climate in Pakistan and matters of mutual interest.

- **7th August, 1997** - **Dr. Takashi Shinoda**

Dr. Takashi Shinoda, Professor of Economics, faculty of International Relations, Daiio Bunka University, Japan, visited the Chamber and discussed with the Secretary General of the Chamber, the role of the Chamber and other matter of mutual interest.

- **13th August, 1997** - **Country General Manager, 3M Pakistan (Private) Limited**

Mr. Andy Lanes, Country General Manager of 3M Pakistan Limited visited the Chamber and had discussions with the Secretary General on the growth and prospects of business in Pakistan.

- **13th August, 1997** - **Standard & Poor**

Mr. Guido Cipriani (Director Sovereign Ratings) and Mr. Joydeep Mukkerji (Associate Director, Standard Ratings) of Standard & Poor's visited the Chamber at the behest of State Bank of Pakistan. In the absence of the President discussions were held with the Secretary General of the Chamber on the growth prospects of the economy and in particular the revival of the manufacturing sector.

- **25th August, 1997** - **Suez Lyonnaise Des Eaux**

Mr. Jerome Monod, Chairman of Suez Lyonnaise Des Eaux accompanied by three Senior Executives visited the Chamber and met Mr. Naseem Ahmad, President & Mr. I. S. Sangster, Vice President on 25th August, 1997 at 3 PM. They discussed the investment environment in the Country.

- **1st September, 1997** - **SGS Pakistan**

Mr. Roy Hamilton and Mr. David Murray of SGS Pakistan visited the Chamber on 1st September, 1997 and discussed with the Secretary General matters of mutual interest.

- **8th October, 1997** - **Minister of State – Pakistan 2010 Program**

Senator Ahsan Iqbal, Minister of State & Chief Coordinator, Prime Minister's Pakistan 2010 Program had a meeting with the Members of the Chamber.

It was agreed that the contact point in OICC&I will be the Secretary General along with a team of Resource Persons.

- **10th October, 1997** - **Confederation of British Industry**

Mr. A. J. Clarke, Head of Asia Pacific Department, International Markets Division, Confederation of British Industry (CBI) accompanied by Mr. Sleem Majidullah (CBI's Representative in Pakistan) had a meeting with the President and the Secretary General and discussed matters of mutual interest.

- **13th October, 1997** - **Swedish Delegation**

A 12 member Swedish Delegation led by Mrs. Yvonne Gustafsson, Secretary of Trade at the Ministry of Industry & Trade accompanied by H. E. The Ambassador and the Honorary Consul General of Sweden had a meeting with the Secretary General and other Members and exchanged views.

- **14th October, 1997** - **Australian High Commissioner**

Mr. Geoff Allen, Australian High Commissioner met the Secretary General and discussed matters of mutual interest.

- **20th October, 1997** - **Confederation of Indian Industry**

Mr. T. K. Bhaumik, Senior Advisor, Confederation of Indian Industry met the Secretary General and other Members.

- **8th November, 1997** - **Export Import Bank Japan**

Economic Appraisal Mission of Six Members led by Mr. Kuniki Nakamori, Assistant Director General of Japan Export Import Bank visited the Chamber. Mr. I. S. Sangster, Vice President welcomed the distinguished guests to the Chamber and gave a brief review about the activities of the Chamber.

- **18th November, 1997** - **Canadian High Commissioner**

H. E. Mme Marie-Andree Beauchemin, Canadian High Commissioner, Mr. John M. Davason, Political / Public Affairs Section and Mr. Ahsanul Haq, Commercial Officer visited the Chamber. Mr. S. Naseem Ahmad, the President welcomed the Mission Members.

- **19th November, 1997** - **German Office of Foreign Trade**

Mr. Eric Czotscher, Director, German Office of Foreign trade, Dubai U. A. E. visited the Chamber. Deputy Secretary briefed him of the climate of foreign investment and prospect of mutual trade.

- **24th November, 1997** - **Team of Administrative Staff College, Lahore**

Domestic Study Tour on Revival of Industrial Sector for Export Enhancement of Pakistan Administrative Staff College, Lahore comprising of Nine Officers, led by Mr. Mohammad Tariq Janjua visited the Chamber. Mr. S. Naseem Ahmad, President and other Members of the Managing Committee welcomed the Group.

- **25th November, 1997** - **Chamber of Commerce Sussex**

Mr. Mohammad Sear, Mission Leader of Sussex Enterprise, representing the Chamber of Commerce for Sussex visited the Chamber. Deputy Secretary met and discussed with him matters of mutual interest.

- **7th January, 1998** - **Asia Society**

Mr. Johathan Mark Kenoyer of Asia Society visited the Chamber and made a presentation to the Managing Committee on the Asia Society project on Pakistan.

✪ ACTIVITIES OF CHAMBER STANDING SUB COMMITTEES

CHAMBER STANDING SUB COMMITTEES FOR 1997-98

The following were appointed Chairman of the respective Sub Committees. Chairman of each Subcommittee along with the Secretary General was authorized to constitute other Members of the Sub Committee:

1. Administration	Chairman	Mr. Naseem Ahmad
2. Banking & Finance	Chairman	Mr. M. Younas Khan
3. Commercial & Industrial	Chairman	Mr. Munnawar Hamid
4. Port Trust & Communications	Chairman	Mr. D. M. Woodroffe
5. Taxation	Chairman	Mr. Fuad A. Hashimi
6. Corporate Law	Chairman	Mr. Tariq Amin
7. Environment	Chairman	Mr. Zaffar Khan
8. Insurance	Chairman	Mr. Zakir Mahmood
9. Labour	Chairman	Mr. Kamran Y. Mirza

Detailed List of the Members of the Standing Sub Committees can be seen in **Appendix-29 (i) to (iii).**

♦ ADMINISTRATION

The Following were appointed Members of the Administration Sub Committee.

Chairman	President
Co-Chairman	Vice President
Member	Mr. D. M. Woodroffe

♦ BANKING & FINANCE

During the period January to December, 1997 the committee held its meeting on 16th January, 18th March, 30th June, 8th July, 11th July, 22nd July, 29th July, 1st August and 4th November, 1997. Minutes can be seen in:

Appendix 30 (i) to (ii)
Appendix 31 (i) to (iii)
Appendix 32 (i) to (iii)
Appendix 33 (i) to (ii)
Appendix 34 (i) to (ii)
Appendix 35 (i) to (ii)
Appendix 36 (i) to (ii)
Appendix 37 (i)
Appendix 38 (i) to (iii)

♦ COMMERCIAL & INDUSTRIAL MATTERS

The Committee held its meetings on 14th April, 2nd May, 9th June, 1st September and 17th December as appearing in Appendices. The Committee, during the period under review also finalized Chamber proposals for the trade policy for submission to the meeting of the Advisory Council of the Ministry of Commerce, Islamabad, duly approved by the Managing Committee. Copies of the minutes can be seen in:

Appendix 39 (i) to (iii)
Appendix 40 (i) to (ii)
Appendix 41 (i) to (ii)
Appendix 42 (i) to (ii)
Appendix 43 (i)

Trade Policy Proposals 1997-98 can be seen in **Appendix-44 (i) to (vi).**

♦ CORPORATE LAW

The Committee meeting was held on 8th April, 1997 and on 30th December, 1997. Minutes of the meeting can be seen in:

Appendix 45 (i)
Appendix 46 (i) to (ii)

♦ ENVIRONMENT

The Committee had its deliberation on 25th February, 17th September and 5th December, 1997. Copies of the minutes can be seen in:

Appendix 47 (i) to (ii)
Appendix 48 (i) to (ii)
Appendix 49 (i) to (ii)

♦ INSURANCE

The Committee's meetings were held on 4th September, 25th September, and on 15th December, 1997. Minutes of the meeting can be seen in:

Appendix 50 (i) to (ii)
Appendix 51 (i) to (ii)
Appendix 52 (i)

♦ LABOUR

Labour Sub Committee held its meeting on 28th August and 27th November. Minutes of the meeting can be seen in:

Appendix 53 (i) to (ii)
Appendix 54 (i)

♦ PORT TRUST & COMMUNICATIONS

This Committee's meetings were held on 29th August and 18th December. Minutes of the meeting can be seen in:

Appendix 55 (i) to (ii)
Appendix 56 (i) to (ii)

♦ TAXATION

Meetings of the Taxation Sub Committee took place on 6th January, 2nd February, 13th February, 17th February, 23rd February, 27th February, 28th August, 7th October, 13th November and 4th December, 1997. Minutes can be seen in:

Appendix 57 (i) to (ii)	**Appendix 62 (i)**
Appendix 58 (i)	**Appendix 63 (i) to (vi)**
Appendix 59 (i) to (ii)	**Appendix 64 (i) to (iii)**
Appendix 60 (i) to (ii)	**Appendix 65 (i) to (ii)**
Appendix 61 (i)	**Appendix 66 (i) to (ii)**

The Committee in its deliberation in the above meetings finalized Chamber's proposals for the Federal Budget 1997-98. These can be seen in **Appendix-2 (i) to (ix).**

ADMINISTRATION AND OTHER MATTERS

ANNUAL GENERAL MEETING

137th Annual General meeting was held on June 25, 1997. Mr. T. V. Higgins presided over the meeting.

Vice President Mr. S. Naseem Ahmad of Philips Electrical Industries of Pakistan Limited succeeded Mr. T. V. Higgins as the President of the Chamber.

Mr. I. S. Sangster O.B.E. Chairman, Lever Brothers Pakistan Limited was the only candidate for the office of the Vice-President. Mr. I. S. Sangster accordingly was elected ipso facto Vice president of the Chamber for the year 1997-98. While eight members were elected as Members of the Managing Committee.

OBITUARY – MR. MASUD KARIM

The Managing Committee recorded the sad demise of Mr. Masud Karim, Ex President of the Chamber on 19th November, 1997 and approved the condolence letters sent by the Chamber to Mrs. Masud Karim and Mr. Azhar Karim.

The Committee appreciated the valuable services of late Mr. Masud Karim to the Chamber and prayed that God may grant his soul eternal rest and give courage and strength to his Widow and family to bear this irreparable loss.

ACT OF TERRORISM – UNION TEXAS PAKISTAN LIMITED

Managing Committee approved the Press Note and Condolence letter sent to Union Texas Pakistan Inc., dated 13th November, 1997 when a vehicle carrying personnel of Union Texas Pakistan Inc., was ambushed and four U.S. Citizens and one Pakistani were killed in Karachi.

INFLATION COST OF LIVING SURVEY

M/s A. F. Ferguson Associates who were assigned to carry out Inflation Cost of Living Survey 1997 which was circulated to the contributing members.

BUSINESS PERCEPTION SURVEY

Managing Committee decided to conduct a Business Perception Survey. Secretary General circular of No.4 of 12th January 1998 covers the detail.

MERCHANTS GOLF CUP 1997

Karachi Merchant Golf Cup Competition was held on Sunday, 23rd March, 1997 at Karachi Golf Club. This tournament is sponsored by Overseas Investors Chamber of Commerce & Industry every year since 1923.

A large number of entries were received. Mrs. T. V. Higgins distributed the prizes to the following winners.

CHAMPIONSHIP	:	Mr. Mohammad Ali Hai & Master Ali Qasim Naqvi
RUNNERS UP	:	Mr. R. J. Roulston & Mr. William J. Hargan

BOOBY PRIZE	:	Miss. Amina Haq & Mr. Rehman Ghori
HOLE-IN-ONE	:	Lt. Abdul Rehman

Congratulating the winners of this coveted trophy and scorer of HOLE-IN-ONE, Mr. T. V. Higgins thanked the participants and wished luck next year for those who came close to the winning.

MEASUREMENT DEPARTMENT ACTIVITIES

In the year 1997 the Measurement Department hosted a revenue of Rs.1,055,120 compared to 1996 revenue of Rs.1,042,000. Revenues of the earlier years were:

		Rs.			Rs.
1989	-	355,000	1994	-	993,000
1990	-	327,000	1995	-	938,000
1991	-	727,000	1996	-	1,042,000
1992	-	967,000	1997	-	1,055,000
1993	-	958,000			

KARACHI CHAMBER HOSPITAL ASSOCIATION

The Hospital Association's affairs are conducted by a Managing Committee of the Association, elected annually. The Chairman of the Association is nominated by the Chamber. Mr. S. H. A. Bukhari of Mackinnon Mackenzie was nominated as the Chairman of the Association for 1997. The Deputy Secretary of the Chamber acts as Secretary to the Association. The Secretarial services are provided by the Chamber,. This Association held its Annual General Meeting on 30th June. 19997, copy of the report is available.

REMEMBRANCE DAY – 1997

Mr. I. S. Sangster OBE, Vice President attended the ceremony on Sunday 9th November, 1997 and a wreath was laid on behalf of the Overseas Investors Chamber of Commerce & Industry at the Karachi War Cemetery.

BUSINESS TRAVEL – FOREIGN EXCHANGE & VISAS

The Chamber during the year continued to endorse Certificates attached to T-2 Forms of the State bank of Pakistan for the representatives of Member companies who traveled abroad on business. Under the De-regulation policy of the Government, the need for exercising control on travel needs to be reconsidered by the Government. Forty Six members availed this facility during the year.

Overseas
Investors
Chamber of
Commerce
& Industry.

10th April 1998

COMMITTEE REPORT ON THE ACCOUNTS FOR 1997

The audited accounts of the Chamber for the year ended 31st December 1997 together with Auditors Report thereon, are attached.

The current year's working has resulted in excess of income over expenditure amounting Rs.4,090,062/- as compared to Rs.5,924,485/- for last year. After providing for Income Tax for the year amounting to Rs.550,000/- this surplus is reduced to Rs.3,540,062/-.

The income of the Chamber increased by Rs.526,119/- compared to previous year. The Chamber's Foreign Currency investment however registered a much lower exchange gain.

The expenditure for the year compared to last year increased by Rs.2,360,542/-. The major increases have been in Lease Rental charges due to acquisition of new air-conditioning plant as replacement of old plant, utility charges, travelling expenses and some increases in personnel cost. The Merchant Golf Cup Competition, which was not played in the previous year, has also contributed to increase in expenses.

S. NASEEM AHMAD	ZAHID ZAHEER	MEMBER
PRESIDENT	SECRETARY GENERAL	

CHAMBER OF COMMERCE BUILDING
TALPUR ROAD,
P. O. BOX NO.4833
KARACHI-74000,
PAKISTAN

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92-21-241 08 14
92-21-241 08 15
FAX: 92-21-242 73 15

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

OTHER OFFICES AT
LAHORE - RAWALPINDI - ISLAMABAD

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E-mail : affco-abs@cyber.net.pk
affco-tax@cyber.net.pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Overseas Investors Chamber of Commerce and Industry as at December 31, 1997 and the related income and expenditure account together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and income and expenditure account together with notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and income and expenditure account together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 1997 and of the surplus for the year then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

A F Ferguson & Co
Chartered Accountants
28 APR 1998

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

BALANCE SHEET AS AT DECEMBER 31, 1997

	Note	1997 Rupees	1996 Rupees
SURPLUS ACCOUNT			
Balance at January 1		13,923,425	8,648,940
Surplus for the year		3,540,062	5,274,485
		17,463,487	13,923,425
SURPLUS ON REVALUATION OF FIXED ASSETS	3	1,169,659	1,169,659
DEFERRED INCOME	1(c)&2	37,680	50,240
DEFERRED LIABILITY			
Provision for staff gratuity		1,631,156	1,294,885
CURRENT LIABILITIES			
Crerditors		222,202	319,887
Accrued liabilities		2,569,333	2,374,104
Provision for taxation		1,777,127	2,123,607
Subscription received in advance		1,612,600	1,678,050
Retention money		112,866	-
Rentals received in advance		3,264,534	1,166,077
Other liabilities		327,697	346,435
		9,886,359	8,008,160
		30,188,341	24,446,369

	Note	1997 Rupees	1996 Rupees
FIXED ASSETS	3	2,365,742	2,770,152
CAPITAL WORK-IN-PROGRESS		605,303	3,933,391
INVESTMENTS - at cost	4	7,150,000	2,000,000
LONG-TERM DEPOSITS		719,460	96,145
CURRENT ASSETS			
Spare parts and stationery - at cost		199,623	385,398
Sundry debtors - considered good		524,979	337,919
Accrued return		1,870,383	1,044,730
Short-term prepayments and other receivables.		269,098	584,773
Cash and bank balances	5	16,483,753	13,293,861
		19,347,836	15,646,681
		30,188,341	24,446,369

The annexed notes form an integral part of these accounts.

President Secretary General Member

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1997

	NOTE	1997 Rupees	1996 Rupees
INCOME			
Membership subscription and entrance fee		3,781,990	3,628,802
Fees for measurement, etc.		1,055,120	1,042,051
Secretarial fees		60,000	60,000
Commission on sale of publications		2,760	4,752
Building Fund Contribution		372,238	356,419
Surplus on compilation of cost of living index		28,000	98,000
Rent		2,556,312	2,140,165
Airconditioning charges		3,546,946	2,969,538
Return on investments		1,630,061	1,138,808
Deferred income	2	12,560	12,560
Exchange gain		1,257,382	2,309,708
Other income		99,545	115,992
		14,402,914	13,876,795
EXPENDITURE			
Salaries and allowances		3,995,057	3,458,490
Contributions to provident fund		183,433	164,420
Contributions to Employees' Old Age Benefits Institution		40,056	33,336
Medical expenses		221,668	192,139
Provision for staff gratuity		336,271	300,266
Cost of staff uniforms		46,950	30,900
Entertainment expenses		134,342	110,905
Insurance [net of recoveries Rs10,137;(1996: Rs.10,137)]		184,091	190,908
Electricity and gas [net of recoveries Rs 121,100 (1996: Rs 35,475)]		768,483	716,135
Municipal taxes and ground rent [net of recoveries Rs 89,150 (1996: Rs 42,478)]		54,814	48,611
Repairs to building, furniture, equipment and airconditioning plant.		433,589	259,326
Postage, telegrams and telephone		365,673	390,145
Printing and stationery		537,034	492,785
Books and periodicals		61,247	94,919
Subscriptions		40,400	23,500
Travelling expenses		311,328	191,911
General expenses [net of recoveries Rs 55,955 (1996: Rs 27,645)]		519,776	431,856
Motor car maintenance		91,435	117,628
Depreciation		111,588	136,228
Loss on sale of fixed assets		161,830	-
Bad debts		-	26,601
Legal and professional charges		214,500	32,125
Auditors' remuneration	6	81,475	80,030
Golf Club competition		139,038	-
Lease Rentals [net of recoveries Rs 317,744; (1996: Rs 317,744)]		1,216,814	372,446
Generator running expense		61,960	56,700
		10,312,852	7,952,310
SURPLUS BEFORE TAX FOR THE YEAR		4,090,062	5,924,485
Taxation - current		550,000	650,000
SURPLUS AFTER TAXATION FOR THE YEAR		3,540,062	5,274,485

The annexed notes form an integral part of these accounts.

President — Secretary General — Member

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1997

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Overall Valuation Policy

These accounts have been prepared under the historical cost convention except that leasehold land shown under fixed assets has been included at revaluation referred to in notes 1(c) and 3 below.

(b) Staff Gratuity

The Chamber operates an approved unfunded gratuity scheme, covering all employees whose period of service with the Chamber is five years or more and provision is made annually to cover its obligation under the scheme.

(c) Fixed Assets

These are stated at cost less accumulated depreciation except leasehold land which includes a surplus on revaluation carried out on December 31, 1968.

Depreciation on all assets except leasehold land, is charged to income applying the reducing balance method. Cost of leasehold land is depreciated over the lease period using the straight line method. Full year's depreciation is charged on additions during the year whereas no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred; gains and losses on disposal of fixed assets are included in income currently.

Assets donated are capitalized at market value and corresponding credit is recognized as deferred income. Deferred income is credited to Income and Expenditure Account over a period of useful life of these assets.

(d) Spare Parts and Stationery

These are valued at cost using the first-in-first-out method.

(e) Revenue Recognition

Income from investments is accounted for on an accrual basis.

2. DEFERRED INCOME

	1997 Rupees	1996 Rupees
Balance as at January 1	50,240	62,800
Less: Credited to Income and Expenditure Account	(12,560)	(12,560)
	37,680	50,240

3. FIXED ASSETS

		Cost or valuation at January 1, 1997	Additions/ (disposals)	Cost or valuation at December 31, 1997	Accumulated depreciation	Net Book value as at December 31, 1997	Annual rate of depreciation %	Depreciation charged during the year
Leasehold land		2,406,909	-	2,406,909	989,801	1,417,108	-	24,746
Building		457,958	-	457,958	202,509	255,449	2	5,213
Airconditioning plant		1,032,884	(1,032,884)	-	-	-	-	-
Electrical installations		355,272	-	355,272	252,128	103,144	7.5	8,194
Office furniture, fittings and equipments		1,137,032	119,010	1,256,042	666,001	590,041	5 & 15	73,435
	Rupees	5,390,055	119,010 (1,032,884)	4,476,181	2,110,439	2,365,742		111,588
1996	Rupees	5,390,055	-	5,390,055	2,619,903	2,770,152		136,228

A revaluation of land and Chamber's Building was carried out on December 31, 1968 and the revaluation surplus of Rs 1,169,659 was determined as follows:

Cost to December 31, 1968		733,322
Accumulated depreciation to December 31, 1968		278,444
Net book value at December 31, 1968		454,878
Revaluation		1,624,537
Revaluation surplus	Rupees	1,169,659

		1997 Rupees	1996 Rupees
4.	INVESTMENTS - at cost		
	Short term Federal Investment Bonds	2,550,000	-
	Defence saving certificates	2,000,000	2,000,000
	NDFC - Goldern Jubilee Certificates of deposit	2,600,000	-
		7,150,000	2,000,000

5.	CASH AND BANK BALANCES		
	With banks		
	on current accounts	1,855,831	660,125
	on foreign currency savings account	4,067,996	3,552,181
	on foreign currency deposit account	10,556,358	9,075,915
	Cash in hand	3,567	5,640
		16,483,752	13,293,861

6.	AUDITORS' REMUNERATION		
	Audit fee	20,000	20,000
	Audit of accounts for filing income tax return	20,000	20,000
	Tax services	35,000	35,000
	Excise duty	4,311	4,094
	Out of pocket expenses	2,164	936
		81,475	80,030

7. CORRESPONDING FIGURES

Previous year's figures have been re-arranged, wherever necessary for the purposes of comparison.

President　　Secretary General　　Member

APPENDICES
INDEX

APPENDICES *(Continuation)*

19th January, 1997.

Chairman,
Central Board of Revenue,
ISLAMABAD.

Dear Sir,

BUDGET SUBMISSION – 1997-98

We have pleasure in enclosing two papers for consideration by the Government in connection with the formulation of the Budget proposals for 1997 – 98.

The first paper is an updated version of what was submitted to the Government in October, 1996 and covers certain aspects in more detail.

The second paper is an updated version of what was submitted last year. We make no apologies for resubmission, as it spells out clearly the more important policy issues as identified by the OICC&I. The fact that virtually no heed of the recommendations was incorporated into the budget when announced only makes it that much more important to reiterate the important points of policy contained therein.

It is normal practice that the submission by the Chamber is accompanied by a series of detailed tax proposals. On this occasion the limited time available has prevented completion of the list of tax proposals. Nevertheless a list is currently under preparation and will be submitted within the next three weeks.

In the past the Chamber has been granted the opportunity to present its proposals in person to appropriate government officials at a joint meeting in Islamabad. We would welcome such an opportunity again this year. The need for government and commerce / industry to work together to ensure the recovery of the overall economy of the country has never been greater. The Overseas Chamber is fully prepared to play its part.

Regards.

Yours truly,

T. V. HIGGINS
PRESIDENT

Attachments:

c.c.: Mr. Mueen Afzal,
Federal Secretary,
Ministry of Finance

21st March, 1997.

Mr. Hafeezullah Ishaq,
Chairman,
Central Board of Revenue,
Government of Pakistan,
Islamabad.

Dear Sir,

BUDGET PROPOSALS FOR 1997-98

As requested vide CBR's letter No. 7(5) Admin. III/97 of 17th December, 1996, we have pleasure to submit two copies of our composite suggestions for the Federal Budget 1997-98.

We have already submitted to you along with our earlier letter of 19th January, 1997, General Policy Proposals for the 1997-98 Federal Budget. We have now added specific tax proposals. The proposals have been grouped as under.

Matters relating to:

1. Income Tax, Wealth Tax, Capital Value Tax

2. Custom Duties

3. Central Excise & Sales Tax

We are forwarding two copies each of tax proposals to respective Members in Central Board of Revenue i.e.

- Member (Income Tax & Wealth Tax)
- Member (Custom)
- Member (Central Excise)
- Member (Sales Tax)

With best regards,

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY

PROPOSALS FOR FEDERAL BUDGET 1997-98

1. INCOME TAX, WEALTH TAX, CAPITAL VALUE TAX

(a) Amendments desired in Income Tax Ordinance.

(i) SECTION 2 (26) (b)

The change in income year has caused disruption and increased cost to many companies. *All corporate assesses should be allowed to choose their own* income year, as was allowed in Section 2(26).

(ii) SECTION 12 (12)

It is normal practice that at the end of the lease term, lessees purchase the assets at a residual value, which could be lower than the fair market value (FMV). In such cases, the tax authorities have taxed the difference between the price paid and the FMV, as the deemed income of the lessee.

It is suggested that the sales price of the leased assets at their residual value be accepted in the hands of the lessee by the tax authorities.

(iii) SECTION 23(x)
CBR CIRCULAR NO 1 (48) IT-1/82 DATED AUGUST 8TH , 1983

At present the tax authorities allow only the public sector banks to treat their bad and doubtful debt provision as tax deductible. This is in violation of the CBR instruction in 1992 to the tax assessment authorities that the provision for bad and doubtful debts should also be allowed as tax deductible to the foreign, privatized and private banks. It is suggested that the anomaly should immediately be removed.

(iv) SECTION 24 (e)
Insurance companies should also be allowed head office expenses in the same manner as allowed to branches of other foreign companies.

(v) SECTION 24 (i)
Without prejudice to what is stated in item 1(c) below, regarding rule 18(a), for the purpose of calculation of excess perquisites u/s 24(i) of the Income Tax Ordinance we suggest that appropriate amendment be made to exclude perquisites paid to those employees who are paying tax thereon under the Income Tax rules.

(vi) SECTION 50 (2)
At present the withholding tax on interest and securities is 58% for the foreign banks, whereby the rate of tax in respect of local banks is 33%. This is unfair *and unjust and it is suggested that this discrimination between foreign banks and* local banks be removed so that there is only a single rate of withholding tax on interest on securities.

SECTION 50(4) AND 50 (5)

(vii) A further proviso be introduced in section 50(5), as in the case of 50(4) to permit the Commissioner of Income Tax to issue a suitable exemption certificate at the import stage, in the case of assesses (and not restricted to manufacturers only) where they can file their own estimate of income showing that the tax liability is *fully discharged by deductions already made.*

SECTION 50(4) AND 50 (5)

(viii) Under the provisions of Section 50(4) and 50(5) of the Income Tax Ordinance, tax deduction at source is also made on the amount of Sales Tax. Since Sales Tax is the amount ultimately recoverable from the final buyer and the same does not constitute the element of sales price, it is suggested that appropriate amendment be made for exclusion of Sales Tax for the purpose of deduction at source u/s 50(4) and 50(5) of the ordinance.

SECTION 58(2)

(ix) Requirement to file statements of assets and liabilities may be made mandatory only in cases of assesses with income in excess of Rs. 300,000/-.

(SECTION 79)

(x) The policy inclination which lead to the substitution of the provisions of section 79 of the income tax ordinance, 1979 (the ordinance) in 1992 has not been understood by the local tax authorities. There is a need for a guideline from the Central Board of Revenue to spell out in clear terms the do's and dont's which triggers off the provisions of section 79.

SECTION 80(d)

(xi) Turnover tax under 80(d) should be charged on net sales value by excluding Sales Tax, Excise Duty, Development Surcharge and other Government levies. Furthermore assesses who have tax losses arising from accelerated tax depreciation should be excluded from the applicability of Section 80(d).

SECTION 85(2) AND 129(2)

(xii) *The stay of 85% of demand at the first stage of appeal U/S 85 should be* reinstated. Tax authorities should pay compensation on any tax paid on the add backs made at the time of assessment, where the appellate's decision goes in the assesses favour.

SECTION 96

(xiii) Strict instruction be issued to the assessing officers to issue refund cheques together with the assessment order U/S 96 without any delay. Delays should be compensated at 24% p. a. from the date of finalization of assessment.

First schedule

CLAUSE (a) (1) AND (ia) OF PROVISO TO PARA A OF PART 1

(xiv) Basic income tax exemption limit for employees should be increased from the current level of Rs. 50,000/- to Rs. 65,000 to reflect the impact of inflation over the past two years.

PARA B(b) OF PART III

(xv) Surcharge should be made applicable only in cases where salary income exceeds Rs. 300,000.

PARA A (2) OF PART V

(xvi) The rate of tax for banking companies is higher than that applicable to private and public limited companies. This tantamounts to discrimination and needs correction.

SECTION 50(6A) AND SECTION 80B(2)

(xvii) As per the present Law, the Unit Trust is treated as a public limited company taxed at 33% which will be applied to unit trust's investments in fixed income schemes. In addition, a trust will also be required to deduct withholding tax at the rate of 10% from payments to its unitholders. The total tax liability of an individual investing in a security through a unit trust will be approximately 40% compared to only 10% if he invests directly. Furthermore, the individual has to bear the trust's expenses.

In our opinion there should be no double taxation on Unit trusts as Unit trusts are distinct from companies engaging in commercial transactions. They are simply a vehicle for investors to pool their investment funds and benefit from professional advice (the investment advisory companies are already taxed on their commission).

Third schedule

RULE 5(1) (c)

(xviii) Reduction in the rate of initial depreciation from 40% to 25% is not conducive to industrial investment and should be re considered or at least made applicable from the current income year.

PROVISO TO RULE 8(5) (D)

(xix) The limit of maximum value for depreciation on motor cars which was fixed in 1994 at Rs. 600,000 be increased to Rs. 1,200,000 Furthermore, all locally produced vehicles, irrespective of the cost, should enjoy depreciation on full value of the vehicle.

Sixth schedule

CLAUSE (b) OF RULE 3 OF PART 1 AND SRO 709(1)/80 DATED JUNE 26TH, 1980

(xx) Income Tax on Interest Income and Provident Fund in excess of 16% and in excess of 1/3rd of salary is not conducive to savings. These limits should be removed.

Second schedule

(xxi) CLAUSE 89

Tax exemption available to Chambers of Commerce under clause 89 has been withdrawn. This should be restored.

(xxii) CLAUSE 129

Wealth Tax, paid by assessees should be deducted from total income as practiced prior to Finance Act, 1994.

(xxiii) OTHER

Tax exemption should be given on markup payments on housing loans.

1.(b) AMENDMENTS IN INCOME TAX RULES

RULE 18(a)

It is suggested that rule 18(a) of the Income Tax rules applicable to employees of private sector corporates drawing income of more than Rs. 300,000/- be removed in toto

RULE 50 OF PART V

Withholding tax deducted be allowed to be deposited on monthly basis.

1.(c) AMMENDMENTS DENIED IN WEALTH TAX ACT

Limit of exemption from Wealth Tax should be enhanced to Rs. 2 Million on the ground of erosion of Pak Rupee.

1.(d) CAPITAL VALUE TAX

CVT on transfer of capital assets for example motor vehicles, should be exempted in the case of those assesses who can produced N.T.N. certificate, as is done in the case of airline tickets. In the alternative appropriate amendment be made to allow tax payers to adjust CVT paid against their income tax liability.

APPEAL PROCEDURES

Commissioner of Income Tax Appeals and Income Tax Appellate Tribunals should function under Ministry of Law. This would make the appeal procedures more equitable.

2. CUSTOM DUTIES

2(a) Changes desired in Custom Act, Rules and Procedure

(i) Removal of Custom Duty and Sales Tax on import of capital goods (not manufactured in Pakistan).

(ii) The 1% warehouse charges on imported goods including bulk liquid stored in Bond should be withdrawn. Also the period of storage before penal interest, if charged, should be increased to 90 days.

(iii) Custom duties and import levies should not be charged on short landed quantities of bulk liquids. Certificate issued by KPT for short landing should be accepted for this purpose.

(iv) Imposition of Custom Duty @ 10% on pharmaceutical raw and packing materials by Federal Budget 1996-97 should be waived.

(v) **SRO 349 (1) /85** **SRO 510 (1) /88** **SRO 549 (1) /89**
SRO 1147 (1) /89 **SRO 587 (1) /90**

Under the above SROs, concession of duty is allowed on import of raw materials imported for specific purpose.

Recommendations:
Most of the raw materials included in the list are for specific use, however a small quantity of a few of these may be used for other purposes. It is suggested that in such case, a statutory rate of duty should be fixed at the rate allowed under these SROs.

2(b) Proposals regarding changes in the rates of duties alongwith supported data/information and justification

(i) Rate of Custom Duty on finished Switchgear was reduced from 55% to 40%. But similarly reduction was not given to local industry on import of raw materials and components under SRO (501)(I)/94.

It is suggested that custom duty be structured as follows:

	Present	Proposed
Finished Goods (e.g. Switchgears)	40%	40%
Components Raw Material	30% 10%	10%] in term of SRO 501(1)/94 Free] or as reduction in the statutory rate of duty

(ii) Gas cylinders and Liquid Storage cryogenic vessels for high pressure gas which are not manufactured locally attract 65% rate of custom duty (HS Code 7311-000) and should be reduced to 10% as applicable to oxygen plant (HS Code 8419-6000) because these are vital and integral part of plant and machinery.

(iii) **SRO 1050 (1) / 95** 10% regulatory duty on imports

There is no regulatory duty on fertilizers, since it is considered an essential commodity affecting input cost of farmer but there is a 10% regulatory duty on import of pesticides.

Recommendations:

Pesticides are also an essential input cost for the farmer and therefore, imports of these should also be exempt from the regulatory duty so that the benefit may be passed on to the farmer to reduce their input cost.

(iv) **SRO 701(1)/96** dated 21/8/96 & 22/9/96

SRO 560(1)/96 dated 21/8/96 & 22/9/96

Customs Regulatory Measures 1996-97
Under the above mentioned SROs, seeds for Canola, Sunflower and Fodder are exempt from duty, however there is a 35% import duty for Maize seeds.

Recommendation:
It is strongly recommended that this anomaly should be removed and Maize seeds should also be exempted from duty.

3. CENTRAL EXCISE/SALES TAX:

Changes proposed in the Central Excise Act/Rules Excise Duty & Sales Tax Act

(i) SRO 573(1)/96 dated July 03, 1996 allowing for a concessional Sales tax rate of 10% for textile products should be amended to cover the sewing thread manufacturers which are a part of the textile industry.

(ii) Government must adopt measures to collect Sales Tax from all sewing thread manufacturers on a uniform basis. Discrimination such as allowing a fixed rate and/or charging no sales tax at all in the case of some manufacturers under an assumed understanding with the former administration, must be removed forthwith. No deviation from law should be allowed, as it is discriminating against the tax paying manufacturers who in fact pay 18% ST rather than the 10% concessional rate to which they are entitled, as part of the textile sector.

(iii) The distortion of twice taxing cigarettes with central excise duty must be removed. Cigarette manufacturers are forced to pay Tobacco Excise Duty on unmanufactured tobacco and then a heavy Central Excise duty is paid on cigarettes (finished product) based on retail price. The Tobacco Excise Duty which is currently at 20% advalorem (which rate is also being challenged by the tobacco industry) be abolished.

(iv) Power Generating Projects can import plant & machinery without payment of Sales Tax, however, local supplies i.e paints etc. to Power Projects are subjected to sales tax as following SRO's have been withdrawn.

(a) SRO 667 of July 3rd 1994 which exempted local manufacturers from payment of sales tax on supplies made to Power Generation Projects.

(b) SRO 511 of June 1995 which gave exemption of Sales Tax on finished products for supplies made to New Projects or those undergoing BMR.

Above SROs, need to be reinstated.

(v) Central Excise Duty is levied twice, firstly on battery separators which are produced for in-house consumption in the manufacturing of the final product (finished battery) and secondly on the final product itself on the value added basis.

It is suggested that to allow the local industry to become viable the facility of Chapter X of Central Excise Rules, 1944 for in-house consumption of dutiable items be extended to separators also.

Import duty is charged on imported battery as finished product only and no separate duty is charged on separators.

(vi) **<u>Ordinance No. CXXI of 1996</u>** **<u>dated 29/12/96</u>**

This ordinance levies a 10% sales tax on the import of Raw materials used in the manufacture of insecticides meant for agricultural purposes (specified in the seventh schedule)

Recommendation:

The 10% sales tax should be abolished as the Agricultural pesticides imported in the form of Finished Goods are totally exempted from Sale Tax.

<u>Alteration in the existing rates of duties.</u>

(vii) SRO 545(I)/94 dated June 09, 1994 exempts Glass vials and ampoules from payment of Excise Duty used by Pharmaceutical Industry.

It is an anomaly that Excise Duty to the extent of 10% is levied on Glass Bottles and Jars. SRO 545(I)/94 of June 09, 1994 should be amended to include glass bottles and jars along with glass vials and ampoules for exemption of 10% Excise Duty.

(viii) Collapsible Tubes were exempted from payment of Excise Duty vide SRO 545(I)/94 dated June 09, 1994 but subsequently the exemption was withdrawn. These tubes used by Pharmaceutical Industry, for packing of drugs registered under the Drugs Act, 1976 should be re-included in SRO 545(I)/94 dated June 09, 1994.

(ix) Central excise duty at 40% on International and local calls and faxes should be withdrawn, as communication is a necessity.

General

ZERO RATING

(x) Certain products are exempt from Sales Tax. However raw and packing material used in these are not, with the result, that no setoff of input tax is possible. It is suggested that such products be zero-rated so that benefit of input tax can be claimed. This will assist in controlling price of these essential items.

(xi) Inspite of the fact that electronics have now become a part and parcel of our daily life no step has been taken by the Government to create the base for this industry. In the present day technology advancement, if the standard of living is to be maintained at a reasonable level and also for the growth of industrialization activity it is imperative that electronic industry is given a special treatment and zero duty tariff be provided to this industry till such time it is able to stand on its own feet.

TOBACCO INDUSTRY

(xii) Imported cigarettes attract a lesser tax load (Custom Duty and Central Excise Duty) as compared to the CED and ST on locally manufactured cigarettes as can be seen by a comparative statement in Annexure attached. The Government recently increased CED on cigarette import from 25% to 65% advalorem which has not resolved the issue, as a leveled playing field has not yet emerged. It is recommended that measures be taken to ensure that CED and ST on imported cigarettes is no way less than the duties and sales tax payable on the local product. The Government is inadvertently subsidsing import at the expense of local manufacturers. This will encourage tobacco companies to switch from domestic manufacture to import unless the distortion is rectified immediately. The Tobacco Industry is contributing close to Rs. 13 Billion as CED & ST, which is around 8% of total revenue of the State.

Annexure

Comparisons on taxes payable by Domestic Tobacco Indusrty Vs Import

Price / 20's pack (Rs)	**22.00**		**29.00**		**33.00**	
	Per 1000 cig's		**Per 1000 cig's**		**Per 1000 cig's**	
	Rs.		**Rs.**		**Rs.**	
	Imported	**Domestic**	**Imported**	**Domestic**	**Imported**	**Domestic**
C & F Value US$	7.84		11.50		13.40	
C & F Value (Rs)	321.44		471.50		549.40	
Retail Price Rs.		932.20		1,228.81		1,398.30
Import Duty (65%)	208.94		306.48		357.11	
CED (65% Advolerm on C&F Price)	208.94		306.48		357.11	
CED (65% of Retail Price)		605.93		798.73		908.90
Sales tax (18%)	133.08	167.80	195.20	221.19	227.45	251.69
Taxes on Tobacco / Wrapping material		56.16		106.06		156.16
Total Taxes	550.95	829.89	808.15	1,125.97	941.67	1,316.75
Taxes Per 20's Pack Rs.	11.02	16.60	16.16	22.52	18.83	26.33
Taxes (% of consumer Price)	50.09	75.44	55.73	77.65	57.07	79.80
Excess tax on Domestic Industry (as a %age Consumer Price)		25.36		21.92		22.73
Excess Tax on Domestic Industry Per '000 Cig. Rs.		278.94		317.82		375.08
Excess tax on Domestic Industry Per 20's pack		5.58		6.36		7.50
% Age		50.63		39.33		38.83

CONVERSION RATE 1USD = Rs. 41.00

14th March, 1997

POINTS TO BE RAISED WITH MR. SARTAJ AZIZ, FINANCE MINISTER AT DINNER MEETING ON 14TH MARCH, 1997 IN SHERATON HOTEL, KARACHI.

Your Government has inherited an economy which is plagued by huge deficits of trade and balance of payments, large foreign debts and irrecoverable Rupee assets balance, and a high rate of inflation. The economy needs large inward capital flows in addition to the need of improving domestic savings.

To accelerate the inflow of direct foreign investment, there is need to enhance the investment environment further. Some of the areas that need to be addressed in this connection are :

- Credibility in the continuance of the government's policies, to enhance the confidence of the investors.
- Rationalization of tariffs so that manufacturing in Pakistan does not attract more levies, than those levied on the import of the same product.
- Rationalization of overprotective labour laws, inhibit productivity and discourages employment
- A lean and clean government.
- An equitable tax system in which all sectors of economy share the burden of taxes. Salaried employees, business and industry must not be over burdened with taxes.

The following specific issues need your consideration:

1. Credibility in the continuance of the Government's policies

Businessmen look for predictability in the Government's policy and this seems to be missing. Economic policies must be insulated from the political uncertainties. All sides of the political divide must agree on a common economic agenda. The need for national unity cannot be over emphasized. The Government must ensure consistent policies and resist pressures to make frequent adhoc changes in taxes and the legal environment governing economic activity. Examples of such changes are the change in Income Year introduced in the 1995/96 budget and the withdrawal of duty concessions already granted under petroleum and power policies The regulatory duty on imports, the 1% Flood Relief Surcharge also on imports, were introduced for specific purposes and their prolonged use weakened the Government's credibility.

2. The burden of taxation on local manufacturing, makes import more attractive, despite current tariff barriers. See Appendix I for details. In our opinion the local manufacturing must have a 35% advantage in government levies that are payable. The products that have negative advantage, must be provided relief immediately. The rationale for seeking this is shown in Appendix II which covers all the non tariff disadvantages.

3. Imports tariff on capital plant and machinery have discouraged investment, more so in Pakistan where capital is scarce and cost of borrowing high. Such tariffs should not be used for revenue generating purposes, and should only be used to offer protection to local manufacturers of plant and machinery. Because of this high cost, manufacturers are discouraged to modernize and the quality of local industry products are artificially restricted against international competition.

4. **Removal of "L" Form restrictions** by State Bank of Pakistan in respect of local currency borrowing by foreign controlled companies, as this is discriminatory.

5. **Brand imitation counterfeiting and Imports through irregular channels**

Smuggling and the misuse of Afghan Transit is threatening closure of local industry and discouraging legitimate imports causing severe loss of revenue to the Government. Although some measures were taken in budget 1994 - 95, but still local industry and importers are finding it difficult to fight smuggling. The cost of operation of these irregular channels is very low. Brand imitation and counterfeiting is also a major problem.

6. **Over protective Labour laws** that do not encourage productivity and frighten away much needed productive investment. There is need to rationalize the overprotective labour laws, and multiple levies on employment, which inhibit business expansion and job creation. The utilization of funds collected in the name of employees welfare and participation in profits should be made more visible. The government must not interfere in the collective wage bargaining process by announcing adhoc and untimely increase in wages.

7. **Tax Anamolies**

The taxation system seriously needs restructuring. Somehow those who pay their taxes honestly and regularly are being squeezed more and more and those who are outside the tax net are not affected and the number of such people is much more than those who bear the taxation burden. Unsuccessful efforts have been made to enlarge the tax base to cover those segments of our society who have hitherto failed to share this national responsibility. Amendments are brought out every year in the Finance Bill to recover more revenue, even using coercive measures, with source of revenue remaining the same.

The prevailing position can be summarized as:

a. Colossal tax evasion

b. *Taxation measures are not related to the overall economic policies.*

c. There is total lack of confidence between the Tax payer and the Tax collector.

Resulting in :

a. Decline in investment with slowing down of economic activity.

b. Expansion of parallel economy and black money - extent of which is difficult to assess

c. The flight of capital from the country

d. Diversion of business activities leading to short term windfall gains i.e. trading, instead of industrialization, which has led to rise in unemployment.

Fresh and bold initiatives are required. Tax payers should be offered incentives and encouraged to pay taxes. Coercive measures to a very great extent having failed. One meaningful incentive is the reduction in the tax rate to a level which is in line with the cost of concealment, because it cannot be overlooked that tax evasion involves costs. This requires a lower base rate of tax and on top of this there should be incentives for increase tax payments.
The suggestion made by the Chamber is that for any increase in total payments over the base, tax payer ought to receive a rebate on the differential. This would create greater activity and would increase Government revenue and expand the taxable income base which is most desirable.

The present tax system contains numerous anomalies that give rise to perverse incentives, often directly at odds with macro-economic objectives. Examples of some such anomalies are as follows:

a) The imposition of Excise Duty in addition to a uniform Sales Tax is aimed at discouraging the consumption of luxury goods. There is little justification, however, for the imposition of Excise Duties on essential capital goods such as Paints, Electrical Wire and Cables, and other hygiene items, like Detergents, Toilet Soaps, Powder, Shampoos and Creams. The Excise Duties on such goods should be withdrawn.

b) Generally, the levy of Sales Tax & Excise Duty gives an unfair advantage to small scale unorganized sector manufacturers that do not record their transactions. These manufacturers are often less efficient, than their larger competitors. One such example is the thread industry. To remove this unfair and costly advantage, the rates of Sales Tax and Excise Duty should be lowered.

8. There is need to contain discretionary power of tax officials

Expecting business and industry to pay arbitrary taxes up front even before the appeals are heard can hardly be described as a confidence building measure.

The Commissioner of Income Tax Appeal and Income Tax Tribunals should function under the Minis try of Law . This would make the appeal procedure more equitable.

The imposition of infrastructure levy on imports, and exorbitant enhancement of Professional Tax, and the taxation of services, by the Sind Government are inappropriate and need to be withdrawn. The treatment of mark up agreements as Conveyance deeds to attract large stamp duties is another example of misuse of discretionary powers.

9. There is also the need for transparency in the actions of the Government.

Levies collected by the Government for specific purposes must be utilized for the purpose for which they are collected. Few such examples are Iqra Surcharge, Education Fee and a 1% Fee charged for R & D to all Pharmaceutical Companies, Workers Participation and Welfare Funds.

10. There is need to enhance confidence between the business community and the Government.

Government needs to take certain confidence building measures. Business and Industry must not be made to feel that it is them only who must suffer the burden of tax. All sectors of the economy must be made to share this burden, and the largest sector of the economy Agriculture must be no exception.

11. There is need to address the inequities in the Banking sector.

The extraordinary high rate of taxation payable by Banking Companies need to be redressed. The discrimination in the Withholding Tax rate applicable to local and foreign banks, results in a high break even interest rate for foreign banks at 13.43 compared to 13.0% for local banks. Difference in regulatory requirements give a competitive edge to Development Financial Institutions where the break even interest rate is even lower at 11.98%. The difference in the tax rates and reserve requirements across institutions creates uneven playing fields.

12. There is need to address factors that inhibit industrial growth.

Some of these are :

a) The Government excessively uses indirect taxes as revenue generating instruments and also continually increases the cost inputs of public sector goods and services like Petrol, Electricity, Gas and Water. This resulted in escalating costs and reducing profit margins and has a dampening effect on individual incomes and consumption. The rise in the cost of living index has also eroded the purchasing power of the Rupee again resulting in a demand squeeze, with all the negative consequences for industrial growth.

b) Shortage of low risk capital for financing new investment is yet another factor. Depreciation of the Rupee has increased the cost of new investment, as has the imposition of Import Duty on Plant and Machinery. Few entrepreneurs are willing to risk their own capital in new ventures and rely heavily on bank borrowings. Financial institutions are bleeding through non performing loans granted on the basis of patronage or political largesse and are unable to provide capital for new ventures. The insatiable appetite of the Government to borrow from the banking system in addition to squeezing worthy private sector borrowers out of the credit market, has resulted in upward pressure on the interest rates.

c) An important element of inward investment is the cost of investment. To enhance the attractiveness for such investment all capital goods and related spare parts should be rated at zero import duty. To minimize misuse of this facility a minimum investment of say Rs.2 Million should be specified.

8th May, 1997.

Mr. Sartaj Aziz
Finance Minister
Government of Pakistan
ISLAMABAD.

Dear Sir,

In our meeting with you on 14th March, 1997 at Karachi, we had shared with you some of our concerns relating to the need to enhance the investment environment further. A copy of this Memorandum is attached.

We appreciate the government's intention to enhance industrial production resulting in announcing an economic revival package. It appears to us that several fiscal anomalies have been created which enhance the burden of taxes on local production and provide substantial reduction in duties to imported manufactured products.

In the absence of minimal tariff protection, the existing manufacturers would be discouraged to manufacture and their existing investment would be threatened. This would lead to adverse repercussions including redundancy of existing manufacturing facilities unemployment and *higher import bill.*

The above is obviously not the intention of the government. It is understood that the Economic Relief Package through which the government has lowered customs duties was geared to achieve a higher level of local production with higher value addition and higher employment of both physical and human resources. In the circumstances it is desirable that this anomaly may be removed.

It is therefore, strongly requested that a net protection of at least 35% be allowed for the local manufacturing industry against the commercial imports of finished equipment.

To address this issue a fiscal anomalies committee has been constituted by the Government, headed by Mr. Ahadullah Akmal which we understand has received more than 150 instances of anomalies. While we understand the committee is working relentlessly, the task is arduous and onerous but the need to accomplish this is very urgent.

We fear that if further time elapses, the imports of manufactured goods will flood the market and will render local manufacturing industry at a grave disadvantage. We therefore write to seek your intervention in the matter and request you that the fiscal anomaly issues be sorted out well before the next fiscal budget.

Yours truly

S. NASEEM AHMAD
VICE PRESIDENT

<u>Attachments:</u> 7 Pages

17th June, 1997.

PRESS NOTE

The Finance Minister needs to be complimented for presenting very pragmatic budget proposals to the parliament. These proposals do not visualize any new taxation. For a country which has been over burdened with more than Rupees One hundred and fifty Billion additional taxation in the last three years, this is an enormous and welcome change.

The measures adopted for reviving growth in the manufacturing sector are most appropriate and much needed. The manufacturing industry must not be over burdened with taxes and the burden of taxation on imported finished goods reduced to such an extent, so that it is no longer viable to manufacture locally. We are very pleased that effective measures have been timely taken to remove some of the tariff anomalies that had been created as a result of the Economic Revival Program.

The reduction of up front taxes on plant and machinery is also a welcome step, as is the removal of withholding (presumptive) tax on import of oil products. Such taxes when charged at the import stage upon raw materials, only increases the cash flow burden of manufacturers.

The reduction of the general sales tax rate to 12.5% and removal of sales tax on medicines, cement and computer hardware are steps to bring down the prices of essential products, as are the reduction in excise duty on televisions, air conditioners, refrigerators, telephones and professional services, for which the government need to be complimented.

The measures to extend the tax exemption on capital gains and on bonus shares will stimulate the capital market. However, the provision to permit adjustment of Capital Value Tax (CVT) paid against wealth tax liability cannot be availed by companies and will add on a burden to corporations, as they will now be required to pay CVT.

The removal of the 1% Excise Duty on loans and the 5% reduction in the SLR requirement are steps which will improve credit availability to industry. Interest rates need to come down further, and this can happen if the high rate of taxation on banking companies is reduced and brought in line with other public companies.

Clearly there are incentives in the 1997 / 98 budget for revival of the economy, but incentives alone cannot deliver an improved business climate. The issues of economic revival cannot be isolated from the more fundamental issue of good governance, and although some steps have been indicated, the measures to curb smuggling, particularly on food items still needs to be strengthened. The other areas which need strengthening are the streamlining of the public sector where hundreds of billions of assets continue to be under deployed. There is also need to strengthen the regulatory bodies as the impending privatization process is implemented.

The Government has adopted an appropriate strategy of lowering the tax rates in the expectation of better compliance. This needs to come from all sections including the agriculturist, and this Chamber will fully support Government's efforts towards ensuring compliance.

Presented for publication in the next issue of your esteemed newspaper.

ISSUED BY

ZAHID ZAHEER
SECRETARY GENERAL

CHAMBER REPRESENTATIONS ON VARIOUS BODIES FOR THE YEAR 97-98

The following recommendations for the Chamber's representation on Government Semi-Government, Autonomous Bodies and the Federation for the year 1997 - 98 is being proposed for approval by the Managing Committee.

	REPRESENTATION 1996-97		
1.	Managing Committee of the Federation of Pakistan Chambers of Commerce & Industry	(Alternate)	President Vice President
2.	Board of Trustees - Karachi Port Trust		Mr. Naseem Ahmad
3.	Board of Directors - Karachi Electric Supply Corporation		President
4.	Board of Governors-Foreign Trade Institute of Pakistan		President
5.	Board of Governors Pakistan Institute of Management		President
6.	National Engineering Manufacturers Export Council		Mr. Martin Sulger Member Managing Committee Chairman of Standing Sub-Committee on Industrial & Commercial
7.	Sindh Industries Facilities Board		Mr. Munnawar Hamid Mr. Martin Sulger
8.	Sindh Social Securities Board		Chairman of the Standing Sub-Committee on Labour- Mr. Kamran Mirza
9.	Advisory Council for the Finance Division	(Alternate)	President Vice President
10.	Advisory Council for the Ministry of Commerce	(Alternate)	President Vice President
11.	Advisory Committee for the Regional Commissioner of Income Tax and Wealth Tax	(Alternate)	Chairman of the Standing Sub-Committee on Taxation- Mr. Fuad Hashimi Co-Chairman of the above

12.	Karachi Port Trust Council		Co-Chairman of the Standing Sub-Committee on Port Trust & Communication- Mr. M. Moonis
13.	Karachi Dock Labour Board		Co-Chairman of the Standing Sub-Committee on Port Trust & Communication- Mr. M. Moonis
14.	Merchant Navy Club		Co-Chairman Standing Sub-Committee for Shipping and Communication- Mr. M. Moonis
15.	Managing Committee of the Employers Federation of Pakistan		Chairman of the Standing Sub Committee on Labour- Mr. Kamran Mirza
		(Alternate)	Co-Chairman of Labour Sub-Committee
16.	The Institute of Chartered Secretaries and Administrators UK (Pakistan Chapter)		Mr. Fuad Hashimi - Member Managing Committee
17.	Member of Governing Body - Workers Welfare Fund		Chairman of the Standing Sub-Committee on Labour- Mr. Kamran Mirza
18.	Advisory Committee on Customs & Sales Tax		Chairman of the Standing Sub-Committee on Taxation Mr. Fuad Hashimi
		(Alternate)	Co-Chairman of the above Sub Committee
19.	Consultative Committee on Industrial Research		Chairman of the Standing Sub-Committee on Industrial Policy- Mr. Munnawar Hamid
		(Alternate)	Co-Chairman of the above Sub-Committee
20.	Export Processing Zone Authority		Chairman of the Standing Sub-Committee on Commercial Matters Mr. Munnawar Hamid
21.	Executive Committee of Bankers State Bank of Pakistan		Chairman of the Standing Sub-Committee on Banking & Finance- Mr. Younas Khan
		(Alternate)	Co-Chairman of the above Sub-Committee- Mr. Zakir Mahmood

22. Valuation Advisory Committee (ITP) of Collector of Customs Valuation	Mr. Sarfrazuddin - Philips Dr. A. Bandarnaike - Lever's
23. Government of Sindh Labour Advisory Board	Chairman of the Standing Sub-Committee on Labour- Mr. Kamran Mirza
24. National Credit Consultative Council (NCCC)	President of the Chamber
25. Pakistan Environmental Protection Council (PEPC)	Chairman Standing Sub-Committee on Environment- Mr. Zaffar A. Khan
26. Technical Experts Committee of the Ministry of Environment	Dr. Naveed Ahmed (HUBCO)
27. Committee of Investment (Sindh)	Chairman of Standing Sub-Committee on Industrial Matters
(Alternate)	Mr. Munnawar Hamid
28. Provincial Environment Monitoring Committee on NEQS	Mr. Zaffar A. Khan Chairman Standing Sub Committee for Environment

NOMINATIONS OF CHAMBER'S REPRESENTATIVES TO FPCC&I MANAGING COMMITTEE & GENERAL BODY FOR THE NEXT TWO YEARS TERM BEGINNING 1ST JANUARY, 1996.

- MANAGING COMMITTEE OF FPCC&I	Mr. S. Naseem Ahmad President
- GENERAL BODY OF FPCC&I Representing Trade	Mr. S. Naseem Ahmad President Mr. Ian Sangster Vice President
Representing Industry:	Mr. Kamran Y. Mirza Member Managing Committee Mr. Munnawar Hamid Member Managing Committee

- Representation of Zonal Offices of FPCCI

At the request from the Federation of Pakistan Chamber of Commerce & Industry to nominate Chamber Representative for Zonal Office of FPCC&I, the Managing Committee agreed that a representative of ICI Pakistan be nominated to be the Chamber's representative for Zonal Office of the FPCC&I at Lahore.

2nd January, 1997

Mr. Mumtaz Ahmed
Commissioner of Income Tax
Companies – 1
Karachi.

Dear Sir

Reference is made to the discussions our Mr. A. A. Vazir had with you. Our comments on the two issues raised by him are summarized below:

ROYALTY – EXEMPTION UNDER CERTAIN TREATIES

Under certain treaties, mostly the ones signed prior to 1980's, payments of royalty from Pakistan to the resident of other contracting state is exempt from tax. Such exemption was always provided by the authorities after certain preliminary verification of the facts and certificates of exemption were released in almost all cases where the payment of royalty was at arms length consideration. From a practical viewpoint it is a substantial advantage as all the companies which provide intellectuals properties were not subjected to tax in Pakistan. In the recent past two developments have changed the scenario to certain extent, these are:

- The introduction of the new treaties where, in most of the cases royalties have also been taxed at the rates and basis similar to Fees for Technical Services (FTS), and the definition of the term royalties and FTS carry such implied similarities that arguments are developed that a particular payment represents FTS and not royalty. The contentions of the assessing officer gather further weight due to the fact that FTS is chargeable to tax under the local laws if there is no specific overriding provision in the treaty.

- The assessing officers, in almost each and every case endeavor to place the payment within the purview of FTS rather than royalty.

Besides these issues, another aspect which has acquired importance, in the recent past is the question from the assessing authorities regarding the reasonableness of the amount or the rate of royalty.

The question of reasonableness is totally a subjective issue and guidelines in these matters have not so far been issued by the regulatory bodies. Best alternate for the same could be the allowability of remittance by the State Bank.

Notwithstanding these arguments the royalties, as defined in the treaties, being a reasonable consideration for the right, etc., should remain exempt from Pakistan tax if so provided in the respective treaty.

DIVIDEND – RATE UNDER THE TREATIES

In almost all the treaties dividend income in the hand of non-resident shareholders, being companies are taxed at a concessional rate if such dividends arise out of an industrial undertaking in Pakistan. In the recent past the assessing officers, have been interpreting the term industrial undertaking in a restrictive manner and are appropriating the profits out of Pakistani companies for the purpose of rate of tax into two parts, which are dividends arising from the activities strictly related to production activities of the company, and other receipts mostly other income and other allied activities. It is considered that such strict interpretation of the terms of the treaty are neither intended nor practically feasible to operate. Notwithstanding the above, all receipts being divorced from industrial activities are corollary to the main functions of the industrial undertaking.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

PRESIDENT'S ADDRESS ON THE OCCASION OF THE VISIT OF CHAIRMAN, MONOPOLY CONTROL AUTHORITY ON THURSDAY 16TH JANUARY, 1997

BMR

Chairman Junejo & Gentlemen,

It gives me great pleasure to welcome you to the Chamber. Since this is your first visit, a small introduction is called for.

This Chamber which is the oldest in Pakistan today has one hundred and sixty six members representing investments from various countries in nearly all sectors of the economy. The total investment of all the members is nearly Rs.25 Billion and the sales revenue of these members is nearly 8% of the GDP of the country and about 25% of that of the GDP of the manufacturing sector. They also contribute one sixth of the total tax revenue of the Government of Pakistan.

The Chamber has offered to work closely with the government to promote the needs of foreign investment. In the context of the government policies, the Chamber offered a partnership leading to mutual growth since the Chamber believes that what is good for the country is good for the business and vice versa.

Coming to the area of Mr. Junejo's expertise, most of you know that the Monopoly and Restrictive Trade Practices Ordinance was enacted in February 1970 and made effective on 17th August, 1971. For the sake of brevity I shall call it MRTPO.

In this period some of the senior economist in this Country were propounding that 22 Families in Pakistan were controlling 80% of all the assets, resulting from the unregulated private enterprise system of the Sixties. It was against this background that the MRTPO was enacted, the thrust of this legislation was to restrict the undue concentration of economic power. It also has measures to control unreasonable monopoly power and unreasonable restrictive trade practices.

Undue concentration of economic power is supposed to arise when the assets of an undertaking, which is not a public company exceed Rs.300 Million. It also arises when an "individual" has a stake which carries more than 50% of the voting power in an "undertaking" which is a public limited company, with assets in excess of Rs.300 Million.

Soon after the promulgation of the Act, a socialist government came into power in this country which nationalized all the major industries rendering the raison d'etre of the legislation redundant. The state became the owner of all major assets and since the law exempted the public sector from the purview of this Act, the law for all practical purposes became inoperative. What followed thereafter is a sad saga, the entire sprit of the MRTPO was violated in every conceivable form, because the State Owned Enterprises (SOE's) were exempted from the purview of the MRTP0.

Circumstances have changed. Today the Government wants the private sector to be the engine of growth and also wishes to privatize public sector assets. The country is desperately short of resources so much so that the revenue collected by the Government of Pakistan does not even meet the current expenditure, leaving nothing for capital expenditure and investment.

This country expects to achieve minimum economic growth of 5% GNP each year. This amount of growth is estimated to require a yearly investment of Rs.350 Billion. In actual fact in the year ending 94 / 95, the actual amount of investment was Rs. 328 Billion of which nearly half was in the public sector.

So you see even today despite the change in policy and the desire to make the private sector the engine of growth, nearly half the investments are still in the public sector. Since domestic savings in Pakistan are low (14.7% of GNP) and investments requirements are 19% GNP, there was a shortfall of 5% GNP nearly Rs.90 Billion. The country is therefore dependent on Rs.90 Billion of foreign inflow of funds an amount of almost 3 Billion U. S. Dollars per year.

Having recognized this need, we must do all we can to encourage investment from both domestic and external sources. There is a desperate need for capital formation in this Country. The Karachi Stock Exchange has a market capitalization of about $10 Billion which is considerably lower than smaller countries of the region.

With low savings rate and fierce competition for foreign inflow, the government focuses to attract foreign direct investment. All Government of Pakistan has succeeded in attracting is $ 329 Million of DFI's last year. It is in this background that the law for undue concentration of economic power has to be seen. In today's circumstances this is the last thing we need.

Having quantified the desperate need for capital formation and investment, we must not frighten away potential investors by continuing with laws that restrict the concentration of economic power. Why should a company be asked to divest if its assets exceed Rs. 300 Million. An investor who came to this Country say 20 / 25 years ago or even a domestic investor and has built a successful business and retained earnings to increase assets to Rs.150 Million, when the time comes to reap the benefit we expect him to share his prosperity with others who had no stake in the business and did not take any risks. Is this fair and reasonable?

I now come to the sections of the MRTPO which deal wit unreasonable monopoly power.

Sections 5 (a) (b) and (c) of the MRTPO are the restricting clauses of the MRTPO.

A market share of 33% is considered to be unreasonable monopoly power. It does not stand to reason that any undertaking which enjoys 33% of market share will necessarily be able to manipulate prices. Even 50% market share may not be able to give the two undertakings the capability to manipulate prices.

The corrective action is visualized in Clause 12-1(b)(i) of the Act where the MCA *can pass an* order asking the company to divest. How would this help to increase competition I ask you ?

Clauses 12-1(b) (ii) & (iii) of the MRTPO enable the MCA to direct a person to divest himself from office and the management of the company. Again how do these actions promote increased competition?

The fact that the associated undertakings between themselves enjoy 33% of market share does not necessarily prove collusion in price fixing or reducing competition.

The divestment order should only be passed when specific definitive evidence shows that price manipulation has taken place. Actions taken purely on the basis of achieving 33% market share can discourage corporate investment. Methodology of determining market share also needs to be reviewed particularly where classification of goods is concerned. The methodology should be transparent and all concerned be informed.

Sections 12b (v) and (vi) of the MRTPO are Clauses of the MRTPO which restrict giving of loans on concessional terms to associated companies.

While we can understand the rationale of introducing such clauses in the prenationalization period in today's environment when Section 208 of the Companies Ordinance regulates concessional loans to associated companies and the State Bank of Pakistan prudential regulations separately control the amount of loans to associated companies, there is no need for these powers to be retained in the MRTP0.

Sections 12-1-b(iv) of the MRTPO controls the acquisitions and mergers.

Mergers and acquisitions are a recognized way of industrial investment and expansion all over the world. Corporate savings have to be channelled into productive investments without which there will be little growth in the economy. All mergers and acquisitions do not necessarily create a position where prices can be manipulated and competition lessened. It does not follow that in an acquisition or merger which results in more than 33% market share, price manipulation will take place. A company which does not have an associated undertaking but still has more than 33% market share, would escape the application of this section of the MRTP0. If the above logic was to be applied, then such company should also fall under the purview of the MRTP0. Another illustrative example is that of a company already enjoying 33% of the market share and is supposedly in a position to manipulate prices. After making an acquisition and enhancing its market share say 40%; its ability to manipulate prices remains unchanged and is the same as before. The additional ownership does not necessarily enhance the power to manipulate prices.

In cases of acquisitions or mergers the authority should not institute proceedings and take the decision to prohibit merger, as such a merger may be desirable on the grounds of economies of scale and cost reduction and may result in lowering of prices, and may result in better utilization of underutilized capacity in the Country.

In such cases the remedial action called for is to monitor and investigate activities of the merged companies to establish that this merger has led to price manipulation and only when such practice can be established beyond doubt the remedial action must be considered.

Sections 5(2) and 6(2) of the MRTPO

Allows the MCA to grant exemptions and leaves sufficient discretion to MCA to grant such exemptions in the public interest. The concept of public interest is sufficiently wide to include commercial and economic policy considerations, such as price reductions which may follow the acquisition or merger due to economies of scale. Also acquisitions and mergers may be the preferable route to attract investment both domestic and foreign, rather than install new capacity.

Restricted Business Practices (RBP) Section 6 1 (a)

Focuses on the formation of cartels and agreements between competitors for dividing share of the market, limiting production and / or technical development. This section needs to be focussed on more incisively by the MCA in their investigation and monitoring rather than relying on limiting asset ownership or restricting market share, with the aim of enhancing competition.

Section 6 1 (b) of the MRTPO

Is prohibitory for suppliers to direct distributors to sell at a minimum specified price. This needs to be reconsidered and it should be left to the market forces, as an unscrupulous dealer in the absence of minimum selling prices may undercut and harm the business of other dealers.

I would like to submit that the MRTPO should change its focus to directing itself towards measures that enhance competition. As it presently stands the emphasis is more so on restricting undue concentration of economic power or limiting market share, but neither of these by themselves inhibit competition.

Mr. Junejo a draft of the Consumer Protection Bill (1993) was circulated for public opinion sometime back. We are unaware of what is the status today ?

Consumer Protection Act 1995 has been enacted on 18th October, 1995 for Islamabad region, perhaps you would like to bring us uptodate in this matter.

SPEECH OF PRESIDENT, OICC&I ON OCCASION OF PRIME MINISTER'S CONFERENCE ON26TH FEBRUARY, 1997 AT 11.30 AM IN ISLAMABAD

Mr. Prime Minister,

I convey to you felicitations on behalf of all the foreign investors in Pakistan, upon assuming the reins of leadership again for a second time. Your Government has inherited an economy which is plagued by huge deficits, of trade and balance of payments, foreign debts of U.S. $30 million irrecoverable Rupee assets of more than Rs.100 Billion and a high rate of inflation.

Although the crisis has been partially averted by the Caretaker Government, the economy needs large inward capital flows in addition to the need of improving domestic savings.

The best way of attracting inward foreign investment is to demonstrate success of existing companies. In all such cases where existing investments are not flourishing, policy and tariff related bottlenecks need to be removed.

To accelerate the inflow of direct foreign investment, there is need to enhance the investment environment further. Some of the issues that need to be addressed in this connection are:

- Credibility in the continuance of the government's policies, to enhance the confidence of the investors.
- Rationalization of tariffs so that manufacturing in Pakistan does not attract more levies, than those levied on the import of the same product.
- Rationalization of overprotective labour laws, inhibit productivity and discourages employment
- A lean and clean government.
- An equitable tax system in which all sectors of economy share the burden of taxes. Salaried employees, business and industry must not be over burdened with taxes.

Mr. Prime Minister, while we look to your government towards policy guidelines, better implementation is the key issue.

We are also aware that the manufacturing sector needs to put its own house in order. Manufacturing industry in Pakistan must learn to live without props, produce quality goods at a competitive cost to compete with the rest of the world. We must not look for short term solutions or quick fixes.

Manufacturer's must look for comparative advantage and plan strategic growth. It is only then that they shall be able to enhance the much needed exports out of Pakistan. Comparative advantages will be created if the social and physical infrastructure is improved, the productivity of labour is improved and a large domestic market is created by encouraging savings and arresting erosion of the Rupee resulting in declining purchasing power.

Mr. Prime Minister, we support fuller documentation of the economy, but at the same time expect curtailment in the discretionary powers of tax officials and greater transparency in the actions of the government.

8th January, 1997.

Mr. T. V. Higgins,
President,
OICC&I

Your are aware that the Task Force on Deregulation has now been converted to a Commission. This is not the first time that the National Deregulation Commission has been formed in this country. I recall that a similar Commission was formed under the auspices of the Ministry of Finance in the year 1985.

I have circulated the terms of reference to all Chairman of Chamber's Standing Sub Committees and asked for inputs. So far none have been received. Some of my thoughts are reproduced below which may be of some assistance for the first meeting scheduled for Saturday 11th January, 1996 in Islamabad.

STATE TRADING

Equal opportunity should be provided to private sector in all fields of trading rather than restricting specified areas to public sector. This would create healthy competition and would control the price spiral.

PRICE CONTROL

Price Controls breed numerous malpractice and are a strong disincentive for new investment.

Pharma Industry

Pharmaceutical industry in Pakistan has been subjected to price control since last 25 years or so. Price are rigidly controlled by the Federal Ministry of Health and revisions in price are granted, if at all, after lengthy intervals which sometimes exceed a number of years. By the time price increase is given - the quantum of which is more often than not quite inadequate - costs have invariably gone up thereby necessitating new sets of applications to the Ministry for more price increase. Considering that there are over five thousand registered pharmaceutical products subject to price control involving many thousands of raw/packing materials, it is a Herculean task to revise the prices rationally at the appropriate time. It is, therefore, suggested that in view of:

a) Delinking of Pak Rupee from US Dollar and inflation which has resulted in steep depreciation of the Rupee against major foreign currencies,

b) Government's oft-stated aim to deregulate the economy by removing time-consuming and irksome controls, and

c) To encourage the pharmaceutical industry to organize its operations both in the short and long term more efficiently to meet the requirements of the expanding Pakistan market.

   It is imperative that the industry be freed from the shackles of price control. Since there are already 240 licensed manufacturers including over 28 multinationals operating in the country, therefore, competition amongst them will ensure that prices remain at reasonable levels.

For the Pharma industry there is need for indexation of prices to inflation and to establish a code of conduct by the companies. The earlier verbal commitment for price increase on decontrolled products with effect from Ist July, 1996 was not adhered to. Subsequent written commitment from the Ministry of Health for price increases effective Ist September, 1996 for both controlled and decontrolled products has also not been honoured.

CREDIT CONTROLS

Credit Controls may be essential for guiding the course of any economy but the present controls in the country needs to be relaxed. The following suggestions deserve consideration:

a) Foreign industrial undertaking at present can only borrow as per formula which is in force for the last many years in spite of the prevailing inflation while the local investors can borrow without any limit. This is unfair. Restrictions on foreign investors should be lifted completely as this tantamounts to discrimination. The "L" Form controls of State Bank of Pakistan be abolished.

b) Banks should be allowed to operate on their own within broad parameters of reserve requirements and prudential regulations. Fixation of charges, interest rates on various deposits and lending should be left to them. Although the credit ceilings have been abolished State Bank of Pakistan still imposes restrictions.

MONOPOLIES AND RESTRICTIVE TRADE PRACTICES (CONTROL AND PREVENTION), 1970

Presently this Ordinance has no rationale in the country and creates repeatedly unnecessary unproductive work and should be withdrawn. This Chamber has made representations in this respect on a number of occasions without success. Since the economy of the country is in the initial stages of development hence capital accumulation is essential for investment. This Ordinance could serve useful purpose in countries where a sound industrial base exists and well developed financial market is functioning leading to apprehension of cartels and other unhealthy practices emerging to the detriment of the common man. This situation positively does not exist in Pakistan and as such this Ordinance instead of doing any good is creating hindrances and we repeat, has no place in our economy. In case Government insists in retaining this Ordinance, then the ceiling of gross assets in respect of Private Limited Companies (presently increased to Rs.300 Million gross) is considered inadequate. It should at least be automatically revised annually with the level of inflation applicable deflation of the Rupee in relation to the Dollar.

REMOVAL OF LEGAL RESTRICTIONS ON PROMOTIONAL ACTIVITY

Section 294 B of Pakistan Penal Code places restrictions on promotional activities such as offering gifts and reward to the trade or consumers to increase sales. If District Administrations give sweeping interpretation to this Section then even normal business practices such as trade discounts, dealer incentives, temporary price reduction can be prohibited. This has hampered the smooth flow of business activity. It is not the intention of Section 294 B to prohibit well accepted standard selling activities such as consumer promotions in which a small benefit is offered equally to all purchasers.

We would therefore request the Government to remove legal restrictions on normal promotional activities by withdrawing the Section 294 B which has been abused in the past.

OIL INDUSTRY

Some of the existing regulatory controls and cumbersome procedures adversely affecting operations pertaining to Oil Industry are:

- The customs authorities classify equipment for oil and gas etc. under heading of such material which attracts higher rates of duty. It is proposed that CBR should classify Petroleum and Gas Well drilling equipment and components part thereof for the purpose of import duty all items which are imported on the recommendations of Director General Petroleum.

- The existing procedure of equipment imported for re-export and assignment of equipment imported for re-export is long drawn. It is suggested that a simplified procedure be evolved in this respect.

- Clearance from various authorities is required to obtain survey maps and aerial photographs. Similarly, clearance is required of technical papers for publication in foreign journals and presentation in foreign seminars. Such clearance procedures be reviewed.

WORK PERMITS & VISAS FOR EXPATRIATES

The expatriates and members of their families working as technocrats and or at managerial level encounter following problems:

TRANSFER OF VISIT VISA

Visit visas cannot be converted into WORK VISA (WORK PERMIT) unless the expatriates, arriving on visit visa, go back to their home country and re-enter Pakistan after the respective Pakistan Embassy abroad change status of the visa. This being cumbersome, cause unnecessary delay in completion of their assignment within the specified period.

WORK VISA / PERMIT

WORK VISA holders are required to renew their work visas periodically. Previously it was for once in every two years. At present in certain cases is required at every three months.

Every WORK PERMIT holder has to obtain permission from the Ministry of Interior by reporting through local police for each exit and re-entry. Staff of multinational companies have to travel frequently and some times on short notices. The formality required in this respect is time consuming and causes delay and embarrassment as well.

INCOME TAX CLEARANCE CERTIFICATE

Income Tax Clearance Certificate has to be provided by the visa holder before leaving the country. Since their local sponsors / companies are made responsible under the Income Tax Act to deduct all tax liabilities at source, the individual expatriates worker should not be subjected to provide certificate while they leave country even if they are returning home on permanent basis.

BRAND PROTECTION & COUNTERFEITING

A critical feature of an economy which enables foreign investment is protection of the brands of the investing companies. Pakistan has a major control issue here. Investors will not bring their brands to Pakistan without a legal system which is able to enforce penalty on unscrupulous manufacturers who counterfeit these brands.

OVERPROTECTIVE LABOUR LAWS THAT FRIGHTEN AWAY MUCH NEEDED PRODUCTIVE INVESTMENT

Overprotective Labour laws that do not encourage productivity and frightens away much needed productive investment. There is need to rationalize the overprotective labour laws, and multiple levies on employment, which inhibit business expansion and job creation. The utilization of funds collected in the name of employees welfare and participation in profits should be made more visible. The government must not interfere in the collective wage bargaining process by announcing adhoc and untimely increase in wages.

ZAHID ZAHEER
SECRETARY GENERAL

February 3, 1997.

The Chairman
Commission on Deregulation
ISLAMABAD

PAPER ON SMUGGLING

Dear Sir

Attached please find a paper prepared by the Overseas Investors Chamber of Commerce & Industry (O1CC&1) on the subject of Smuggling in three working days. Given more time this can be expanded to cover more areas.

Our members have on different occasions pleaded our case with the CBR, relevant ministries and with the Prime Minister's secretariat on this subject of vital national interest. And, I must admit, we have been given many patient hearings.

Smuggling can be tackled effectively only if the administration is serious about the issue. Smuggling must be recognized as a social menace breeding corruption, economic issue as revenue loss to the government and a serious impediment to legal trading and investment in local manufacturing industry. The administration should therefore demonstrate that there is political will and resolve behind the efforts to curb smuggling, which are essential pre-requisites to actions that may proposed to be taken. Half-hearted attempts will not bear any fruit.

We are confident that the Commission on Deregulation can play a major role in fulfilling this objective. The OICC&I would be more than happy to provide more detailed workings, evidences and support in this endeavor.

Sincerely,

S. NASEEM AHMAD
VICE PRESIDENT, OICC&I

Introduction

Smuggling is not only a major source of corruption in Pakistan, it also causes a massive drain on the national exchequer. Out of Total Tax Revenues of Rs. 299Billion in 1995-96, Rs. 222Billion constituted Indirect Taxes, mainly attributable to Imports i.e. Customs Duty, Sales Tax and Excise Duty (Source : Pakistan Economic Survey) . A 30% leakage in the collection of Import Taxes on account of Smuggling means the Government will have lost nearly Rs. 66Billion in just one year.

Members of the Overseas Investors Chamber of Commerce and Industry (OICCI) have made representations to the CBR, the Ministry of Finance, the Ministry of Commerce, and also the Prime Minister's secretariat, directly or through various trade bodies, to highlight the situation.

Lever Brothers Pakistan Limited wrote to the CBR in June 1996, to show how a reduction in Duties would, on the one hand, discourage the smugglers of loose tea, who have activated the Islam Qila route after Tea was removed from ATT, and on the other generate Government Revenues of upto Rs. 6.2Billion.

SKF South East Asia who sell Ball Bearings wrote to the FPCCI in September 1996, to highlight the fact that almost 80% of Ball Bearings coming into Pakistan today were being smuggled, largely ex-Japan. The revenue losses to the Government on account of small Deep Grove Ball Bearings (DGBB), amounts to Rs. 185Million.

According to the figures of the **Pakistan Electronics Manufacturers' Association (PEMA)**, almost two thirds of all Colour TV sets sold in the country, are sold by companies without a manufacturing base in Pakistan. These are largely smuggled from the Far East, and the Government stands to lose on an average, Rs.6,000 per set, resulting in a total loss of between Rs. 1 - 2Billion on these sets alone, depending on volume.

OICCI is of the opinion, that unless urgent measures are taken to update the strengthen the Legal and Administrative system for controlling Smuggling, Pakistan will not only continue to be rated as the second most corrupt nation of the world, but may increase it's debt-burden to an unmanageable extent. Current debt-servicing and defence costs as quoted by Government sources, recently add up to 88% of GDP.

To overcome the problem of Smuggling OICCI recommends the following actions for the government's consideration :

A) Fiscal Measures

These include reduction / adjustment in Tariff rates and eliminating Concessionary or Discretionary duties.

B) Administrative Measures

These cover the creation of a Cell in the Prime Minister's Secretariat, backed by a Policy and Coordination Committee in the Ministry of Commerce, empowerment of law enforcement agencies and the judiciary, and developing a mechanism for regulating trade in the Tribal Areas.

C) Trade Agreements

These include Agreements (specific or general) and Treaties, pertaining to Anti-Smuggling, MFN and properly documented trade.

Details that follow in the proposal are intended to put our case in the proper perspective.

1. History of Smuggling

Pakistan has had a long and enduring history of Smuggling, the synonym for illegal movement of goods across borders, without payment of duties and taxes. Until the early seventies, the activity was quite restricted in terms of volume, channels, variety of products as well as it's general manifestation in the market-place. The most common routes adopted for such cross-border movement of goods were through Peshawar via Landikotal, and Quetta via Chaman. Within the country the products were discreetly sold through localized markets in the major towns.

During the late 1970's and early 1980's, the so-called Bara markets sprang up in major towns such as Peshawar, Rawalpindi, Quetta and Karachi. A variety of items including textiles, crockery, cigarettes, soaps, shampoos, toothpaste and small electrical appliances started selling in these Bara markets. As more and more customers flocked to these markets, this illegal "trade" flourished and the "traders" started offering a greater variety of electrical appliances, sizes notwithstanding, and more comprehensive service in the form of sales against catalogues of companies like Mothercare or Noritake, as well as facilitated the delivery of the goods to the south or east of the major Customs checkposts, such as Attock or Chaman.

2. Channels of Smuggling

There are basically five basic modes or channels of smuggling in the country today:

a) ***Overland / Cross-border route,***
b) ***Sea route,***
c) ***Afghan Transit Trade,***
d) ***Dry ports route, and***
e) ***"Khepias" or "Carriers".***

Duty Free Shops (DFS) have been often indicated as a channel for smuggled goods, although it is debatable whether the term smuggling could apply to the transactions via DFS. Agents operating in the DFS and airport areas, purchase Form A from incoming passengers, largely from the Gulf, to arrange the release of goods from DFS outlets under the "passengers" entitlement. With the Form A procedure becoming redundant, the quantum of goods flowing through DFS has reduced.

a) *Overland / Cross-border route*

The origin of goods that arrive into the country varies considerably from Kilindini / Mombasa, Kenya in case of Tea, to Japan, Malaysia, Korea or Singapore in case of Electronic goods, Taiwan or Hong Kong in case of Auto accessories, EEC in case of Toiletry products, or even India in case of branded Pharmaceutical products. Some Pharmaceutical products of European origin also enter Pakistan through the Chaman border with Iran.

The movement of Tea has been traced from Kenya to Dubai, where they come in 20foot containers. From Dubai the containers are carried to Bandar Abbas from where they travel "in bond" to the Iran-Afghan border, crossing over to Islam Qila. Shipping documents made in Kenya indicate Islam Qila as the "final" destination of the consignments. From Islam Qila the containers move to Khandahar or Ghazni where the goods are transferred onto trucks. From Khandahar Tea enters into Pakistan via Chaman in Baluchistan. From Ghazni it arrives via the Tribal Areas.
For Electronic goods, Cigarettes and Toiletries, the preferred route is via Dubai. Motorised boats ferry goods across the Gulf of Oman into Iran through one of four different points of entry on the Strait of Hormuz / Persian Gulf. Overland the goods then follow nearly the same routes as Tea to reach Pakistan.

b) ***Sea Routes***

Dhows from the Gulf have been a viable means of transporting Textiles, Toiletries, and Electrical items including appliances large and small into the country. There is obviously an element of risk in transporting contraband by this "low cost" method, but then the law-enforcing agencies operating in the area can be motivated to look the other way.

It is not unusual, however, for traders in Karachi market to use regular shipping lines to "import" goods from the Gulf or even from Singapore and Hong Kong. Goods when cleared at the port of entry are either declared under low tariff categories, or grossly undervalued. Once the containers, ostensibly carrying Freezers, Refrigerators or such large items arrive at the destined warehouses, often located in the wholesale markets, they are opened up to reveal the "real" consignment of high value VCR's, VCP's, parts and accessories.

c) ***Afghan Transit Trade***

In 1965, the Pak-Afghan Transit Trade Agreement (ATT) was signed. Under the terms of the agreement, the Pakistan Government allowed customs duty and tax exemptions on goods purportedly destined for consumption in Afghanistan. The total value of imports under ATT between 1991-92 and 1995-96 was Rs. 24Billion (Ref : CBR commentary to Task Force on Tariff Reforms - November 1996). The same commentary indicates that "The Central Board of Revenue is of the view that the Transit Trade Agreement should not be an instrument (to) ... import goods which are not actually meant for consumption in Afghan markets but entirely are intended to be smuggled into Pakistan". Pakistan lost nearly Rs. 22Billion in terms of Duty and Taxes that could be collected on ATT imports over the above period.

The report further indicates that the detrimental effect of the ATT on local industry and the economy was brought to the Government's notice by CBR, and 17 items including cigarettes, black tea, dyes and chemicals, yarn, PVC and Polyester film, refrigerators, air conditioners and television sets were removed from the ATT. Later the decision of the Ministry of Finance / CBR was taken to court by Afghan importers. The Sindh High Court accepted their position and ruled that "... the import in transit cannot be treated as imports into Pakistan...." and was therefore not subject to the Import and Export (Control) Act, 1950. The CBR filed an appeal in the Supreme Court which was dismissed. But the apex court advised that only the Ministry of Commerce could "... regulate import, exports trade and protocols / agreements and CBR could not impose restrictions on such goods". A notification by the MoC finally settled the matter.

d) ***Dry Ports route***

There are Dry Ports in the country today, whose purpose is to facilitate the import of industrial raw materials and capital goods, and the export of finished goods from inland locations within the country. Such dry ports, it is suggested, are as vulnerable to Smuggling as the Karachi port.

e) ***"Khepias" or "Carriers"***

An ingenious system that has been operating in the country for several years now, involves the movement of goods into the country with the clear connivance of the the Customs authorities, and the other security agencies operating at the international airports in the country. This is run by professional persons labeled as "Khepias" or "Carriers".

These "Khepias" who are operate in selected routes such as the Gulf, Singapore or Hong Kong, have standardised norms of operation now. They often select the goods they would like to carry or the route the sector they would like to operate in.

"Khepias" prefer dealing in small size, high value items. Hence Computer spare parts and components to ball-bearings (known brands like SKF) are usually handled by them. The less enterprising "Khepias", operate simply as intermediaries for traders who have their own arrangements for purchasing goods at source.

3. **The movement of Money**

The size and complexity of Smuggling in the country demands the existence of a reliable service for remitting funds to the "exporters" or suppliers of these goods in markets outside of Pakistan. Traditionally, when most contraband goods traveled across the Khyber Pass, the Qissa Khwani bazaar was the main currency exchange market to buy Afghanis.

The Hundi system has been relied upon for several decades on a fairly large scale by business-houses for transferring funds to and from overseas. Agents accepted Pakistani rupees in cash, at different locations from Karachi to Peshawar, and ensured the delivery of money in foreign currency outside Pakistan. The Hundi system was quite reliable and the transaction took between one to two weeks to be completed. This system also handles transfer of funds to and from India.

Today money can be easily transferred through official channels using Foreign Currency Deposits in banks, which operate under fairly liberal conditions. It is another matter though that suitcases filled with US Dollars or such other readily acceptable currencies are intercepted at airports on their way to or from the country.

4. **Cost of Smuggling Goods into Pakistan**

Detailed calculations have been attempted by industries, whose products are prone to smuggling. These calculations though logically constructed may not be very accurate, as they are not based on reliable documents or properly cross-referenced, the way regular import costs are. In fact, the cost of smuggling is liable to vary, practically from consignment to consignment, because of variations in:

- Currency rates
- Check-points / Borders to be crossed
- Handling or Transit damage
- Routing
- Size of consignment, or

a) **Cost of Smuggling Tea**

In case of a product like Tea, a major element of cost is transportation both outside the country as the consignment moves through Iran and Afghanistan, and within Pakistan. As a report indicates "the costs to deliver tea to the NWFP is around 40% higher than the C&F price for tea legally imported to Karachi". However, imported tea is subject to government levies which add up to 107% of C&F. The following chart presents the variations in Price, as the shipment moves down towards Karachi :

Date of Calculation: August 1996 (Price in Rupees per Kg.)

Town	Smuggler Price	*Distribution Price	Wholesale Price	Retail Price
- Peshawar	100	110	115	130
- Rawalpindi	100-107	122	127	148
- Lahore	100-107	125	135	150
- Karachi	100-107	130	135	150

* Referred to in Report as Import Price (as it is bought from a source of smuggled tea)

In comparison, the price of legally imported loose tea was Rs. 142 at the Distributor's level, Rs.146 at Wholesale, and Rs. 160 at Retail. A packet of Yellow Label in August, 1996 was sold for Rs. 160 at Wholesale and Rs. 168 at Retail level.

b) **Cost of Smuggling Colour Televisions**

A study for Colour Television sets (CTV) undertaken recently, revealed the predicament of this industry, which has historically been plagued by illegal trade or Smuggling. Government levies on Completely Built Up (CBU) units add up to about 90%, and on Locally Assembled sets 72%. The comparison below shows the values as Indices rather than absolute values :

Date of Calculation: November 1996 (Values as Indices)

	CBU Units	Local Assy.	Smuggled
- C&F Value	100	84	100
- Govt. Levies	90	72	0
- Local Costs	3	23	40
Total Cost:	193	179	140

In other words, whereas local manufacturers, importing components for assembly only have a 7% cost advantage over CBU imports, which are extremely limited, smuggled TV sets end up 22% cheaper than what local assemblers, and can afford to sell their sets cheaper, and make more money as well.

c) **Cost of Smuggling Domestic Appliances**

A similar study on selected Domestic Appliances, indicated a similar advantage for smuggled products. Here the comparison is between CBU units and Smuggled products, as a considerable proportion of these appliances are imported through regular channels by the leading players in this market :

Date of Calculation: November 1996 (Values as Indices)

	CBU Units	Smuggled
- C&F Value	100	100
- Govt. Levies	90	0
- Local Costs	3	30
Total Cost:	193	130

Regular importers paying Duties and Taxes, therefore have a 33% disadvantage over those who can bring in these products Overland or in Containers by sea, either declared as goods subject to lower tariff rates or grossly undervalued.

d) Cost of Smuggling through "Khepias"

Goods brought into the country by "Khepias" have a different set of costs and are calculated on "per 100Kg." basis. A typical example quoted in the market is as follows :

Date of calculation : December, 1996

Costing of a Courier Bringing 100Kilo Per Trip (By Air)

	Rupees
• Dubai Ticket	12,000
• Dubai Stay	10,000
• Excess Baggage to Airline (Rs.200 per Kg.)	16,000
• Profit Margin @ Rs.50/- per Kilo	5,000
• Customs Expenses (October 1996 rate) per Baggage Trolley say 100 Kilo	60,000
• Insurance premium 20% of Value (say Rs.500,000)	10,000
	113,000
• Cost of Goods in Dubai	500,000
• Total Cost	Rs.613,000

Cost per Kilo therefore works out to about 20 - 25% of the value of the consignment.

5. Impact of Smuggling on Business & Consumers

OICC&I is of the firm opinion that many segments of society are penalised on account of the prevalence of Smuggling. Those who benefit are merely a handful of individuals. In financial terms the Government of Pakistan is undoubtedly the major loser.

Local Industry suffers as it cannot compete against Smuggled goods in terms of price or profits. The choices it has are either to stay in business and incur losses, or get out of business and contribute towards creating further unemployment in the country. The incentive for new investments is totally lost. Longer term, the obvious scenario is one of manufacturing concerns being replaced or taken over by "hit-and-run" trading operations.

Even Traders suffer, particularly the smaller ones. The volatility of a smuggling based operation catches up on them, as more new and ingenious ways are adopted by the larger and less scrupulous traders trying to make a bigger hit. A majority of traders remain exposed to all kinds of risks, further aggravated by the current uncertainties in Iran and Afghanistan.

Consumers suffer, as they end up paying an increasingly bigger price for the goods they buy. A classic example of this pathetic state of affairs is evidenced by an article in an issue of the Pakistan & Gulf Economist (November 23 - 29, 1996).

The article highlights the vast differences in prices of branded drugs in the Pakistan market, as compared to the same products manufactured elsewhere and sold in neighbouring Iran or India. In several cases the difference is times five or times eight. The irony is that the cross border flow of these drugs is controlled by a small band of importers, and sold through "... chosen retailers and individuals who are known to the sellers". As a result, the article goes on to say, "... the illegal traders (i.e. those engaged in the illegal trade) in league with the selected retailers keep on making huge profits at the expense of the end-user who remains unaware of the whole scam" and pay as much for the smuggled variety as the more costly local drugs.

6. Recommendations of the OICCI to the Deregulation Commission

OICC&I believes that the problem of Smuggling in Pakistan has grown to gigantic proportions through a process of benign neglect on the part of successive administrations, and the lack of political will. Long term investment opportunities have been lost, and business and industry has suffered as much as the Consumer. A small section of the trade, basically middlemen, have been the prime beneficiaries. It is purely in the national interest to take concrete measures to rid the economy of the scourge that Smuggling really is.

The following actions are being recommended by OICCI for urgent consideration of the government. In order to implement them effectively, policy changes and administrative measures would have to be carefully thought through :

A) Fiscal Measures

Fiscal measures as we know, play the most important part in regulating the movement of Goods and Services across national boundaries. No country including Pakistan can design their fiscal policies in isolation. Regional and international norms and realities must be taken into account.

Fiscal measures recommended are as follows :

- **A.1 : Reduction in Tariff rates** to a maximum of
  - 20% for finished goods,
  - 10% for intermediate goods, and
  - 5% for raw materials.

  A simplified system of Tariffs necessitates the discrimination between Products on the basis of the stage to which it is processed, and not Product Categories. The latter system breeds corruption.

  Examples of Tariff rates in countries of the region are given below for a better perspective :

	Engineering Sector	Chemicals Sector
Intermediate Goods		
India	20 - 50%	40 - 50%
Indonesia	5 - 20%	5 - 30%
Korea	2 - 8%	5 - 8%
Philippines	3 - 10%	3 - 30%
Raw Materials		
India	10 - 50%	10 - 50%
Indonesia	0 - 40%	0 - 20%
Korea	5 - 8%	3 - 8%
Philippines	3 - 20%	3 - 20%

(Source : Pakistan & Gulf Economist)

- **A.2 : Adjustment in Tariff rates "... to the extent of official devaluation"**, as recommended by the NTC to the Task Force on Tariff Reforms.

- **A.3 : Elimination of Concessionary or Discretionary duties**, based or location. Exceptions may be made to create "Concessionary Areas" e.g. EPZ's, Greenfields etc. based on Long-term Economic Planning rather than Short-term political expediency.

B) Administrative Measures

Sound long-term policies can only be effectively implemented if strong, administrative support is available to implement them. Measures that are being recommended to strengthen the arms of the administrative branch are as follows :

- **B.1 : Creation of a Cell in the Prime Minister's Secretariat** to monitor Smuggling in the country, with a mandate to control Smuggling within three years.

- **B.2 : Creation of a Policy and Coordination Committee** in the Ministry of Commerce to dwell on Policy Measures needed to control Smuggling. Representation of CBR / Ministry of Finance and other Security Agencies may be of necessary on this Committee.

- **B.3 : Empowerment of Border Patrols (BSF) and Coastguards** establishments to take exemplary action against violators of the law, irrespective of political connections. Legislative amendments necessary to enforce the law, through the Civil administration to it's fullest extent, must be undertaken.

- **B.4 : Equipping the BSF to match the Smugglers**, who are generally better armed in terms of weapons and transport would be necessary. Liaison with the Army would further facilitate greater control along the borders.

- **B.5 : Enforcement of a Tribal Areas Trade (TAT) mechanism**, to govern the flow of merchandise from the Tribal areas to the mainland, through official checkpoints, such as Attock or Darrah. Local Sardars or Tribal Chiefs engaged in the trade, may be convinced to introduce an "Levy on Exports" to the mainland, proceeds of which may be uses to create a Tribal Areas Development Fund.

- **B.6 : Empowerment of the Local Administration** in all major towns, to conduct raids on Warehouses known to contain contraband items. Liaison must be maintained by the local Administration with Trade Associations and Citizen's Groups to prevent miscarriages of Justice or "official harassment" of the trade.

- **B.7 : Empowerment of Lower Courts** to expeditiously attend to cases of Smuggling or Contraband, under guidance of the higher courts in the country.

- **B.8 : Raising the penalties** against violators of Anti-Smuggling Laws.

C) **Trade Agreements**

In today's world, countries have found that bilateral and multilateral groupings facilitate the development of member countries, and help them share resources and expertise. The creation of ASEAN, NAFTA, EU and SAARC are evidences of that belief. Such groupings not only facilitate normal trade for mutual benefit, but they can also be used to "protect" mutual interest. It is therefore proposed that :

- **C.1 : Anti-Smuggling Agreement (ASA)** be signed by Pakistan, with countries sharing common borders with it, e.g. India, Iran and Afghanistan, to create legal and administrative restrictions on cross-country movement of Contraband goods. These agreements may be signed at the ministerial level, and monitored by the MoC and Ministry of Foreign Affairs, though specific committees.

- **C.2 : Trade agreements or Treaties** such as MFN to promote "Legitimate" inter-country trade must be made conditional to the signing of the above agreement, intended to eliminate "Illegal" trade.

- **C.3 : "General agreements" or protocols** should be signed with countries like the UAE, Singapore, and Hong Kong (China) to make it incumbent upon the Exporters and Importers in the respective countries to properly document all trade, and disallow any external shipments without officially ratified documents.

7. Conclusion

Laws have existed in the country in the past, and efforts have been made to control Smuggling. But what has been missing all along is focus and commitment. OICC&I believes that it is in the national interest now, more than ever before, to adopt concrete measures to plug the drainage of valuable resources, and discourage the creation of pockets of affluence amongst vast areas of poverty.

Smuggling is as damaging for business as it is for the community at large :

- **it creates unfair Competition, benefiting those who evade Duties and Taxes, against those who do not;**

- **it discourages the development of High Quality products, that can only be produced by using high Quality raw materials, and not cheap substitutes, and**

- **it dissuades the business community from making broad-based Investments, as they feel unduly exposed to "elements" beyond the control of the legal process.**

OICCI strongly feels that it is also our national responsibility to cleanse our image in the world today, as the second most corrupt nation in the world. Smuggling breeds corruption like no other illegal activity. It must be controlled at any cost, if not entirely eliminated. Success in this national endeavour would encourage renewed investments by overseas concerns in the country and contribute significantly towards improving the lot of all Pakistanis.

UK Oil and Gas Seminar
Pearl Continental, Karachi, 3rd March

Good morning, ladies and gentlemen.

It gives me great pleasure to participate in this important seminar on Oil and Gas. The Overseas Investors Chamber of Commerce and Industry and Shell Pakistan, both of which I represent have considerable exposure to the investment scenario in Pakistan. Today I would like to discuss with what to generally look for while entering a new market such as Pakistan.

Pakistan is a growing economy with rapid industrial and service sector growth. The government's drive for economic growth has underscored the need to develop the energy sector. There are therefore considerable opportunities for investment in the Energy sector, both for exploration as well as for refining and marketing infrastructure.

In order to make the industry more attractive to investors the government last January took measures to partially deregulate the petroleum products business which was previously strictly regulated by the government. In July 1996, the domestic prices of petroleum products were linked to international prices (AG Mean) and very lately the consumer prices have also been deregulated and the marketing companies are allowed to directly import deficit product, earlier a strict domain of the government.

The gas sector is also set to change with the expected privatization of the two government-controlled supply companies - Sui Southern Gas (Private) Ltd., and Sui Northern Gas (Private) Ltd. The government announcement last December to have open auctions of LPG quotas will improve the supply position of the genuine LPG marketing companies.

These developments have improved investment prospects in the oil and gas sectors. However there are a number of specific policy issues that ought to be considered before making an investment in a new market.

Firstly, a positive attitude towards private investment. The official attitude towards the investor has to be welcoming. A clear message from the government that its supports the private sector and welcomes the foreign investor is a powerful incentive. In Pakistan both the past and present governments have been desirous of attracting foreign investments but that desire should be complemented by appropriate concrete measures to make investments feasible.

Secondly, the economic state of a country is a key factor in an investment decision. Pakistan's economy has great potential for growth. Its economic policies are geared towards a structural adjustment program of the 3Ds - deregulation, denationalization and disinvestment of public sector businesses. The recent decision of the Pakistan government to partially deregulate the oil industry is an important step in that direction but of course unless the downstream sector is fully deregulated, these measure will not have the desired effect of attracting foreign investments: Both directly in marketing and in developing the supply and logistics infrastructure without with long term marketing activities will certainly suffer.

A clear legislative and commercial framework - together with procedures to enforce is another positive investment factor. This provides an important assurance to foreign investors that the country concerned sees itself as full and responsible member of the international community and will protect the rights of the investor. Generally, the overseas companies have had no adverse experience with legal matters in Pakistan. Corporate law and tax laws have been revised in Pakistan with the object of providing protection to the industry and to foreign investment. Of course the speed at which these measures are undertaken will determine how quickly foreign investment in attracted to the country.

A foreign company should also examine the quality of the public administration in the country that it invests in. Since most private investors have contacts with members the public administration it is important that the standards of pubic administration should be high, both in the area of ethics and in the level of competence of its staff.

Well qualified and informed people within the public administration smoothen the interface between public and private sectors. Trust ad openness between these groups in essential for resolving complex issues.

Another important factor in attracting overseas investment is foreign exchange convertibility. A country with a convertible currency, a realistic exchange rate and free movement of capital subject to normal banking procedures, is a great advantage in attracting foreign investors. During the last few years significant measure have been taken in Pakistan towards free movement and convertibility of foreign exchange.

Other policy issues that an overseas company should consider before making investment in a new market are a clear and fair tax system, the availability of expatriate work permits and an open trade policy. A level system of taxation and general treatment is also important to the investor.

The private investor will also look closely at the state of a country's infrastructure such as tele-communications, roads, ports, electric power and the availability of good housing, schools and amenities. The existing infrastructure in Pakistan is inadequate and stretched to full capacity to meeting the demands of rapidly increasing population which is currently estimated to be 128 million and growing at 3% annually.(???). Developing an adequate infrastructure in Pakistan is a top priority for the present Government and offers opportunities for foreign investors.

Energy is increasingly becoming a crucial sector in the process of rapid industrialization. Pakistan has meager reserves of oil and depleting existing reserves of natural gas. There is an increase in the reliance of imported energy. New sources of supply are being sought and opportunities are opened to new and unconventional competitors.

<u>The oil companies marketing margins after remaining unchanged or 30 years were given some relief some three year ago.(???). However even the increased levels are much below the required level and those existing in some of the countries in south Asia and Middle East where the economies are growing at levels higher that in Pakistan. ????????</u>

Two main areas need to be considered when determining structures of an investment venture:

- The corporate arrangements and
- The level of ownership.

The issues of foreign share holding sometimes raises the concern that the control of a national activity or resource is being passed into the hands of outsiders.

From the foregoing, you may have gained the impression that the private investor is looking for a one-way trade, asking for everything and giving little in return. This is not true at all. There must be real benefit to both parties. The investor offers much in return.

The private investors capital and managerial and technical expertise which results in the creation of more wealth, tax revenue and employment. In addition the private investor brings a number of other more long term benefits to the host country some of which are:

- Transfer of technology in expertise
- Transfer of international standards such as those laid down for product quality, safety and environmental protection
- Additional education and training for local workers and a competitive challenge to the domestic industry.

By drawing on foreign investment rather that a bank, the country is able to diversify its own risk.

Foreign investment can make a suitable contribution to a country's growth and development. In doing so it can also help a country make the transition from a dependent economy to one that is growing and self sustaining. The foreign investors contribution to the host country's growth and development is often much greater than the financial floor itself attracting this contribution does not require offering special treatment to foreign firms. They seek only an equal treatment and open and balanced approach.

The four areas which an overseas company should look at, at the time of making further investment in Pakistan are:

- Has the Government implemented its stated policies and is there a more settled political and business environment. This is essential for attracting more movement into the country.
- Is there a level playing field? Competition must be on the basis of price and quality service to customers and Government-controlled companies must not be given unfair advantages.
- Health, safety and environmental issues are areas of great concern and would like to see greater safety measure being imposed in the country.
- Corruption is a problem in Pakistan as in most other countries worldwide including those in the First World. The Government has reiterated its intention to combat this problem.

In concluding I would like to say that Pakistan is a large country with a large and growing market. There are many opportunities for investors. But there is still room for improvement by those who make the framework. As you weigh the pros and cons of investment in Pakistan, I hope these thoughts will help you arrive at the right decision.

Thank you

13th March, 1997.

Mr. Mohibullah Shah,
Secretary,
Board of Investment,
Government of Pakistan,
Islamabad.

Dear **Shah Sahib**

Mr. Naseem Ahmad, Vice President of our Chamber recently participated in the deliberations of the Commission on De-regulation formed by the Government of Pakistan, under the Chairmanship of Mr. R. A. Akhund, has requested me to write to you, on a matter which was discussed in these meetings.

This Chamber had raised the issue of the need to rationalise the overprotective labour laws that inhibit productivity and discourages employment and frightens away much needed productive investment.

Mr. Naseem Ahmad had agreed to provide details of these issues. Please find enclosed with this letter a memorandum which outlines the Chamber's views in this matter and also identifies the laws that need to be redressed.

Kind regards,

Yours sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

1. CONTRACT LABOUR

In order to improve the productivity and efficiency in our country the contract labour system should be regulated for our industries to improve the lot of our work force and to be competitive in the world markets. This would give a long way in improving the productivity, discipline and the economy of the country.

2. RIGHT TO REPLACE UNWILLING WORKERS

The right to replace unwilling workers by willing workers from among the teaming millions of unemployed work force in the country needs to be dealt with wholeheartedly since any half heatedly attempt to deal with this problem will not serve any purpose.

The following procedure is suggested:

a) The employers should have the right to exercise simple termination in respect of unwilling workers. The parting worker should be given 3 months notice or salary in lieu of notice.

b) The vacancy so caused by this action be filled in within the prescribed period.

c) The aggrieved worker is given right to appeal before the National Labour Authority to be constituted for the purpose.

d) If the Authority finds that the employer's action was inappropriate, it may award compensation, the maximum quantum of which should be pre-determined.

The present law on dismissal for misconduct of a delinquent worker also needs to be reviewed as the same has generated unnecessary litigations. It is suggested that:

i. A clear-cut stepwise disciplinary procedure may be prescribed in law in the light of decision given by the Supreme Court of Pakistan while interpreting the relevant clause of the Standing Orders Ordinance.

ii. The Labour Courts should ensure that the prescribed procedure has been followed by the employer in disciplinary cases but they should not go into all the facts of the case as it should be the prerogative of the employer to take decision by appreciating the facts and evidence of the case. The Court may, however, go into the facts of the case only when a malafide intention is proved on the part of the employer.

iii. While deciding on cases of dismissal the Labour Courts may be required to award compensation instead of reinstatement since reinstatement would adversely affect the functioning and discipline of the enterprise. However, the extent of compensation must not be burdensome and its basis should be laid down in the legislation.

With the implementation of the above proposals, the objectives of promoting labour intensive industrialization in the country will receive a positive boost.

3. CONSOLIDATION OF LABOUR LAWS

The difficulties being faced by the employers in the country due to numerous laws which are at present invogue in matters covering the labour field. The consolidation of all laws into one statue covering terms and working conditions of employment, wages and other benefits and labour welfare is recommended.

A Tripartite Committee be constituted which should include experts on labour laws from the Government Employers and the Workers organizations. While consolidating the labour laws into one statue, a detail study of all the labour laws by experts would enable them to remove the flaws, ambiguities and inadequacies.

4. TRIPARTITE INSTITUTIONS AT THE NATIONAL LEVEL

a) Pakistan Tripartite labour Conference and Standing Labour committee should be made permanent institution at the national level responsible for sorting out all issues relating to labour and management in the country. The Standing Labour Committee must meet at least once in every six months while the Tripartite Labour Conference must be held at least once in every 2 years.

b) Industrial Relation Institutions at the Plant level: The following institutions are provided at the enterprise level for representing workers and ensuring workers participation in management:

   i. Collective Bargaining Agent (Under Section 22 of IRO)
   ii. Shop Stewards (Under Section 23A of the IRO)
   iii. Management Committee (Under Section 23B of the IRO)
   iv. Joint Management Board (Under Section 23C of the IRO)
   v. Works Council (Under Section 24 of the IRO)

The above institutions have overlapping functions and because of their inability to respond to the needs of the enterprise and failure to provide a balance of power even among the ranks of workers representatives, these institutions have not proved their effectiveness. On the contrary these institutions have become a source of collecting malingerers for loitering around in the enterprise without any significant contributions.

In an enterprise employing 50 workers and having 5 working sections, the minimum number of workers associated with the above institutions will be as follows:

Trade Union	5 (executive body)
Shop stewards	5 (one for each section)
Management Committee	2 (50% of employers nominees)
Joint management Board	1 (30% of employers nominees)
Works Council	5
Total:	**18 out of 50 which is 36% of the work force.**

The above is only to give an example that if 36% of an enterprise's work force is allowed to be unproductive in the name of workers' participation in management, how can these institutions contribute to the growth of the enterprise.

It is suggested that apart from the institution of Collective Bargaining Agent, there should be only one bipartite body at the enterprise level either in the form of Works Council or by the name of a Consultative Committee having equal number of representatives from the workers and from the employers. This committee should be entrusted with the function of mutual relationship at the enterprise level.

In view of the foregoing, it is recommended that Sections 23A, 23B, 23C and 24 or the IRO be replaced by only one Section 24, which should provide for the constitution of a Consultative Committee in every establishment in which 50 or more workers are employed so that the number of employers' and workers' representatives on the Committee should be equal.

The functions of the Committee is should be to promote measures for securing and preserving good relations between the employer and his workmen and in particular:

a) To draw up a "code of conduct" for the enterprise from both the management and the workers with a view to develop an atmosphere of mutual trust and confidence within the organization.

b) To ensure that both the parties adhere to the mutually agreed code of conduct.

c) *To take steps for avoidance of differences and disputes and promote settlement of differences.*

d) To promote security of employment for the workmen and conditions of safety and health and job satisfaction.

e) To discuss any other matter of mutual interest with a view to promoting better labour management relations.

5. PROMOTIONS OF TRADE UNIONISM

The mushroom growth of trade unions at the plant level has been a source of constant disruption in the pace of industrial relations foiling genuine efforts by the parties to promote mutual confidence. In order to check mushroom growth of trade unions it is suggested that unions receiving less than 20% of the votes in referendum should stand dissolved automatically and their registration be cancelled.

6. OUTSIDERS AND TRADE UNION ACTIVITY

The outsiders holding office of the union exploit the workers to their advantage and create labour disputes to suit their own selfish interests. A survey of sick and closed establishments during the past few years will sufficiently indicate that outside leaders in the trade union have been instrumental in accentuating industrial relations problems at the plant level for achieving their ill-motivated designs ultimately leading the establishments to total closure or falling sick.

It may be noted that the industrial relations enactment in countries like Malaysia, Japan and Philippines do not contain any provision in their law allowing for outsiders as office bearers of *the union.*

The elimination of outsiders from the trade union at the plant level will be a step in the right direction and the industry will be saved from being further ruined under the clutches of outsiders.

7. NATIONAL PRODUCTIVITY COUNCIL

The employers strongly recommend the setting up of National productivity council to suggest measures to increase productivity and to also link wages with productivity.

8. MINIMUM WAGE COUNCIL

It is recommended that a Tripartite National Wage Council be set up to systematically determine the minimum wage for different industries and occupations in different provinces by taking into account the typical realities and state of economic growth of the province.

While fixing minimum wage, the following considerations must be kept in view:

a) Minimum wage must be allowed to grow as a function of demand and supply in a free economy.

b) The interest of small industries and entrepreneurs even in large cities must be protected.

c) If minimum wages are drastically increased a tremendous increase in cost of labour will have fatal effects and will also have a limiting impact on investment climate, country's export capability.

d) The tern "Wages" for the purpose of minimum wages should include basic wages, cost of living and dearness allowances and all cash allowances and payments to workers in any form whatsoever, conditional, or unconditional during a month.

9. WORKERS' WELFARE

The following institutions have been created by statue for the welfare of the workers:

i. Employees Social Security Scheme
ii. Employees Old Age Benefit Scheme
iii. Workers Children Education Cess
iv. Workers ' Welfare Fund
v. Workers' Profit participation Fund

For streamlining the working of all these labour welfare agencies the following proposals may be considered:

a) The existing amount of total contribution from the employers every month which comes to approximately 13% of the monthly wage bill on account of SESSI, EOBI Education Cess be Collected from employers to various utilizing institutions.

b) Alternatively, those subjects of labour welfare which are being managed at the provincial level i.e. the Social Security and the Education Cess should be amalgamated for administration by one institution. Moreover, EOBI Scheme which is being centrally administered be brought within provincial jurisdiction where after all social security and welfare schemes be brought within one umbrella administered by a single agency. In this way all aspects of social security including health, insurance and unemployment benefits may be given comprehensive coverage under one umbrella as is the practice in the modern concept of Social Security. The cost deficit, if any, for such a program should be met by providing for worker's contributions to the SESSI/EOBI and other schemes.

c) In no case should the limit of employee's coverage be extended to management employees for the following reasons:

- Most of the employees are providing medical coverage to employees drawing wages above Rs.1500/-.

- Even the worker already covered by the existing welfare schemes are not satisfied by the return/services received from these institutions.

- In spite of the fact that employers contribute a heavy amount towards these welfare institutions, the employees feel no impact of this contribution.

d) In no case should the EOBI schemes be extended to establishments employing less than 10 workers.

e) In no case should the maximum wage limit of employees coverage be increased from the existing Rs.1500/-.

f) The system of inspection in Social Security, EOBI Scheme should be improved so as to eliminate corruption.

g) The number of employer's representatives on the Governing Bodies/Boards be raised to 50% of the total number of board Members.

h) The employers should be protected from arbitrary interpretation of law by EOBI/SESSI authorities resulting in undue and unwarranted harassment of employers.

i) The present procedure of settling disputes relating to contributions etc. should be reviewed.

j) In Sindh also the board for administering Education Cess be provided on the lines of Punjab, Frontier and Baluchistan.

k) The institutions of SESSI/EOBI/Education Cess etc. should be taken out of the Government control and should be administered by private sector agencies.

10. WORKERS PROFIT SHARING

The law of Worker' s Profit Participation Fund be amended so as to eliminate the curb in disbursement of profits beyond a certain amount among the various categories of workers. The wage limit be removed in order to give profit share to all workers. Therefore, the entire amount of profit sharing accruing out of this scheme should be disbursable among the workers of the enterprise so as to make them feel participative in the profit of the organization.

16th April, 1997.

Mr. Shamim Ahmad
Chairman
Corporate Law Authority
Government of Pakistan
Islamabad.

<u>THE CENTRAL DEPOSITORIES ORDINANCE, 1997 (ORDINANCE NO.XIII OF 1997)</u>

Dear Shamim Saheb,

With reference to our telephonic discussion of 8th instant, I am enclosing a copy of the Chamber's comments on CDC Draft Ordinance, submitted to your predecessor on 8th December 1996.

Despite this intervention on our part the Ordinance was promulgated on 18th January 1997, without any further discussion.

Members of this Chamber are primarily concerned with the following aspects of the ordinance:

1. It has empowered the Central Depository Company (a private sector company) to act as a monopoly by making membership mandatory on all users - e.g. Brokers depositories and issuers of capital. This is clearly against the public interest and the principles of free market competition. (See section 4(6) and section 35)

2. It has discharged the Central Depository Company from certain liabilities for fraud and negligence that places a greater burden upon the issuers of capital than existed previously. This is against the interests of the state in that it will discharge the development of industry (see section 8 and section 11).

3. The ordinance contains several contradictions, which require further legal review and rectification (see sections 5,8,11,18,20 & 21).

We understand that the regulations relating to the CDC Ordinance are being drafted. We would strongly recommend that the exposure draft be circulated to solicit views, before the rules are finalized.

Kind regards

Yours sincerely

ZAHID ZAHEER
SECRETARY GENERAL

ENCL:

c.c.: Mr. Jamil Bhutto
Member Securities
Corporate Law Authority
ISLAMABAD

Minutes of the meeting with Mr. Javed panni of corporate law authority, to the Chamber on 29th and 30th April, 1997

On Chamber's invitation, Mr. Javed Panni of the Corporate Law Authority visited the Chamber on 29th and 30th April, 1997 to discuss members views and apprehension about the CDC Ordinance.

PRESENT

MR. TARIQ AMIN	CO-CHAIRMAN	RHONE POULENC GROUP
MR. ALI AAMIR		ANZ GRINDLAYS
MR. D. M. WOODROFFE		HUBCO
MR. S. K. HUSSAIN		HUBCO
MS. NAUSHEEM AHMAD		ICI
MR. ALE IMRAN		ICI
MR. ANDALEEB ALVI		ENGRO CHEMICAL

Since discussions could not be rounded up on 29th, it was decided to continue it next day i.e. 30th April at 11 AM in the Chamber premises.

After formal introduction, Mr. Tariq Amin thanked the CLA for gathering Chamber's consensus on the Central Depository Company of Pakistan Ltd.

Mr. S. K. Hussain of HUBCO agreeing with the concept of Central Depository System enumerated its advantages and the benefits the share holders and issuers can reap under the system. Mr. Hussain however expressed his observations and apprehension in this respect, enumerated hereunder:

OBSERVATION:

a) After going through the proposed regulation it appears that there is going to be only one Central Depository Company in the country and there are no plans to register any other. If this apprehensions is correct than it defeats the provisions of the Monopolies and Restrictive Trade Practices (Control and Prevention) Ordinance, 1970.

b) The definition clauses and their terminlogies both in the Ordinances and the proposed Regulation are a bit complicated. They should be in simple and straight languages that are in vogue. Members of the Stock Exchange and share holders will have difficulty in the interpretations.

c) Corporate Law Authority should retain the power of Rule making particularly those which are the major issues, whilst leaving minor matters to the discretion of CDS.

d) Drafting both the Ordinance and the Regulation were undertaken by the Central Depository Company of Pakistan Ltd. In that case safe guarding the interest of the Company has the paramount status, lacking the desired check and balance to protect the interest of the investors or issuers.

Mr. Hussain expressed his following consensus:

a) According to the proposed Regulation No. 5.1.6 and 5.1.9 the Central Depository Company enjoys absolute discretion in respect of declining on 'Issuers' securities as 'eligible'. An issuer, not wanting to have its securities so declared, has no option but to submit to the declaration made by the Central Depository Company of Pakistan Ltd. Consequently the Issuer will be compelled to :enter into an Issuer Agreement". Reg.No.5.1.16). The issuer Agreement means an Agreement in the form prescribed by the CDC from time to time. Actual contents of the Issuer Agreement has not been clarified.

   It is there-fore believed that the compulsory manner in which a company's securities will be declared as "eligible securities" and thereafter obtaining the signature of such company on the proverbial dotted line on the Issuer Agreement, arbitrarily made by the Central Depository Company of Pakistan Ltd. Would amongst other things, infringe and violate various Constitutional and other provisions and negate the concept of freedom of trade, business and action, the Contract Act, 1972 and the sanctity of agreements as enshrined in Islam. It would have been better if every company and its shareholders were given the freedom to elect whether they wanted to participate in the Central Depository System without compulsion. If the system worked and the terms and conditions of the Issuer Agreement were considered reasonable by a company it would on its own violation to join the system.

   Both the Federal and Provincial Governments are doing their utmost to ensure the success of the Central Depository System. In this regard it may be mentioned that there is considerable saving of stamp duty to be made in respect of transfer of securities effected through the Central Depository System.

b) Other major concern pertains to the section 11 of the ordinance which has effect of negating the provisions of section 152 of the Companies Ordinance, 1984. Section 11 stipulates that a rightful owner of shares can be deprived of his or her entitlement thereto if the same have been transferred on the Central Depository System and even if the same is effected "fraudulently". This section further provides that the only relief which such a person, who has been so deprived of his shares, has is by way of claiming damages through the court. This will generate considerable and unending litigation involving share holder and the companies.

   It appears that unfortunate shareholders are being made to pay for the mistakes. Incompetence and at times fraud which the Central Depository Companies have failed to highlight the necessary preventive measures.

   It will also create an anomalous situation where a company will be required to violate its own Articles and various provisions of the Companies Ordinance, 1984 if it complies with the Ordinance. This will be the result because a Co/ is required to deny its registered shareholders from their shares and their rights in respect thereto if such shares have been acquired by another, albeit illegally, through the Central Depository System.

   Mr. Hussain wished to make it absolutely clear that his company supports the concept of a Central Depository System which is:-

   a) not compulsory, and
   b) is easy to understand and operate and does not tilt in favor of a single player.

On the second day of discussion (30th April) the following apprehensions were raised by the members:

a) How best it can safeguard the interest of individual investors.

b) Pledging of shares to obtain loan etc. In the absence of the share certificate, or legal documents is apparently not possible.

c) Shares should preferably be in the names of individual investors instead of the CDC.

d) In the event of the death of shareholder, how the company will resolve the issue of inheritance.

e) Since CDC is a private company, if liquidated in future due to any reason, what would be the status of its investors and how their interest will be safe guarded.

f) If the system is reverted back, who will compensate the cost involved in the change over as the investors have to, once again, recognize their abandoned share's handling department.

g) In order to match with the computer system, used by the CDC all investors have to compulsorily adopt the same system, irrespective of any other system they are applying in their organization. This will be cumbersome and costly.

Mr. Panni made a note of above observations/apprehension expressed by the members.

Mr. Panni however made it emphatically clear to the members that:

a) Government has no intention to make it a monopolistic set up.

b) It would welcome any possible number of companies which would like to enter in the arena and no restriction will be imposed in this respect.

c) It is just a co-incidence that the same legal advisors have drafted both the "Regulations" and the "Ordinance".

   He however assured that even after it becomes a law duly approved by the National Assembly, the CLA will always extend their cooperation in adopting changes / amendments in the law if found necessary.

d) Since copy of the CONTRACT/AGREEMENT was not provided , Mr. Panni agreed to dispatch as soon as he returns to Islamabad.

e) On a question of the possibility of imposing arbitrary increase in charges of CDS, Mr. Panni assured that this aspect will be safeguarded, adequately by the CLA and due weightage will be given to any such proposal.

f) Mr. Panni handed over six pages Questionnaire on which he wants to have the consensus of the members. A copy is attached.

The meeting ended with a vote of thanks to each other.

MOHAMMAD ASLAM
DEPUTY SECRETARY

29th April, 1997.

Mr. M. Javed Panni
Chief (Securities)
Corporate Law Authority
Government of Pakistan
SLIC Building No. 7
Blue Area
Islamabad.

Dear Sir

Thank you for your letter dated 22nd April, 1997, received by us on 23rd April, 1997 which enclosed the proposed Regulations of the Central Depository Company of Pakistan Limited and which solicits our views in respect thereof and the Central Depositories Ordinance, 1997 ("the Ordinance").

At the outset we are most grateful to you and the Government for taking us into confidence with regard to this vital matter. Earlier we had requested the Central Depository Company of Pakistan Limited to provide us with a copy of the proposed Regulations but unfortunately without success.

You will appreciate that to properly formulate our views in respect of the regulations, comprising of over a hundred pages, and the ordinance it would require considerably more than the available three working days. Be that as it may wish to make a few observations before proceeding to cover the areas of the greatest concerns.

OBSERVATION 1:

The ordinance had envisaged more than one central depository company. We take it that this was to safeguard against a monopoly situation from developing and further to instill an element of competition between different central depository companies. However, we believe that at this juncture only one central depository company has been registered by the authority and that there are no plans to register another or others. The monopoly so created appears to be further confirmed by the fact that the only central depository company which the authority has registered is the Central Depository Company of Pakistan Limited, a name which no central depository company should have been allowed to be registered under, if the Ordinance was not for the exclusive benefit of the Central Depository Company of Pakistan Limited.

The creation of the Central Depositor Company of Pakistan Limited as the only central depository company in Pakistan appears to offend various provisions of the Monopolies and Restrictive Trade Practices (Control and Prevention) Ordinance, 1970.

To use the words of the Central Depository Company of Pakistan Limited in a letter addressed to one of our members, it stated, that: " it will always remain a service provider to the capital market and will not **take advantage of its monopolistic position**". Despite the best intentions of the said Company it is clear that a monopoly is indeed being set-up, which has been candidly acknowledged. Under the circumstances it would have given us and undoubtedly every shareholder and company in the country greater comfort if some effective mechanism had been incorporated to safeguard against the exploitation by the Company of its "monopolistic position" rather than merely relying upon bare assurance in this regard.

If our understanding in respect of this matter is not correct and it is the intention of the Government not to create a monopoly it would be appropriate to await the registration of atleast another central depository company before considering the Regulations submitted to the Authority for approval.

OBSERVATION 2:

In view of the introduction of new concepts and terminology and the constant reference to the definition clause to understand both the Ordinance and the proposed Regulation it is difficult to gain a clear understanding of the same. We would have preferred a more uncomplicated and easily workable law. You will no doubt appreciate the low level of literacy prevailing in our country and the need to keep things simple. We doubt that many members of the stock exchange will understand these complex statutory instruments let alone the average shareholder. If you so desire we could propose better and more workable alternatives.

OBSERVATION 3:

It is surprising to note that the Ordinance does not have any provision enabling the Government to make Rules in respect of matters enumerated in Section 35, as per the usual legislative practice, but instead in respect of all such matters the central depository company has been given the power to make "Regulation". The Authority can neither make Regulations nor has the power to make any change therein. In order to achieve a balance with regard to possibly conflicting interests of shareholders, companies and central depository companies it would have been prudent if the Authority had retained the Rule making power in respect of major matters whilst leaving minor matters to the discretion of the central depository companies. The added advantage of such Rules would be their universal application to every central depository company. In the present regime different central depository companies may take totally different Regulations, which will be very confusing to all concerned.

OBSERVATION 4:

We further believe that the drafting of both the Ordinance and the Regulations were undertaken by the Central Depository Company of Pakistan Limited. Quite naturally in such *an event the interest of this Company would be kept paramount. It is also not clear why* resort to an ordinance was had to and no debate in Parliament permitted to take place in respect of a matter of utmost importance and of no apparent urgency.

CONCERN 1:

We take great exception to the proposed mandatory participation in the central depository system. In view of the surreptitious manner in which this is sought to be achieved further raises our concerns. Sub-section (6) of section 4 stipulates that:

> "The central depository system of a central depository shall handle such securities as are declared as such by the central depository."

Chapter 5 of the proposed Regulations deals with the "Eligible Securities". The proposed Regulation No. 5.1.6 and 5.1.9 leaves no doubt that whilst the Central Depository Company of Pakistan has absolute discretion in respect of declaring an Issuer's securities as "eligible". An Issuer not wanting to have its securities so declared has no option but to submit to the declaration made by the Central Depository Company of Pakistan Limited.

Once such a declaration is made the Issuer is compelled to "enter into an Issuer Agreement' (proposed Regulation No. 5.1.6). The so called Issuer Agreement "means an agreement, in the form prescribed by the CDC from time to time" (proposed Regulations 2.11.1). It is significant to note that at this juncture the Central Depository Company of Pakistan Limited has not disclosed the contents of the Issuer Agreement.

The aforesaid provisions confirm that the Central Depository Company of Pakistan is taking every advantage of its "monopolistic position".

We believe that the compulsory manner in which a company's securities will be declared as "eligible securities' and thereafter obtaining the signature of such company on the proverbial dotted line on the Issuer Agreement, arbitrarily made by the Central Depository Company of Pakistan Limited, would amongst other things infringe and violate various Constitutional and other provisions and negate the concept of freedom of trade, business and action, the Contract Act 1872 and the sanctity of agreements as enshrined in Islam.

It would have been better if every company and its shareholders were given the freedom to elect whether they wanted to participate in the central depository system without compulsion. If the system worked and the terms and conditions of the Issuer Agreement were considered reasonable were considered reasonable by a company it would on its own volition join the system.

It is submitted that both the Federal and Provincial Governments are doing their utmost to ensure the success of the central depository system. In this regard it may be mentioned that there is considerable saving of stamp duty to be made in respect of transfer of securities effected through the central depository system.

It has been our experience that a participant is only compelled to subscribe to a system from which no benefit is derived or which is inefficient in its working.

<u>CONCERN 2:</u>

Our other major concern pertains to the section 11 of the Ordinance which has the effect of negating the provisions of Section 152 of the Companies Ordinance, 1984. Section 11 stipulates that a rightful owner of shares can be deprived of his or her entitlement thereto if the same have been transferred on the central depository system and even if the same is effected "fraudulently". This Section further provides that the only relief which such a person, who has been so deprived of his shares, has is by way of claiming damages through the court. This Section is to say the least wholly unjust. The same also appears to be in violation of Articles 23 and 24 of the Constitution of Pakistan as it permits a person from holding and or being deprived of his or her property.

It appears that unfortunate shareholders are being made to pay for the mistakes, incompetence and at times fraud which the central depository companies have failed to prevent or may be party to.

Moreover, by encouraging rather than suppressing mischief this Section is expected to generate considerable and unending litigation involving shareholders and companies. It will also create an anomalous situation where a company will be required to violate its own Articles and various provisions of the Companies Ordinance, 1984 if it compiles with the Ordinance. This will be the result because a company is required to deny its registered shareholders from their shares and their rights in respect thereto if such shares have been acquires by another, albeit illegally, through the central depository system.

We are confident that the observations made and concerns expressed by us will be given due consideration by yourself and the Government. We wish to make it absolutely clear that we support the concept of a central depository system which is not compulsory, is easy to understand and operate and does not unduly tilt in fovour of a single player, unfortunately the present is one which does not come up to such expectations.

If you require any further information from us or would require our views in respect of those matters not covered herein above please do not hesitate to contact us.

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

29th April, 1997.

Mr. Arshad Farooq
Federal Secretary
Government of Pakistan
Ministry of Labour & Manpower
Islamabad.

Dear **Mr. Farooq**

This Chamber has in the past drawn the Government's attention to the over protective labour laws that reduce productivity, inhibit business expansion and job creation and have frightened away much needed productive investment in this country. I attach a copy of the Chamber's letter written last October to your Ministry.

We maintain and advocate that the Government must not interfere in the collective wage bargaining process as provided for under the Industrial Relations Ordinance of 1969. This interference takes the form of periodic announcement of increases in the Cost of Living Allowances by the Federal Government and Special Allowances by the Provincial Government, which disrupts the wage structure and the collective wage bargaining process. Such actions by the Federal and Provincial Governments tend to override agreements arrived under the Industrial Relations Ordinance, and damages the sanctity of lawful contracts entered freely between the Employees and the Employer, and dislocates trade and business and brings about unpredictable increase in costs.

Many of the large and responsible employers have recently entered into an agreement with the respective Union (collective bargaining agents) and granted handsome increase in emoluments to their employees which are far in access of the Rs: 300/- adhoc relief announcement by the Government vide SRO No: (1)/91 dated 25.3.1997.

It is therefore suggested that the above statutory notification be amended suitably to include a 'set off' clause, to allow those who have granted substantial and recent increases to make adjustments. Such 'set off' clauses have been incorporated in earlier statutory notifications.

Your early attention to this matter will be appreciated.

Yours sincerely,

T. V. HIGGINS
PRESIDENT

8th May, 1997.

Mr. Abdullah Yusuf
Secretary
Board of Investment
ISLAMABAD.

Dear **Mr. Yusuf**

I write on behalf of the President and the Members of the Managing Committee of the Chamber to state how pleased we were to meet you in Karachi on 29th April, 1997.

We agreed at this meeting to share with you some of our concerns. In this connection, we enclose copy of a Memorandum which was presented on 1st April this year to the Committee for Industrial Investment formed by the Government of Pakistan.

You will notice that the burden of taxation on local manufacturing makes imports more attractive, as outlined in Paragraph 2 and Appendices I and II of this letter.

Separately I gather from Mr. Younas Khan that you have expressed your willingness to assist in expediting the removal of fiscal anomalies. We are asking those Member Companies who are experiencing delays, to contact your office.

Kind regards

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

<u>Attachments:</u> 6 Pages

PRESENTED TO THE MEETING OF COMMITTEE FOR INDUSTRIAL INVESTMENT AT ISLAMABAD ON 1ST APRIL, 1997

The new Government has inherited an economy which is plagued by huge deficits of trade and balance of payments, large foreign debts and irrecoverable Rupee assets balance, and a high rate of inflation. The economy needs large inward capital flows in addition to the need of improving domestic savings.

To accelerate the inflow of direct foreign investment, there is need to enhance the investment environment further. Some of the areas that need to be addressed in this connection are :

- Credibility in the continuance of the government's policies, to enhance the confidence of the investors.
- Rationalization of tariffs so that manufacturing in Pakistan does not attract more levies, than those levied on the import of the same product.
- Rationalization of overprotective labour laws, inhibit productivity and discourages employment
- A lean and clean government.
- An equitable tax system in which all sectors of economy share the burden of taxes. Salaried employees, business and industry must not be over burdened with taxes.

The following specific issues need your consideration:

1. Credibility in the continuance of the Government's policies

Businessmen look for predictability in the Government's policy and this seems to be missing. *Economic policies must be insulated from the political uncertainties. All sides of* the political divide must agree on a common economic agenda. The need for national unity cannot be over emphasized. The Government must ensure consistent policies and resist pressures to make frequent adhoc changes in taxes and the legal environment governing economic activity. Examples of such changes are the change in Income Year introduced in the 1995/96 budget and the withdrawal of duty concessions already granted under petroleum and power policies The regulatory duty on imports, the 1% Flood Relief Surcharge also on imports, were introduced for specific purposes and their prolonged use weakened the Government's credibility.

2. The burden of taxation on local manufacturing, makes import more attractive, despite current tariff barriers. See Appendix I for details. In our opinion the local manufacturing must have a 35% advantage in government levies that are payable. The products that have negative advantage, must be provided relief immediately. The rationale for seeking this is shown in Appendix II which covers all the non tariff disadvantages.

3. Imports tariff on capital plant and machinery have discouraged investment, more so in Pakistan where capital is scarce and cost of borrowing high. Such tariffs should not be used for revenue generating purposes, and should only be used to offer protection to local manufacturers of plant and machinery. Because of this high cost, manufacturers are discouraged to modernize and the quality of local industry products are artificially restricted against international competition.

4. **Removal of "L" Form restrictions** by State Bank of Pakistan in respect of local currency borrowing by foreign controlled companies, as this is discriminatory.

5. **Brand Imitation counterfeiting and Imports through irregular channels**

   Smuggling and the misuse of Afghan Transit is threatening closure of local industry and discouraging legitimate imports causing severe loss of revenue to the Government. Although some measures were taken in budget 1994 - 95, but still local industry and importers are finding it difficult to fight smuggling. The cost of operation of these irregular channels is very low. Brand imitation and counterfeiting is also a major problem.

6. **Over protective Labour laws** that do not encourage productivity and frighten away much needed productive investment. There is need to rationalize the overprotective labour laws, and multiple levies on employment, which inhibit business expansion and job creation. The utilization of funds collected in the name of employees welfare and participation in profits should be made more visible. The government must not interfere in the collective wage bargaining process by announcing adhoc and untimely increase in wages.

7. **Tax Anamolies**

   The taxation system seriously needs restructuring. Somehow those who pay their taxes honestly and regularly are being squeezed more and more and those who are outside the tax net are not affected and the number of such people is much more than those who bear the taxation burden. Unsuccessful efforts have been made to enlarge the tax base to cover those segments of our society who have hitherto failed to share this national responsibility. Amendments are brought out every year in the Finance Bill to recover more revenue, even using coercive measures, with source of revenue remaining the same.

   The prevailing position can be summarized as:

   a. Colossal tax evasion

   b. Taxation measures are not related to the overall economic policies.

   c. There is total lack of confidence between the Tax payer and the Tax collector.

   Resulting in :

   a. Decline in investment with slowing down of economic activity.

   b. Expansion of parallel economy and black money - extent of which is difficult to assess

   c. The flight of capital from the country

   d. Diversion of business activities leading to short term windfall gains i.e. trading, instead of industrialization, which has led to rise in unemployment.

   Fresh and bold initiatives are required. Tax payers should be offered incentives and encouraged to pay taxes. Coercive measures to a very great extent having failed. One meaningful incentive is the reduction in the tax rate to a level which is in line with the cost of concealment, because it cannot be overlooked that tax evasion involves costs. This requires a lower base rate of tax and on top of this there should be incentives for increase tax payments.

The suggestion made by the Chamber is that for any increase in total payments over the base, tax payer ought to receive a rebate on the differential. This would create greater activity and would increase Government revenue and expand the taxable income base which is most desirable.

The present tax system contains numerous anomalies that give rise to perverse incentives, often directly at odds with macro-economic objectives. Examples of some such anomalies are as follows:

a) The imposition of Excise Duty in addition to a uniform Sales Tax is aimed at discouraging the consumption of luxury goods. There is little justification, however, for the imposition of Excise Duties on essential capital goods such as Paints, Electrical Wire and Cables, and other hygiene items, like Detergents, Toilet Soaps, Powder, Shampoos and Creams. The Excise Duties on such goods should be withdrawn.

b) Generally, the levy of Sales Tax & Excise Duty gives an unfair advantage to small scale unorganized sector manufacturers that do not record their transactions. These manufacturers are often less efficient, than their larger tax paying competitors. One such example is the Thread industry. To remove this unfair and costly advantage, Excise Duties on luxury items should be replaced with Sales Tax at the import stage.

8. There is need to contain discretionary power of tax officials

Expecting business and industry to pay arbitrary taxes up front even before the appeals are heard can hardly be described as a confidence building measure. The imposition of levy on imports, and exorbitant enhancement of Professional Tax by the Sind Government are inappropriate and need to be withdrawn. The Commissioner of Income tax Appeal and Income Tax Tribunals should function under the Ministry of Law. This would make the appeal procedure more equitable.

9. There is also the need for transparency in the actions of the Government.

Levies collected by the Government for specific purposes must be utilized for the purpose for which they are collected. Few such examples are Iqra Surcharge, Education Fee and a 1% Fee charged for R & D to all Pharmaceutical Companies, Workers Participation and Welfare Funds.

10. There is need to enhance confidence between the business community and the Government.

Government needs to take certain confidence building measures. Business and Industry must not be made to feel that it is them only who must suffer the burden of tax. All sectors of the economy must be made to share this burden, and the largest sector of the economy Agriculture must be no exception.

11. There is need to address the inequities in the Banking sector.

The extraordinary high rate of taxation payable by Banking Companies need to be redressed. The discrimination in the Withholding Tax rate applicable to local and foreign banks, results in a high break even interest rate for foreign banks at 13.43 compared to 13.0% for local banks. Difference in regulatory requirements give a competitive edge to Development Financial Institutions where the break even interest rate is even lower at 11.98%. The difference in the tax rates and reserve requirements across institutions creates uneven playing fields.

12. There is need to address factors that inhibit industrial growth.

Some of these are :

a) The Government excessively uses indirect taxes as revenue generating instruments and also continually increases the cost inputs of public sector goods and services like Petrol, Electricity, Gas and Water. This resulted in escalating costs and reducing profit margins and has a dampening effect on individual incomes and consumption. The rise in the cost of living index has also eroded the purchasing power of the Rupee again resulting in a demand squeeze, with all the negative consequences for industrial growth.

b) Shortage of low risk capital for financing new investment is yet another factor. Depreciation of the Rupee has increased the cost of new investment, as has the imposition of Import Duty on Plant and Machinery. Few entrepreneurs are willing to risk their own capital in new ventures and rely heavily on bank borrowings. Financial institutions are bleeding through non performing loans granted on the basis of patronage or political largesse and are unable to provide capital for new ventures. The insatiable appetite of the Government to borrow from the banking system in addition to squeezing worthy private sector borrowers out of the credit market, has resulted in upward pressure on the interest rates.

c) An important element of inward investment is the cost of investment. To enhance the attractiveness for such investment all capital goods and related spare parts should be rated at zero import duty. To minimize misuse of this facility a minimum investment of say Rs.2 Million should be specified.

COMPARISON OF TARIFF PROTECTION

PRODUCT:	TOTAL COST INDEX		GOVERNMENT LEVIES INDEX		
	IMPORT	LOCAL MANUF	IMPORTS	LOCAL MANUF	ADVANTAGE %
CIGARETTES			7	17	(42.8)
SULPHONIC ACID (DETERGENTS)	182	208	77	98	(27)
C&F	100	78			
PHARMACEUTICALS	121	115	14	15	(7)
C&F	100	70			
SHAMPOOS	223	263	119	130	(9)
C&F	100	46			
HOUSEHOLD SEWING MACHINES	175.5	179	68.5	64.0	5.8
C&F	100	64			
SOAPS	227	236	122	111	9
C&F	100	61			
SANITARY NAPKINS	223	263	122	109	10.6
C&F	100	66			
TEA	312.4	285	108.9	94.2	13.4
T.V. 20"	193	179	90	72	20
C&F	100	84			
REFRIGERATORS	214	204	111	85	23.4
C&F	100	69			
DIGITAL EXCHANGES	192	161	91	56	38
C&F	100	80			

APPENDICE 20 (IV)

Appendix II

RATIONALE FOR TARIFF PROTECTION

COMPARATIVE NON TARIFF DISADVANTAGES FOR LOCAL MANUFACTURE

1. Economies of scale are a major factor in manufacturing costs.

2. Presumptive Withholding Tax (Corporate) at import stage presents a cash flow problem to local industry. Payment of advance taxes also present the same problem and add to the cost.

3. Local components purchased from vendors have an element of sales tax and excise duty, which is not allowed to be adjusted, against the sales tax paid on finished product(due to lack of documentation). This ends up as an additional cost in the product.

4. Local manufacturing has to suffer additional costs arising out of contributions to Workers Profit and Welfare Fund which are as much as 7% of pre tax profit and accrue almost entirely to the government.

5. Local manufacturing has to suffer extra burden of costs arising out of deficiencies and poor infrastructure, such as:

   Interruption in power
   High port handling costs
   High transportation costs due to poor roads
   High telecommunication costs

6. The capital costs of plant and machinery is inflated by various levies at import stage resulting in a higher investment, which is also reflected as a higher depreciation cost in the product. The element of servicing the higher investment costs is also a disadvantage.

7. The high cost of borrowing money and the scarcity of capital are also impediments to local manufacture.

8. The low productivity arising out of over-protective labour laws also adds to the costs and also denies manufacturers the flexibility in employment. Terminating costs can also be very high. Go slows and strikes also add to the costs, in as much as hartals and law and order problems resulting in absenteeism.

2nd July 1997

Mr. Mohammad Hassan Bhutto
Secretary Government of Pakistan
Ministry of Labour and Manpower
Islamabad.

Dear Mr. **Bhutto,**

This Chamber has in the past drawn the Government's attention to the overprotective labour laws that reduce productivity, inhibit business expansion and job creation and have frightened away much needed productive investment in this country. I attach a copy of the Chamber's letter written last October to your Ministry.

We maintain and advocate that the Government must not interfere in the collective wage bargaining process as provided for under the Industrial Relations Ordinance of 1969. This interference takes the form of periodic announcement of increases in the Cost of Living Allowances by the Federal Government and Special Allowances by the Provincial Government, which disrupts the wage structure and the collective wage bargaining process. Such actions by the Federal and Provincial Governments tend to override agreements arrived under the Industrial Relations Ordinance, and damages the sanctity of lawful contracts *entered freely between the Employees and the Employer, and* dislocates trade and business and brings about unpredictable increases in costs.

We had raised this issue much before the issuance of this Notification with your office and were hopeful that the Government taking into consideration the fact that since the matter under reference is sub-judice will avoid extending this benefit to such industries where the workers are regularly getting wage increase through bilateral negotiations.

Furthermore we had also suggested that an appropriate "set off" clause be inserted in the Notification which has completely been overlooked resulting that many of our members who have recently entered into settlements with their respective CBAs will be faced with serious industrial relation problems if they would try to set-off this amount against the amount paid under the settlements.

It is therefore suggested that the above statutory notification be amended suitably to include a "set off" clause, to allow those who have granted substantial and recent increases to make adjustments. Such "set off" clauses have been incorporated in earlier statutory notifications.

Your early attention to this matter will be appreciated.

Yours sincerely

ZAHID ZAHEER
SECRETARY GENERAL

16th July 1997

Mr. Mohammad Nawaz Sharif
Prime Minister
Islamic Republic of Pakistan
ISLAMABAD.

Dear **Mr. Prime Minister,**

I draw your attention to the very serious problems faced by foreign investors in the Pharmaceutical Industry. In the last few years, due to factors beyond the manufacturers control, the profitability of the industry has been seriously impaired, due to falling parity of the rupee. As a result thereof the return on foreign investment has declined and the position has become alarming. The Pharmaceutical Industry is in this difficult situation almost entirely due to its inability to pass on to the consumers the increase in costs. Prices of ALL Drugs are totally controlled by the Ministry of Health(MOH) - which has failed to permit the Pharmaceutical Industry, fair and adequate price adjustments to offset inflationary cost increases.

The ECC on June 12, 1993 (of your previous Government) took a courageous decision, after much deliberation, on the recommendation of "Dr. Tariq Siddiqui's Committee" – that drugs be classified in 2 categories : "Controlled" (accounting for 65-70% of the Industry's turnover) and "Decontrolled". This decision of the ECC, incorporated annual price adjustments to the former category as per formula agreed with the Pharmaceutical Industry. For the latter category, as the description implies - FREE OF PRICE CONTROL.

It is most unfortunate, that ECC's decision of June 12, 1993, which was arrived at after much study, debate and consensus, has not been allowed to operate. The definition of "Decontrol" soon became inoperative and both categories of Drugs were restricted to irregular and nominal price adjustments. The reversal of Government's policy, is not understood, especially when the industry consists of 200 manufacturers - 29 of them multinationals - most vigorously competing with each other.

The shift in Government policy is mainly, in our opinion, due to highly inaccurate and sensational data being fed to the Government and Public by vested interests. Foremost, being, that prices in a neighboring country are significantly lower. Whereas it is not denied that some prices are indeed lower there, yet it is equally true, that brand for brand, prices in Pakistan are amongst the lowest in the world and generally lower than those in the neighboring countries.

Mr. Prime Minister, the Pharmaceutical Industry, does not deserve to be excluded from the benefits of your enlightened and bold economic policies, which emphasize deregulation and minimum governmental control. It is in the interest of all, the government, industry and the consumers, that competitive forces within the Pharmaceutical market be allowed freedom, as is the case with other sectors of the economy. A profitable and vigorous Pharmaceutical Industry is critical for attracting foreign investment which Pakistan so strongly desires. Your intervention is requested and I would be most grateful, if an opportunity is given to a delegation of the Overseas Investors Chamber of Commerce & Industry to present their case to you in the near future, at a time which suits your convenience.

Kind regards

Yours sincerely

S. NASEEM AHMAD
PRESIDENT

cc: **Mr. Kamran Y. Mirza**
Abbott Laboratories (Pakistan) Limited., Karachi

Mr. J. B. Maude
Merck Marker (Private) Ltd., Karachi

SPEECH BY MR. S. NASEEM AHMAD, PRESIDENT, OICC&I ON OCCASION OF THE VISIT OF MR. HUMAYUN AKHTAR KHAN, MINISTER / CHAIRMAN BOARD OF INVESTMENT 27TH AUGUST, 1997

BISMILLAH IR REHMAN NIR RAHEEM,

HONORABLE MINISTER, MR. HUMAYUN AKHTAR & MEMBERS ASSALAM-O-ALAIKUM,

OUR DISTINGUISHED VISITOR TODAY THE MINISTER/CHAIRMAN BOARD OF *INVESTMENT HAILS FROM A DISTINGUISHED FAMILY OF THE PUNJAB, AND IS THE* SON OF THE LATE GENERAL AKHTAR ABDUL REHMAN KHAN. HE IS A MEMBER OF THE NATIONAL ASSEMBLY FROM RAHIMYAR KHAN AND IS PROBABLY ONE OF THE YOUNGEST MEMBER. HE HOLDS A MASTERS DEGREE FROM THE UNIVERSITY OF MANITOBA IN CANADA, AND HIS FIRST DEGREE IS FROM THE UNIVERSITY OF PUNJAB, GOVERNMENT COLLEGE LAHORE. HE IS ALSO THE FELLOW OF THE SOCIETY OF ACTUARIES CHICAGO, USA AND A FELLOW OF THE CANADIAN INSTITUTE OF ACTUARIES. HE HAS ALSO BEEN A SUCCESSFUL BUSINESSMAN IN HIS OWN RIGHT.

IT GIVES ME GREAT PLEASURE TO WELCOME YOU MINISTER TO THE OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY. THE CHAMBER AND ITS MEMBERS LOOK TOWARDS YOU NOT ONLY AS THE CHAIRMAN BOARD OF INVESTMENT BUT ALSO AS OUR SPOKESMAN IN THE HIGHEST FORUMS OF THE GOVERNMENT OF PAKISTAN. I AM CONFIDENT THAT WE CAN COUNT ON YOUR SUPPORT.

HONORABLE MINISTER, SINCE THIS IS YOUR FIRST VISIT TO THE CHAMBER, A BRIEF INTRODUCTION WOULD PERHAPS BE IN ORDER.
THIS CHAMBER WHICH IS THE OLDEST CHAMBER OF COMMERCE IN PAKISTAN WAS FORMED IN 1860 BY BRITISH BUSINESSMEN AND IS OPEN FOR COMPANIES INCORPORATED IN PAKISTAN WHERE MORE THAN 25% EQUITY IS IN THE HANDS OF FOREIGN COMPANIES, BRANCHES OF FOREIGN COMPANIES OR INDIVIDUALS.

THE MEMBERSHIP IS GROWING AND STANDS AT 186, OF WHICH NINETY FIVE ARE INDUSTRIAL UNDERTAKINGS, FIFTY SIX IN TRADING, TWENTY ONE IN BANKING AND FOURTEEN IN INSURANCE AND SHIPPING & AIRLINE. IT IS A MIX OF LARGE AND SMALL INTERNATIONAL ENTERPRISES. THE FOLLOWING COUNTRIES ARE REPRESENTED :

54	BRITISH	9	MIDDLE EAST
51	*CONTINENTAL EUROPEAN*	1	*CANADIAN*
44	AMERICAN	12	OTHERS
15	JAPANESE		

THE SALES OF MEMBER COMPANIES CONSTITUTE 8% OF THE TOTAL GNP OF THE COUNTRY AND NEARLY 25% OF THE GDP OF THE MANUFACTURING SECTOR. THEY CONTRIBUTE NEARLY ONE SIXTH OF THE TOTAL TAX REVENUE OF THE GOVERNMENT OF PAKISTAN, AND EMPLOY AROUND 50,000 PEOPLE (EXCLUSIVE SECONDARY EMPLOYMENT).

THE CHAMBER'S MAIN FUNCTION IS TO PROMOTE AND PROTECT THE COMMERCIAL, INDUSTRIAL AND FINANCIAL INTERESTS OF FOREIGN INVESTORS ENGAGED IN COMMERCE AND INDUSTRY IN PAKISTAN. IT ALSO CO-OPERATES WITH THE GOVERNMENT IN PROMOTING PRIVATE FOREIGN INVESTMENT. FURTHERMORE WE SEE OUR ROLE AS BEING INSTRUMENTAL IN PROVIDING INFORMATION AND HELP TO POTENTIAL FOREIGN INVESTORS. AFTER ALL THERE IS A WEALTH OF EXPERIENCE AMONGST OUR MEMBERS.

THE PRINCIPAL OPERATING INSTRUMENTS OF THE OVERSEAS CHAMBER ARE ITS MANAGING COMMITTEE(10) AND SUB COMMITTEES, SUPPORTED BY THE SECRETARY GENERAL. WE HAVE 8 SUCH SUB COMMITTEES DEALING WITH MATTERS SUCH AS TAXATION, COMMERCIAL & INDUSTRIAL MATTERS, INSURANCE, PORTS & COMMUNICATIONS, LABOUR, BANKING & FINANCE & ENVIRONMENTAL MATTERS.

OUR CHAMBER ALWAYS HAS, AND MORE SO NOW, CONTINUES TO PROMOTE FOREIGN INVESTMENT IN PAKISTAN. THE CHAMBER OFFERS TO WORK CLOSELY WITH THE GOVERNMENT TO PROMOTE THE NEEDS OF FOREIGN INVESTMENT. WE OFFER A PARTNERSHIP LEADING TO MUTUAL GROWTH SINCE WE FIRMLY BELIEVE THAT WHAT IS GOOD FOR THE COUNTRY IS GOOD FOR THE BUSINESS AND VICE VERSA.

WE ARE AWARE AND COMMEND THE INTENSE EFFORTS THE GOVERNMENT IS MAKING TO ATTRACT DIRECT FOREIGN INVESTMENT TO PAKISTAN. WE ARE ALSO PLEASED THAT THE GOVERNMENT HAS TAKEN SEVERAL IMPORTANT STEPS IN IMPROVING THE INVESTMENT ENVIRONMENT AND SOME OF THE RESULTS ARE ALREADY VISIBLE. THE FOREIGN INVESTMENT GENERATED IN THE LAST FEW YEARS, AT A TIME WHEN VAST NEW AREAS OF THE WORLD ARE OPENING UP AND CLAMORING, FOR CAPITAL AND INVESTMENT IS INDEED HEARTENING.

THE INVESTMENT ENVIRONMENT CAN BE ENHANCED FURTHER IF THE LAW AND ORDER SITUATION IS CORRECTED, ADEQUATE STEPS ARE TAKEN TO IMPROVE THE DEPLETING INFRASTRUCTURE, AND THE GOVERNMENT ENSURES THAT INCENTIVES TO INDUSTRY ARE IMPLEMENTED IN LETTER AND SPIRIT.

TO ACCELERATE THE INFLOW OF DIRECT FOREIGN INVESTMENT, THERE IS NEED TO ENHANCE THE INVESTMENT ENVIRONMENT FURTHER. SOME OF THE AREAS THAT NEED TO BE ADDRESSED IN THIS CONNECTION ARE:

- CREDIBILITY IN THE CONTINUANCE OF THE GOVERNMENT'S POLICIES, TO ENHANCE THE CONFIDENCE OF THE INVESTORS.

- RATIONALIZATION OF TARIFFS SO THAT MANUFACTURING IN PAKISTAN DOES NOT ATTRACT MORE LEVIES, THAN THOSE LEVIED ON THE IMPORT OF THE SAME PRODUCT.

- RATIONALIZATION OF OVERPROTECTIVE LABOUR LAWS, THAT INHIBIT PRODUCTIVITY AND DISCOURAGES EMPLOYMENT.

- AN EQUITABLE TAX SYSTEM IN WHICH ALL SECTORS OF THE ECONOMY SHARE THE BURDEN OF TAXES. SALARIED EMPLOYEES, BUSINESS AND INDUSTRY MUST NOT BE OVER BURDENED WITH TAXES.

- A LEAN AND CLEAN GOVERNMENT.

ALL POTENTIAL INVESTORS, LOOK AT THE PREVAILING SCENARIO AND MOST IMPORTANTLY, THE OPERATING ENVIRONMENT AND RESULTS ACHIEVED BY THE <u>EXISTING</u> FOREIGN INVESTORS. THE BEST WAY TO ATTRACT FOREIGN INVESTMENT IS TO DEMONSTRATE SUCCESS OF EXISTING COMPANIES. THE UNREASONABLE CONTROLS ON THE PHARMA INDUSTRY DOES NOT AUGUR WELL FOR THE FUTURE.

I WOULD NOW LIKE TO DRAW YOUR ATTENTION TO A FEW OTHER MATTERS WHICH DETER INVESTMENT IN THE PROVINCE OF SINDH.

A. *THE ABNORMALLY HIGH RATE OF OCTROI IN KARACHI. OCTROI RATES* PREVAILING IN OTHER PROVINCES ARE CONSIDERABLY LOWER THAN KARACHI. THIS PLACES THE INDUSTRIES LOCATED IN KARACHI AT A DISADVANTAGE.

B. THE ARBITRARY IMPOSITION OF DEVELOPMENT AND MAINTENANCE OF SINDH INFRASTRUCTURE FEE ON ALL IMPORTS IN THE SINDH FINANCE ACT 1994 IS A MATTER OF CONCERN TO US, AND SHOULD BE WITHDRAWN. SUCH A CHARGE ON IMPORTS IS A FEDERAL MATTER, AND PROVINCES SHOULD REFRAIN FROM THE TEMPTATION TO TAX IMPORTS.

C. THE EXORBITANT ENHANCEMENT OF THE PROFESSIONAL TAX UNDER SINDH FINANCE ACT OF 1994 IS YET ANOTHER EXAMPLE. UNTIL 1993-1994 THE ASSESSEE UNDER THE HIGHEST SLAB WHERE REQUIRED TO PAY RS. 8000. WHEREAS NOW TH SAME ASSESSEE IS REQUIRED TO PAY RS. 500,000.

D. IN ADDITION TO ALL THE ABOVE, THE DISTRICT COUNCIL OF KARACHI HAS BEEN AUTHORIZED TO COLLECT ZILLA TAX FOR ITEMS MANUFACTURED IN KARACHI AND SENT UP-COUNTRY FOR SALES AND THAT TOO ON ESSENTIAL GOODS LIKE MEDICINES.

E. THE GOVERNMENT SHOULD NOT INTERFERE IN THE COLLECTIVE WAGE BARGAINING PROCESS, BY ANNOUNCING ADHOC INCREASE IN COST OF LIVING ALLOWANCE. SUCH INCREASES DISRUPTS THE COST STRUCTURE OF INDUSTRY AND FRIGHTEN AWAY INVESTMENT.

THE ABNORMAL INCREASE IN LOCAL TAXES ON IMPOSITION OF NEW LEVIES IN KARACHI, MAKES KARACHI A LESS ATTRACTIVE PLACE FOR INVESTMENT. AFTER ALL IT IS COMPARATIVE ADVANTAGE THAT POTENTIAL INVESTORS LOOK FOR.

LASTLY HONORABLE MINISTER THE DETERIORATING INFRASTRUCTURE IN KARACHI NEEDS ATTENTION. WE ARE ALL AWARE OF THE UNRELIABLE POWER SUPPLY AND DISRUPTION OF ELECTRICITY. THOSE WHO WISH TO PROTECT THEIR POSITION AND GENERATE THEIR OWN STAND BY POWER ARE PENALIZED FURTHER BY DEMANDS OF PAYMENT OF ELECTRICITY DUTY. THE INADEQUATE SUPPLY OF WATER THROUGH THE PIPING SYSTEM TO BOTH INDUSTRIAL PLANTS AND OFFICES NEEDS TO BE ADDRESSED. THE CHAMBER'S BUILDING IN WHICH WE ARE SITTING TODAY, IS AN EXAMPLE WHERE NO WATER IS RECEIVED THROUGH PIPES AND YET WATER AND CONSERVANCY TAXES ARE INCREASED PERIODICALLY. THE TRAFFIC ARRANGEMENTS IN THE MAIN BUSINESS DISTRICT OF KARACHI NEEDS ATTENTION. HASRAT MOHANI ROAD IS AN EXAMPLE WHERE ALL KINDS OF VIOLATION OF THE TRAFFIC LAWS TAKE PLACE, AS NO ONE IS INTERESTED IN ADMINISTRATING THEM.

HONORABLE MINISTER I MUST CONTAIN MYSELF NOW AS I KNOW MY COLLEAGUES ARE EAGER TO HEAR YOU. I SINCERELY HOPE THAT WE WILL HAVE TOGETHER ACHIEVED BETTER UNDERSTANDING THIS AFTERNOON AND THAT VOICING OUR CONCERNS HAS BROUGHT US CLOSER TO RESOLUTIONS.

MAY I THANK YOU ONCE AGAIN ON BEHALF OF BOTH MYSELF AND MEMBERS OF THE OICCI FOR SPARING THE TIME TO MEET WITH US. I ASSURE YOU THAT WE SINCERELY BELIEVE THAT WHAT IS GOOD FOR THE COUNTRY IS GOOD FOR THE FOREIGN INVESTORS.

Minutes of the Meeting held on 3rd September, 1997 with the Prime Minister of Pakistan at the Chief Minister's House in Karachi at 12 Noon followed by Lunch hosted by the Chief Minister of Sindh Mr. Liaquat Jatoi.

PRESENT:

OICC&I MEMBERS:

MR. S. NASEEM AHMAD	PRESIDENT
MR. I. S. SANGSTER	VICE PRESIDENT
MR. ZAHID ZAHEER	SECRETARY GENERAL
MR. TARIQ MOHAMED AMIN	MEMBER
MR. MUNNAWAR HAMID	MEMBER
MR. M. YOUNAS KHAN	MEMBER
MR. ZAKIR MAHMOOD	MEMBER
MR. KAMRAN Y. MIRZA	MEMBER
MR. D. M. WOODROFFE	MEMBER
MR. ZAFFAR A. KHAN	CO-OPTEE
MR. J. B. MAUDE	CO-OPTEE
MR. M. SULGER	CO-OPTEE

LEAVE OF ABSENCE:

MR. FUAD A. HASHIMI	MEMBER

PRESENT:

MR. T. V. HIGGINS	IMMEDIATE PAST PRESIDENT

ABC REPRESENTATIVES:

MR. SAJJAD RAZVI	PRESIDENT
MR. FAROOQ HADI	MEMBER
MR. KAMAL SHAH	MEMBER

GOVERNMENT'S PARTICIPANTS:

MR. NAWAZ SHARIF	PRIME MINISTER OF PAKISTAN
MR. SARTAJ AZIZ	FINANCE MINISTER
LT. GENERAL (RTD) MOINUDDIN HAIDER	GOVERNOR OF SINDH
MR. LIAQUAT JATOI	CHIEF MINISTER OF SINDH
MR. CHAUDHRY SHUJAT HUSAIN	FEDERAL MINISTER FOR INTERIOR
MR. HUMAYUN AKHTER	CHAIRMAN, BOARD OF INVESTMENT
MR. KHAWAJA ASIF	CHAIRMAN, PRIVATIZATION COMMISSION
MR. SHER DIL	PRIME MINISTER'S SECRETARIAT
MR. SARDAR AHMED	ADVISOR TO SINDH GOVERNMENT
MR. SAEED MEHDI	CHIEF SECRETARY, SINDH GOVERNMENT
MR. SHAHID NAZIR AHMED	SECRETARY TO CHIEF MINISTER
MR. KHAWAJA QUTUBUDDIN	SENATOR
MR. MAJID SULTAN	MEMBER NATIONAL ASSEMBLY

President, Mr. Naseem Ahmad welcomed the Prime Minister. He covered wide ranging issues, a copy of his speech is attached.

Mr. Sajjad Razvi on behalf of the American Business Council made remarks, about macro economic policy matters.

The Prime Minister then invited discussions from amongst the delegates

Mr. D. M. Woodroffe drew the attention of the Prime Minister to the fact that he had a 300 MW Generating plant idling in HUBCO, and yet Karachi was suffering load shedding. He said that the cost of this power to WAPDA will be no more than the cost of the fuel.

Mr. I. S. Sangster spoke of the menace of smuggling. Apart from tightening of the borders, fiscal measures to control smuggling can be effective. He stated that whenever such measures were used in the past, smuggling was reduced. He also called for collection of customs duty on Afghan Transit Trade which could be refunded to the Afghan authorities.

Mr. T. V. Higgins praised the economic policies of the Government of Pakistan and said the results are beginning to show. If sale of HSD is a measure of industrial index, the signals are good. Sales in the month of July have picked up. He also praised the Government's policy of opening up the LPG's for investment for all. Very soon we will see investment coming in this area.

Mr. Munnawar Hamid highlighted the need for a long term and consistent industrial policy and suggested that the Government of Pakistan should go directly to the Boards of major multinationals for investment promotion purposes.

Mr. Zakir Mahmood spoke of the inequities of taxation in the Banking Sector.

Mr. Younas Khan also spoke of supporting the Prime Minister in attracting investment, and offered his services.

Mr. Kamal Shah raised the issue of inequities in the Sales Tax collection on imports and on domestic production. Importers pay Sales Tax on C & F value, while domestic production pays Sales Tax on retail price. He also raised the question of both Sales Tax and Excise Duty on local production. He stated that in the Television business. The "smugglers" have the greatest share of the market.

Mr. J. B. Maude spoke on the problems being faced by the Pharma industry and the unrealistic price control.

The Prime Minister asked Mr. T. V. Higgins to sum up the meeting. Mr. Higgins praised the policies of the Government but at the same time said that implementation was poor. He offered support to the Prime Minister in liberalizing the regulatory environment even further, and this will attract investment.

Prime Minister responding to the issues appreciated the frank discussions in the meeting. He said the problems were deep rooted and would take strong political will to resolve them. He suggested further meetings with the OICC&I to resolve the issues which are impeding the industrial revival.

ZAHID ZAHEER
SECRETARY GENERAL

<u>Attachment:</u> Speech of President, OICC&I

SPEECH BY
MR. SYED NASEEM AHMAD
PRESIDENT, OICC&I ON THE OCCASION OF THE VISIT OF
THE PRIME MINISTER OF PAKISTAN
MIAN MOHAMMAD NAWAZ SHARIF
SEPTEMBER 3, 1997

BMR

Honourable Prime Minister, Excellencies, Senators and Fellow colleagues............ Assalaam - o - Alaikum!

We are thankful to Senator Qutubuddin for suggesting this meeting, and to you Prime Minister for agreeing to meet us. Since this is your first meeting with the OICC&I, a brief introduction is called for.

This Chamber which is the oldest Chamber of Commerce in Pakistan was formed in 1860 by British businessmen and is open to companies incorporated in Pakistan where more than 25% equity is in the hands of foreign companies or individuals. Branches of foreign companies are also eligible.

The membership is growing and stands at 186, of which ninety five are industrial undertakings, fifty six in trading, twenty one in banking and fourteen in insurance, shipping and airline. It is a mix of large and small international enterprises. The following countries are represented:

54	British	9	Middle East
51	Continental European	1	Canadian
44	American	12	Others
15	Japanese		

The sales of member companies constitute 8% of the total GNP of the country and nearly 25% of the GDP of the manufacturing sector. They contribute nearly one sixth of the total tax revenue of the Government of Pakistan and employ around 50,000 people (excluding secondary employment).

The Chamber's main function is to promote and protect the commercial, industrial and financial interests of foreign investors engaged in Commerce and Industry in Pakistan. It also co-operates with the Government in promoting private foreign investment. Furthermore, we see our role as being instrumental in providing information and help to potential foreign investors. After all there is a wealth of experience amongst our members.

Your Government, Prime Minister, has inherited an economy which is plagued by huge deficits of trade and balance of payments, large foreign debts and irrecoverable balance of Rupee assets, and a high rate of inflation. The economy needs large capital inflows in addition to significant improvements in domestic savings.

The economic reforms introduced by your government in March, and the budget that followed in June this year, are very positive initial steps towards the revival of the economy.

To accelerate the inflow of direct foreign investment, there is a need to enhance the investment environment further. Some of the areas that need to be addressed in this connection are :

- Credibility in the continuance of the government's policies, to enhance the confidence of the investors.
- Rationalisation of tariffs so that manufacturing in Pakistan does not attract more levies, than those applied to the import of the same product.
- Rationalisation of overprotective labour laws, that inhibit productivity and discourage employment.
- A lean and clean government.
- Demonstration of success of existing companies, as this is the best way to attract new investments.

The following specific issues need your consideration :

1. **Credibility in the continuance of the Government's policies.**

   Businessmen look for predictability in the Government's policy and this seems to be missing. Economic policies must be insulated from uncertainties. The Government must ensure consistent policies and resist pressures to make frequent adhoc changes in the economic, privatisation, taxation and tariff policies and the legal environment governing the economic activity.

   In addition, the Government needs to take certain confidence building measures. Business and Industry must not be made to feel that it is they only, who must suffer the burden of tax. All sectors of the economy must be made to share this burden, and the largest sector of the economy, Agriculture, must be no exception.

2. **Operating costs in Pakistan**

   The cost of local production is high and these costs result in incompetitively priced goods and loss of export opportunities.

   Although the tariffs on capital plant and machinery have been reduced, they continue to discourage investment, more so in Pakistan where capital is scarce and cost of borrowing high. Such tariffs should not be used for revenue generating purposes, and should only be used to offer protection to local manufacturers of plant and machinery. Because of this high cost, manufacturers are discouraged from modernising, and as a consequence, the quality of local industry products is artificially restricted against international competition. I will not read out the details of high operating costs in Pakistan as these are documented in the Annexure.

   The burden of taxation on local manufacturing must not make import of finished products more attractive. Although measures have been taken in the recent budget to correct this situation, it needs constant review. In our opinion the local manufacturing must have a 25% advantage in total government levies that are payable in relation to imports. This should be part of a new Industrial Policy which your government must institute and publicise. This Chamber will be happy to participate in preparing the policy.

   The creation of special industrial zones must not result in an uneven playing field for investors in other parts of the country. There is need to improve the infrastructure in the existing industrial estates and use scarce financial resources in improving these areas.

3. **Brand imitation, counterfeiting and Imports through irregular channels**

Smuggling and the misuse of Afghan Transit is threatening closure of local industry and discouraging legitimate imports, causing severe loss of revenue to the Government. Although some measures were taken in the budget, still the local industry and importers are finding it difficult to combat smuggling. The cost of operation of these irregular channels is very low. Another major problem is brand imitation, patent infringement and counterfeiting.

4. **Over-protective Labour laws**

Existing laws do not encourage productivity and frighten away much needed productive investment. There is need to rationalise the overprotective labour laws, and multiple levies on employment, which inhibit business expansion and job creation. The utilisation of funds collected in the name of employees welfare and participation in profits, should be made more visible. The government must refrain from interfering in the collective wage bargaining process by announcing adhoc and untimely increase in wages.

5. **There is need to address factors that inhibit industrial growth.**
Some of these are:

a) The Government excessively uses indirect taxes as revenue generating instruments and also continually increases the cost inputs of public sector services like Electricity, Gas and Water. This results in escalating costs and reducing profit margins and has a dampening effect on individual incomes and consumption. The rise in the cost of living index has also eroded the purchasing power of the Rupee resulting in a demand squeeze, with all the negative consequences for industrial growth.

b) Shortage of low risk capital for financing new investment is yet another factor. Depreciation of the Rupee has increased the cost of new investment, as is the charge of Import Duty on Plant and Machinery . Few entrepreneurs are willing to risk their own capital in new ventures and rely heavily on bank borrowings. Financial institutions are bleeding through non performing loans granted on the basis of patronage or political largesse and are unable to provide capital for new ventures. The insatiable appetite of the Government to borrow from the banking system in addition to squeezing worthy private sector borrowers out of the credit market, has resulted in upward pressure on the interest rates.,

We welcome the steps taken by the Corporate Law Authority in broadening the board of the Karachi Stock Exchange and the appointment of an independent CEO for the Stock Exchange. This will strengthen the capital market and infuse confidence amongst portfolio investors.

Prime Minister, in conclusion, I will summarise the actions which your government may consider to take :

1. An equitable, business friendly and consistent industrial policy, which yields good return on investments, needs to be announced quickly.

2. A declaration, which infuses confidence in the credibility of the continuance of these policies, assuring better implementation.

3. Restructuring of the BOI to make it more responsive to the need of investors.

4. Sufficient investment in restoring the fast depleting infrastructure.

5. The need to create comparative advantage to attract investors.

Prime Minister, we wish to place on record our appreciation of the role of the Chief Minister of Sindh who has always been available to listen to the problems of investors, especially those relating to the inequities in the octroi and other local taxes.

In the end, I wish to reiterate and compliment your personal efforts, and those of your Government to create an investment-friendly environment, and assure you of our full co-operation in your endeavours.

Thank you for listening to me so patiently. I will now call upon Mr. Sajjad Razvi, the President of the ABC to cover the macro-economic issues.

Karachi
September 3, 1997

31st October, 1997

Minutes of Meeting held with Senator Ahsan Iqbal, Minister of State & Chief Coordinator, Prime Minister's Pakistan 2010 Program on Wednesday 8th October, 1997 at 11.30 AM in OICC&I

Present:

Mr. Naseem Ahmad
Mr. Zahid Zaheer
Mr. Moin M. Fudda
Mr. M. Moonis
Mr. Tariq Amin

The President welcomed the Minster to the Chamber, a copy of his speech is attached.

Minister responded as follows. He congratulated Mr. S. Naseem Ahmad on assuming the office of the President, OICC&I. He stated that the present government had inherited major problems. Policy and regulatory changes have been introduced. Autonomy to the State Bank of Pakistan is one such example. Down sizing of Government and banks is another. Economy is overtaxed and hence the tariff reforms. Political instability has been removed through fourteenth and eight amendment of the constitution.

There is however inertia involved in making soicio economic changes. There are bigger changes in the external environment - like globalization, a new trade order as a result of WTO. This is not necessarily a threat, it can be an opportunity also.

In the regionalization of world economy where does Pakistan fit. SARRC or another grouping? We cannot afford to ignore information technology revolution. Infrastructure has been built reasonably well in the last fifty years. Social infrastructure needs to be improved. Focus to shift from export led development to knowledge led development.

Can we double national income and per capita income by the year 2010. The primacy of the private sector has to be maintained for development and growth. Industry needs a strong technological base. Good governance has to be part of the plan.

We must evolve a model similar to a Corporate Strategy Model. There must be a change of the top to down paradigm. The program to be participative.

Twenty national conferences are planned, each conference to have 200 to 300 participants. Suggestions will emerge as all the stakeholders are involved. This will be the agent of change. There is need to create an enabling environment to attract investment.

OICC&I should consider to form a 2010 Club to interact wit the program. Meetings could be once a quarter. OICC&I to nominee resource persons from different sectors.

Meeting closed with a vote of thanks to the Minister.

ZAHID ZAHEER
SECRETARY GENERAL

Attachments: 2 Pages President's Speech

SPEECH BY MR. S. NASEEM AHMAD, PRESIDENT, OICC&I ON THE OCCASION OF THE VISIT OF SENATOR AHSAN IQBAL, MINISTER OF STATE & CHIEF COORDINATOR, PRIME MINISTER'S PAKISTAN 2010 PROGRAMME ON WEDNESDAY 8TH OCTOBER, 1997 AT 11.30 AM IN OICC&I

BISMILLAH IR REHMAN NIR RAHEEM,

HONORABLE MINISTER, SENATOR IQBAL & MEMBERS

ASSALAM-O-ALAIKUM

HONORABLE MINISTER, SINCE THIS IS YOUR FIRST VISIT TO THE CHAMBER, A BRIEF INTRODUCTION WOULD PERHAPS BE IN ORDER.

THIS CHAMBER WHICH IS THE OLDEST CHAMBER OF COMMERCE IN PAKISTAN WAS FORMED IN 1860 BY BRITISH BUSINESSMEN AND IS OPEN FOR COMPANIES INCORPORATED IN PAKISTAN WHERE MORE THAN 25% EQUITY IS IN THE HANDS OF FOREIGN COMPANIES, BRANCHES OF FOREIGN COMPANIES OR INDIVIDUALS.

THE MEMBERSHIP IS GROWING AND STANDS AT 186, OF WHICH NINETY FIVE ARE INDUSTRIAL UNDERTAKINGS, FIFTY SIX IN TRADING, TWENTY ONE IN BANKING AND FOURTEEN IN INSURANCE AND SHIPPING & AIRLINE. IT IS A MIX OF LARGE AND SMALL INTERNATIONAL ENTERPRISES. THE FOLLOWING COUNTRIES ARE REPRESENTED :

54	BRITISH	9	MIDDLE EAST
51	CONTINENTAL EUROPEAN	1	CANADIAN
44	AMERICAN	12	OTHERS
15	JAPANESE		

THE SALES OF MEMBER COMPANIES CONSTITUTE 8% OF THE TOTAL GNP OF THE COUNTRY AND NEARLY 25% OF THE GDP OF THE MANUFACTURING SECTOR. THEY CONTRIBUTE NEARLY ONE SIXTH OF THE TOTAL TAX REVENUE OF THE GOVERNMENT OF PAKISTAN, AND EMPLOY AROUND 50,000 PEOPLE (EXCLUSIVE SECONDARY EMPLOYMENT).

THE CHAMBER'S MAIN FUNCTION IS TO PROMOTE AND PROTECT THE COMMERCIAL, INDUSTRIAL AND FINANCIAL INTERESTS OF FOREIGN INVESTORS ENGAGED IN COMMERCE AND INDUSTRY IN PAKISTAN. IT ALSO CO-OPERATES WITH THE GOVERNMENT IN PROMOTING PRIVATE FOREIGN INVESTMENT. FURTHERMORE WE SEE OUR ROLE AS BEING INSTRUMENTAL IN PROVIDING INFORMATION AND HELP TO POTENTIAL FOREIGN INVESTORS. AFTER ALL THERE IS A WEALTH OF EXPERIENCE AMONGST OUR MEMBERS.

THE PRINCIPAL OPERATING INSTRUMENTS OF THE OVERSEAS CHAMBER ARE ITS MANAGING COMMITTEE(10) AND SUB COMMITTEES, SUPPORTED BY THE SECRETARY GENERAL. WE HAVE 8 SUCH SUB COMMITTEES DEALING WITH MATTERS SUCH AS TAXATION, COMMERCIAL & INDUSTRIAL MATTERS, INSURANCE, PORTS & COMMUNICATIONS, LABOUR, BANKING & FINANCE & ENVIRONMENTAL MATTERS.

OUR CHAMBER ALWAYS HAS, AND MORE SO NOW, CONTINUES TO PROMOTE FOREIGN INVESTMENT IN PAKISTAN. THE CHAMBER OFFERS TO WORK CLOSELY WITH THE GOVERNMENT TO PROMOTE THE NEEDS OF FOREIGN INVESTMENT. WE OFFER A PARTNERSHIP LEADING TO MUTUAL GROWTH SINCE WE FIRMLY BELIEVE THAT WHAT IS GOOD FOR THE COUNTRY IS GOOD FOR THE BUSINESS AND VICE VERSA.

WE ARE AWARE AND COMMEND THE INTENSE EFFORTS THE GOVERNMENT IS MAKING TO ATTRACT DIRECT FOREIGN INVESTMENT TO PAKISTAN. WE ARE ALSO PLEASED THAT THE GOVERNMENT HAS TAKEN SEVERAL IMPORTANT STEPS IN IMPROVING THE INVESTMENT ENVIRONMENT AND SOME OF THE RESULTS ARE ALREADY VISIBLE. THE FOREIGN INVESTMENT GENERATED IN THE LAST FEW YEARS, AT A TIME WHEN VAST NEW AREAS OF THE WORLD ARE OPENING UP AND CLAMORING, FOR CAPITAL AND INVESTMENT IS INDEED HEARTENING.

THE FUTURISTIC PROGRAMME VISION 2010 INITIATED BY YOUR GOVERNMENT NEEDS TO BE COMMENDED. IT IS A PROPER RESPONSE TO ADDRESS FUNDAMENTAL ISSUES. THE SOLUTIONS TO SHORT TERM PROBLEMS ARE INTERTWINED WITH LONG TERM PLANNING. HAVING A WELL PLANNED FUTURE VISION IS FRUITFUL EVEN IF EVERY ELEMENT IS NOT IMMEDIATELY TRANSLATED INTO PRACTICAL STEPS.

YOUR PROGRAMME VISION 2010 PRESENTS A COHERENT CONCEPTUAL FRAMEWORK FOR THE FUTURE OF PAKISTAN. THE STRESS ON RAISING EDUCATION AND SKILL LEVELS IS UNDERSTANDABLE. THIS IS HOWEVER ONLY ONE OF THE ELEMENTS THAT PUSH SOCIETY FORWARD. OTHER CHANGES IN THE SOCIO-ECONOMIC AND POLITICAL SYSTEM ARE A PREREQUISITE FOR SUSTAINABLE FUTURE GROWTH.

YOUR EMPHASIS OF CREATING 2010 CLUBS OF INTELLIGENTSIA IS A STEP IN THE RIGHT DIRECTION. THE NOTION OF BROAD BASED PARTICIPATION IS HIGHLY COMMENDABLE AND DISTINGUISHES THE PRESENT GOVERNMENT FROM ITS PREDECESSORS. IT IS HOPED AND EXPECTED THAT THE SUGGESTIONS RECEIVED FROM THE 2010 CLUBS WILL BE SYNTHESIZED RESULTING IN A CREDIBLE 2010 PROGRAMME, FORMULATING YEARLY TARGETS FOR EACH SECTOR OF THE ECONOMY. HONORABLE MINISTER, I NOW INVITE YOU TO SHARE YOUR VIEWS WITH US.

MEMORANDUM

MEETING WITH CHIEF MINISTER OF SINDH ON FRIDAY 24.10.1997

1. OCTROI

The rates of octroi charged in the province of Sindh have now become a significant burden of cost. They are considerably higher than those payable in other provinces of the country. See summary of province-wise octroi payable for food and consumer products Annex I and Annex II for tobacco products.

Annex III shows how the rates in Karachi and Hyderabad are totally out of line with other parts of the country and they have increased by 42% and 17% in the last two years.

Within some districts in the province there is tremendous variation shown in Annex IV.

Annex V shows how some places in the province charge octroi on value and others by weight and the tremendous difference. Those charging by value levy ten times as much octroi as those charging by weight.

Octroi on tea is being charged on gross sales value in the Hyderabad area, as shown in Annex VI. This translates to Rs. 9,000 per ton of product, which is exorbitant considering that the Federal Government Customs Duty on this product is Rs. 35,000 per ton. The octroi works out to 11.20% of the C&F value of the product.

2. STAMP DUTY ON LOAN AGREEMENTS BASED ON ISLAMIC MODE OF FINANCING

The treatment of giving an extended meaning to loan agreements based on Islamic mode of financing (mark up) and interpreting, these as conveyance deeds is not correct.

This is likely to have major ramifications in the province of Sindh and amongst other things will increase the cost of investment and will discourage investment in industry *and consequently reduce employment.*

The demands for payment of additional stamp duty in arrears is grossly unfair.

3. SINDH DEVELOPMENT & MAINTENANCE OF INFRASTRUCTURE FEE

This was first levied in the 1994 Sindh Finance Act at 0.1% of the value of imports. In the subsequent Finance Act of 1995 it was increased to 0.2% on imports. Our letter of 7th November, 1994 addressed to the then Chief Minister of Sindh explained that this levy transforms into a tax on imports and falls in the federal legislative list, and it is highly improper for the Provincial Government to charge such a levy (copy of letter attached).

4. PROFESSIONAL TAX

Professional Tax rates under Sindh Finance Act 1994 have been increased exorbitantly. Highest slab increase from 8,000 to 500,000 needs reconsideration.

The seventh schedule under the Sindh Finance Act 1994 prescribes the various categories of assesses, who are liable to pay tax on professions, trades, callings and employment. The rates mentioned in the schedule have been revised for the year 1994 - 95 and the forthcoming years. Until the year 1993 - 94, the assesses subject to tax even under the highest slab were required to pay Rs. 8,000 only whereas now that amount has been exorbitantly increased upto Rs. 500,000 which is very harsh on the assesses. The authorities should be requested to look into the issue and reduce the scale of professional taxes levied by the Government of Sindh.

5. LAW & ORDER SITUATION

Although the number of car snatching incidents have reduced, they need to be improved further. Similarly the armed burglaries may have reduced, but need to apprehend the culprits is ever so important, to restore some of the lost confidence in the Province.

Lately we have been advised that in some areas of Karachi, the Police have refused to register FIRs reported for delivery vehicles being robbed, on the grounds that delivery vehicles must be accompanied by Members of the Police Force.

6. INADEQUATE MUNICIPAL SERVICES

The supply of Water to the Industrial Estates of Karachi needs to be improved. In the principal business district off Main I. I. Chundrigar Road where the Chamber's building is located, there is no supply of water through the pipes. Each year, however the Municipal charges and Property Tax are increased.

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

FAX

17th November, 1997

Mr. Javed Burki
Secretary
Ministry of Water & Power
Government of Pakistan
ISLAMABAD.

Dear Sir

NEW POLICY FOR INDEPENDENT POWER PLANTS

Thank you for your letter No. 7(701) PPIB/97 dated 4th November, 1997 together with the working paper on the new policy.

Comments of the Chamber on the working paper are attached herewith for your perusal.

Yours truly

S. NASEEM AHMAD
PRESIDENT

Attachments: 5 Pages

11th November 1997

DRAFT POLICY FOR I - P - PLANTS (4.11.97)

Introduction : Whilst the objectives of the policy in terms of the wish to secure energy at least cost using competition are clear a number of very important issues have not been addressed. These relate in particular to 'need' and 'timing'. A simplistic approach to risk has been adopted which will either increase costs to the customer or deter investors. Further it would appear that the only option available for development is through competitive bidding, in particular circumstances this may be inappropriate.

Need: Statements by both Government and WAPDA indicate that the commissioning of new plants by the IPP's will result in excess generation capacity over the next 4 - 5 years. Further it is the declared intention of Government to proceed with one or more major hydel projects. If successful it would appear that there is no need for a commitment to be made for additional generating capacity at this time.

Even if the operating cost of an indigenously fuelled plant (gas or hydel) are considered to be nil, the cost of capital for any plant will exceed the energy purchase price for power supplied by the IPP's that have been built. To build additional capacity, in advance of need, would be to increase the total cost to the country. Should additional gas become available this could in the short term be burnt on existing plants in order to reduce the foreign exchange burden of importing oil.

There could be an argument for installing additional capacity if surplus energy were to be sold to India. In this case, sale of power particularly that derived from indigenous energy sources would be most profitable.

Timing: If there is no immediate need for additional capacity why issue the new policy now? Whilst guidelines are always helpful, if they are not used, they quickly become outdated. Energy is a fast developing sector internationally with the optimal approach subject to regular change.

Another important consideration in respect of timing is the view of the International community of Country risk. The events of the last year have given rise to serious concerns as to the consistency of Governments policy. Based on the stance of the Government, that it will honour existing contractual commitments, these concerns will subside. However investors are waiting to see what happens and only time will convince them that they have nothing to fear. This concern is compounded by the WAPDA/KESC financial crisis. If the cash flow situation is as bad as portrayed default would seem a real possibility. Notwithstanding the availability of Government guarantees in respect of payment, the ability or willingness of Government to take an open ended commitment to cover an ever increasing debt has to be questioned. Until the Utilities can demonstrate in practice that progress is being made to reduce their operating deficits any new investment will be seen as unattractive.

Competitive Bidding : It is generally accepted that in situations where a number of qualified bidders can be identified and the service needed can be adequately specified competitive bidding provides the best solution. This however is not always the case. Thar coal field being a case in point.

The exploitation of the coal field must be in the Countries best interest providing as it does indigenous fuel. What is not adequately recognised is that there are relatively few developers world wide both interested and capable of this undertaking. Further as there are a large number of variables that have to be evaluated in determining how the development is to proceed it is impossible for Government to table an optimum proposal. Any proposal could well be less than ideal when viewed by developers - the objective must be to attract the interest of as many as possible.

In this situation the only route is through the solicitation of expressions of interest, the objective evaluation of proposals by different developers and a negotiated contract. There are too many unquantifiable variables to do otherwise. If the coal reserves are to be exploited they must be considered a special case and given that the fuel will replace oil, denominated in hard currency, the kind of incentives given to the oil and gas section would be appropriate.

Risk & Comment on The Draft: Detailed observations on the draft follow. In a number of sections reference is made to risk, where the intention is to lay the risks on the Power Producer - some risks lend themselves to quantification whilst others do not. Whilst bidders may accept some risks, they are reluctant to expose themselves to open ended risks. To the extent that they do so they will be forced to insure against the worst case which will be very expensive.

Para 2 : The Hubco agreement would be more accurately described as a "Negotiated Contract". 'Cost plus' implies that all costs fall to customer whatever they are and profit is added at a fixed rate. In this case costs were agreed and frozen in advance - risks of construction delay and cost overrun fall to the shareholders.

Para 4 : Demand Projection : Given their importance to the whole economy these projections together with the assumptions on which they are based should be published. Some of the problems in this sector arise from flawed assumptions and the lack of any accountability by those who were responsible for the formulation of such projections in the past.

Para 6 (i) : Feasibility Studies : If the cost of the study is to be reimbursed at financial close, this will increase the developers hard currency borrowings. It would be less expensive if they were reimbursed from income during the first years operation.

Para 6 (ii) : Joint Feasibility Studies : No matter how attractive, developers are unlikely to be willing to make such a contribution, this will be large and the risk of not recovering high. The concept though well intentioned introduces a whole set of new problems in competitive bidding in that it will exclude a number of companies that might otherwise be interested.

Para 8 : Indigenous Coal : Covered in introduction

Para 9 (i) : Fuel Supply : The proposed arrangement represents such an high risk as to make it untenable as over half the cost of power supplied is the fuel cost. History shows that it is impossible to project fuel prices five years ahead.

Para 10 : Competitive Bidding : BOO as compared with BOOT is much cheaper. If all debt is to be repaid in such a short period it will increase the debt service element by approximately 50%. It will also make the equity returns much less attractive.

Para 11 (i): Prequalification : The conditions are extremely onerous. For a major project 25% equity could be in the order of $100 million. Very few will have such an appetite. If the condition were to be applied to the promoting shareholders it would be more acceptable. Why should the main sponsor have to be a Utility, why not a financier with a Utility company in support?

Para 16 (i) (b) : Transmission Connection : This could be difficult for a fossil fired plant where there is no guarantee on off take, unless the line is short. The line losses are dependant on the load - I^2R and bidders will have to include for the worst case.

Para 16A (III): Capacity Cost in Energy Price : It is suggested that this will provide an inducement to keep their plants available. Unless the amount is very small this clause would effectively destroy any interest thermal developers might have in the Policy as there is no commitment for the plant to be used at all. If the component were a significant percentage of the shareholders return, profitability would be dramatically affected by under or over utilisation of the plant. If the objective is to secure high availability a more suitable lever would be the application of penalties for failure to meet a minimum level of availability .

Para 20 (c) : Indigenous Manufacture: An objective for 30% of the capital cost to be disbursed within the Country may be achievable. The manufacture of 30% of the equipment in Pakistan is not at this time.

Para 21 : Indexation : Hedges against the timescales envisaged would be prohibitively expensive. There has to be indexation.

Para 22 : Debt Swapping : Why is it necessary to include this section, as the debt is a liability that falls to the Company not to Government? The approach is over simplistic in that refinancing might achieve, reduced interest rates, extended tenor, extended grace periods or the use of bonds. On what basis would the 75:25 savings be calculated other than for the case whereby interest is reduced?

Para 26 : Lock in : See earlier comment on Main Sponsor. A six year lock in, for six years from COD of 51% of the equity is not reasonable.

Para 30 : Despatch : The concept has merit, however such a system does not exist at this time, further an overall economic loading of the system for the whole Country would require a fundamental change to the energy transfer arrangements between WAPDA and KESC. Until such a system is demonstrably in operation, this section will be of major concern to bidders given that off take is not guaranteed.

It is probably a mistake to commit to least cost operation of the system. For example a combined cycle plant running on imported oil will have a lower energy component cost than a power station running on indigenous coal. It could well be in the Countries overall best interest to run the coal fired plant.

Para 37 / 38 : Financial Close : Financial Close can be interpreted in a number of ways. If this means that all finance in place and available to draw down, this cannot be achieved in 18 months.

Para 47 : Extension to existing Plants : The necessary infrastructure is already in place at a number of sites sufficient to accommodate an extension. For example at Hubco both the fuel oil pipeline and the transmission lines are capable of accommodating a further 600 MW of capacity. It would be appropriate to include the direct savings to WAPDA / PSO arising from not having to provide these facilities in evaluating any bid for an extension on an existing site.

Omission : Transmission. The document makes no reference to privately funded main transmission lines only to lines connecting new capacity to the system. Has the involvement of the private sector in this activity been abandoned.

Ommission : Thermal Performance. While the draft contains a number of sections on the pricing of fuel it is silent on conversion efficiency, this is one of the most important parameters in the tariff and the evaluation of any bids.

27.1.1998

MR. S. NASEEM AHMAD

FAX No. 5882814

MEETING OF THE PSAC IN ISLAMABAD ON 19.1.1998

Reference our telephone discussion about the above meeting in Islamabad. The Council (PSAC) meeting seeks suggestions for enhancing the investment and energizing the revival of the economy.

To accelerate the inflow of direct foreign investment, there is a need to enhance the investment environment further. Some of the areas that need to be addressed in this connection are :

- Credibility in the continuance of the government's policies, to enhance the confidence of the investors.
- Rationalisation of tariffs so that manufacturing in Pakistan does not attract more levies, than those applied to the import of the same product.
- Rationalisation of overprotective labour laws, that inhibit productivity and discourage employment.
- A lean and clean government.
- Demonstration of success of existing companies, as this is the best way to attract new investments.

We had also suggested to the Government the following action:

1. An equitable, business friendly and consistent industrial policy, which yields good return on investments, needs to be announced quickly.
2. A declaration, which infuses confidence in the credibility of the continuance of these policies, assuring better implementation.
3. Restructuring of the BOI to make it more responsive to the need of investors.
4. Sufficient investment in restoring the fast depleting infrastructure.
5. The need to create comparative advantage to attract investors.

As you know new investment policy was announced by the Government of Pakistan in November, 1997. Mr. Munnawar Hamid as Chairman of the Standing Sub Committee on Industrial & Commercial Matters has prepared a six page dossier which comments on the investment policy.

In my opinion the issues that arise from these policies are:

Status of the policy

It is not clear whether this policy's parameters are confined to new industries/investors or can be extended to the existing industries as well who wish to expand their activities, accordingly.

PROTECTION

- Time frame: current tariff regime should be preserved for at least five years
  - (The new Investment Policy does not specify any time frame, which is an important factor in investment decision making. Providing guarantee will ensure investor confidence.)
- Immediately implement and enforce Effective Anti-Dumping Legislation
  - (Tariffs are already very low and therefore local industry must be protected against unscrupulous foreign exporters)
- Effective measures needed to curb smuggling
  - (This is crucial for providing enabling environment for investment)
- The definition of Agro-based Industries should be broadened to include food items.
- As indicated in Chapter 2 Page 11 of the policy, the amount of foreign equity level of *at least US $1 million is on very high side.* Besides the activities are mostly linked with borrowing from Commercial Banks who are controlled by State Bank's Prudential Regulations. The desired check and balances are therefore sufficiently covered.
- Foreign investors are asked to provide bank guarantee to cover their operational activities whereas the local companies are exempted. Such discrimination should not exist.
- Existing laws related to trade mark and proprietary rights should be further strengthened and their effective implementation be ensured to protect against forgery and counterfeiting.

CATEGORIZATION/PRIORITIZATION OF MANUFACTURING CONCERNS:

- Category A too narrow (basis used 40% value addition)
  - (Must include other bases like level of technology, processing of local raw material etc.)
- Clarity on the **basis** of categorization required
  - (Present policy vague and leaves lot at the discretion of government to decide which is not congenial for investor's confidence)
- Why 40% cut-off for value added? At least lower it to about 25%-30%
  - (40% appears too high, should be lowered to include other industries)

INDUSTRIAL ZONES

- Clarity on new policy
  - (The current policy is very vague on non-export industries)
- Import Substitution industries should get their share in the new zones, if any, along the motor way
  - (Good infrastructure support will help them to effectively compete with imports)
- Check against unfair advantages gained by new firms over old firms, within an existing industry/sector, while locating in any Industrial Zone.
  - (specially non-differentiated, commodity type and price sensitive output producing sectors. Fiscal incentives should be uniform for all firms in such sectors).

ZAHID ZAHEER
SECRETARY GENERAL

19th March, 1997.

The Private Secretary
To the Minister of Finance &
Economic Affairs
Government of Pakistan
Pak Secretariat Block 'Q'
Islamabad.

AMENDMENTS TO THE INSURANCE ACT, 1938

Dear Sir

This Chamber had the privilege of having a meeting with Mr. Sartaj Aziz, Federal Minister for Finance & Economic Affairs on March 14, 1997 followed by a dinner at the Karachi Sheraton. Besides, a number of important issues taken up for consideration at the meeting, the question of implementation of the recommendations of the National Insurance Reforms Commission contain in its report submitted to Government as far back as December 31,1989 was al-so raised. The attention of the Ministry of Commerce had been drawn to that matter from time for an early decision on thereon and for formulation of legislative proposals to amend the Insurance Act , 1938 as recommended by the Commission. The Minister desired to be furnished with a copy of reference made to the Ministry of Commerce on the subject so that he could move that Ministry to do the needful as early as possible. A copy of this Chambers letter dated 25th November 1996 is accordingly enclosed herewith for submission to him as desired.

Thanking you,

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

cc.: Mr. Moin Fudda

ENCL:

19th March, 1997.

The Secretary
Ministry of Commerce
Government of Pakistan
Pak Secretariat
Islamabad.

INSURANCE ADVISORY BOARD

Dear Sir

As you are aware, an Insurance Advisory Board constituted by the Federal Government under section 120Aof the Insurance Act, 1938 advises the Controller of Insurance in the performance of his duties. Its members include the Pakistan Insurance Corporation, the Insurance Association of Pakistan, the Federation of Pakistan Chambers of Commerce & Industry. Though this Chamber also plays an important role and contributes substantially to commercial and industrial progress of the country, it does not so far have a representative on the Advisory Board. This Chamber earnestly requests that considering its role in the ever growing insurance activity in the country and its participation therein, it may be admitted to the membership of the Board to enable it to contribute its bit, by representing the interests of Overseas Investors for further realization of objectives of the Board.

Thanking you

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

cc: Mr. Moin Fudda

The Governor
State Bank of Pakistan
Karachi.

FOREIGN CURRENCY LIFE INSURANCE POLICIES

Dear Sir

At a meeting held at this Chamber on March 14, 1997, which the Minister of Finance and Economic Affairs was pleased to grace with his presence, a number of important issues were taken up for his, consideration. These included advisability of issuance of life insurance policies in foreign currencies. The Finance Minister received the proposal sympathetically and desired it to be take up with the State bank of Pakistan.

It may be recalled that the Government of Pakistan relaxed the foreign exchange regulations for individuals some time back. Benefiting thereby, many resident Pakistan now hold foreign currency accounts. The uncertainly and instability of the national economy and continually declining value of rupee has further led the people to believe that investment in foreign currency was better than that made in rupees. This has impelled them to take to investing their money mostly in foreign currencies. Taking advantage of this situation many off shore companies are also trying through their agents to induce Pakistan's to invest their funds with them. Non-availability of financial instruments in currencies other than rupees drives them, of necessity, to do so.

This situation is, in the long urn, bound to result in increased outflow of foreign exchange from the country leading to a further weakening of rupee against other currencies. Of the effective ways to handle this threat and to encourage people ttto keep their foreign currency investments in Pakistan one is to allow insurance companies to sell foreign currency life insurance policies. Given proper incentiives the people of Pakistan are generally very patriotic and prefer to invest in their own country Debt retirement Programme of Prime Minister is an example.

Allowing life insurance companies to sell foreign currency policies will also increase the national savings rate. Life insurance companies through their professional and well trained field force will be in a position to market these polices in a large number. Since investments will be made by insurance company and not individuals, Government will have the satisfaction that money will eventually revert to the country even if investments are made abroad. Building up of foreign currency investments will also help improve the credit rating of the country.

The State Bank of Pakistan has already allowed this company to sell foreign currency life insurance policies to non resident Pakistanis. In view of the benefits mentioned above, it is proposed that selling of foreign currency policies to resident Pakistanis may also be allowed.

Just to make things easier for the concerned quarters a study of the Foreign Exchange Manual of State Bank was carried out by this company. The amendments needed in Chapter XV of the Manual are mentioned below:

1. Delete para 2, " On transaction of life insurance business solely by SLIC".

2. Substitute contents of para 3 (Issue of Life Policies to Pakistan) by the following:

   "Life insurance policies on lives off Pakistanis resident in Pakistan can be issued in rupees or in any other currency authorized by the State Bank of Pakistan provided premium is paid in the same currency."

3. Substitute contents of para 7 (Assignment) by the following:

   "Rupee or foreign currency policies cannot be assigned by a resident in Pakistan to a non-resident except with the prior approval of the State Bank. Foreign currency policies held by foreign nationals or non-resident Pakistanis may, however, be assigned to non-residents without State Bank's approval."

4. Substitute contents of para 9 (Payment of Claims - Foreign Currency Polices) by the following:

   "The maturity proceeds or surrender value of foreign currency policies or any claim arising thereunder may be paid either in rupees or in the currency of the policy."

5. Delete the words "in respect of death risk only" in sub para (b) of Para 24 (Reinsurance Life).

6. Substitute contents of para 26 (Foreign Currency Accounts of Pakistani Insurance Companies) by the following:

   "Maintenance of foreign currency accounts by Pakistani insurance companies is not permissible except with the special permission of the State Bank. Premia on rupee policies collected in foreign currency must, therefore, be sold to Authorised Dealers. Foreign currency accounts may, however, be maintained in respect of foreign currency polices issued by life insurance companies in Pakistan. There need be no objection to settlement of reinsurance accounts through non-resident reinsurers."

This company hopes that the above suggestions shall be given a sympathetic consideration. We shall promptly respond to any queries you may have in this regard.

Thanking you,

Yours faithfully,

ZAHID ZAHEER
SECRETARY GENERAL

CC: Private Secretary to Minister of Finance
Joint Secretary - Ministry of Commerce

CHAMBER'S STANDING SUB-COMMITTEES
1997-98

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MR. AAMER AZIZ SAIYID		LEVER BROTHERS
MR. SAEED AKHTAR		PAKISTAN PETROLEUM
MS. FAUZIA KAZMI		SHELL
MR. HALEEM KHAN		SIEMENS

ENVIRONMENT

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICAL
MR. S. MUSHARRAF ALI		ABBOTT
MR. M. S. NISHAT AHMED		AGREVO
CAPT. N. A. FARUQI (RETD.)		CALTEX
MR. JAVED AKBAR		ENGRO CHEMICAL
MR. DAVID CHARLES JOBY		GLAXO WELLCOME
MR. S. SHAHID ALI		HUB POWER
MR. BARRY HALLAM		ICI
MR. HASAN IRFAN		PHILIPS
MR. S. SAIFUL ISLAM		SHELL
MAJOR A. A. ZUBERI (RETD.)		SIEMENS

INSURANCE

MR. ZAKIR MAHMOOD	CHAIRMAN	CREDIT AGRICOLE INDOSUEZ
MR. MOIN M. FUDDA	CO-CHAIRMAN	COMMERCIAL UNION
MS. ZEHRA NAQVI		CIGNA INSURANCE
MR. K. MOAZZAM REHMAN		ENGRO CHEMICAL
MR. ALEEM A. DANI		GLAXO WELLCOME
MR. FAROOQ NAZIR		LEVER BROTHERS
MR. MUJIB KHAN		NEW HAMPSHIRE
MR. JAVED IQBAL		PHILIPS
MR. AHMED SALAHUDDIN		ROYAL EXCHANGE
MS. FARZANA SIDDIQ		ROYAL INSURANCE

LABOUR

MR. KAMRAN Y. MIRZA	CHAIRMAN	ABBOTT
MR. PERWAIZ H. KHAN	CO-CHAIRMAN	LEVER
MR. M. MATIN KHAN		BARRETT HODGSON
MR. H. A. ATHAR		CALTEX
MR. SALIM AZHAR		ENGRO CHEMICAL
MR. MUZAFFAR IQBAL		GLAXO WELLCOME
MR. MUZAFFAR MATLOOB		HINOPAK
MR. JALEES A. SIDDIQI		PHILIPS
MR. RASHID AHMED		SHELL
MR. SOHAIL WAJAHAT SIDDIQUI		SIEMENS

PORT TRUST & COMMUNICATION

MR. D. M. WOODROFFE	CHAIRMAN	HUB POWER
MR. M. MOONIS	CO-CHAIRMAN	UNITED LINER
MR. NADEEM JAFAREY		CALTEX
MR. SHAHID A. HAKIM		ENGRO CHEMICALS
MR. MOHAMMAD HANIF		GLAXO WELLCOME
MR. SHAHID HUSAIN SIDDIQUI		HINOPAK
MR. S. H. A. BUKHARI		P & O CONTAINERS
MR. FAROOQ HASAN		PAKTEL
MR. HENK VAN ROEST		SHELL
MR. B. SAEED		SIEMENS

TAXATION

MR. FUAD AZIM HASHIMI	CHAIRMAN	GESTETNER
MR. AZIZ A. VAZIR	CO-CHAIRMAN	ROCHE
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. PERVEZ GHIAS		ENGRO CHEMICAL
MR. ALEEM A. DANI		GLAXO WELLCOME
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MR. SHAM H. KHAN		LEVER BROTHERS
MS. FARAH QURESHI		MACKINNON, MACKENZIE
MR. MUNAF LAKDA		PHILIPS
MR. FEROZE COWASJI		SHELL

MINUTES OF THE MEETING OF CHAMBER STANDING SUB COMMITTEE FOR BANKING & FINANCE HELD ON JANUARY 16, 1997 AT CHAMBER'S PREMISES.

PRESENT

MR. SAJJAD RAZVI	CHAIRMAN	CITIBANK
MR. ZAHID RAHIM	CO-CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN		AMERICAN EXPRESS
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. M. YOUNAS KHAN (Rep. by Mr. S. Omar Ansari)		DEUTSCHE BANK
MR. KELVIN FLANNERY		EMIRATES BANK
MR. MUNEER KAMAL		FAYSAL BANK
MR. M. HAROON AHMED		HABIB BANK A. G.
MR. MIRZA SALEEM BAIG (Rep. by Mr. Salman A. Usmani)		MASHREQBANK
MR. SANDY GILLIO (Rep. by Mr. Shahid Fakhruddin)		SOCIETE GENERALE

LEAVE OF ABSENCE:

MR. ATIF BAJWA	ABN AMRO
MR. S. ALI RAZA	BANK OF AMERICA
MR. B. H. DOLE	BANK OF CEYLON
MR. K. NAKAGAWA	BANK OF TOKYO-MITSUBISHI
MR. ZAKIR MAHMOOD	BANQUE INDOSUEZ
MR. KHAWAJA ZAFARULLAH	DOHA BANK
MR. NICHOLAS CHERRILL	HONGKONG & SHANGHAI
MR. SHAFAAT A. SIDDIKY	I F I C
MR. FASIAR RAHMAN	RUPALI BANK

1. CONFIRMATION OF THE MINUTES:

Minutes of the last two meetings held on 17th and 21st of November 1996, already circulated to members, were approved by the members.

2. DRAFT OF THE LETTER TO STATE BANK OF PAKISTAN ON PROBLEMS FOREIGN BANKS ARE FACING BASED ON THE MEETING WITH GOVERNOR SBP ON 28-12-96

The draft of a letter, to be submitted to the State Bank of Pakistan, highlighting problems being faced by the foreign banks, was discussed at length. Based on the discussion held the Chairman agreed to finalize the letter for submission to State Bank of Pakistan. The letter on the core problem of taxation is attached.

3. APPOINTMENT OF MR. E. NOMANI OF SURRIDGE & BEECHENO REGARDING NIFT AGREEMENT:

Surridge & Beecheno letter dated November 28, 1996 was discussed. Members unanimously agreed to appoint Mr. E. Nomani of Surridge & Beecheno to give his opinion on the proposed agreement of NIFT with individual foreign banks, at a remuneration of Rs.50,000/- . The cost to be borne in equal proportion by all banks. Secretary General to issue a letter to this effect to Mr. Ehsan Nomani.

4. **TO SEEK SECOND OPINION OF PROVINCIAL "TAX ON SERVICES":**

Secretary General note to Chairman seeking approval to engage Abraham & Sarwana for a second opinion was discussed. Members agreed that a second opinion should be obtained from Abraham & Sarwana on the validity of the Sindh Government levy of "Tax on Services". The cost to be borne in equal proportion by all banks. Secretary General to do the needful in this respect.

5. **DISBURSEMENT OF RS.1.5 MILLION TO PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS:**

Members confirmed the disbursement of a sum of Rs.1.5 million to Pakistan Institute of Development Economics out of the funds (lying with Chartered Bank) collected for Prime Minister's Flood Relief Fund. The amount be adjusted in the proportion of the contribution made by each bank. Since the fund could not be utilized for the purpose it was raised for, the Chairman proposed that the residual amount (i.e. after deducting the aforesaid Rs.1.5 million and the legal charges incurred on behalf of the banks), the contribution of each bank to be refunded to them. The relative account No.016-13-03720 with Chartered Bank be closed finally.

6. **OTHER MATTERS**

- **STAMP DUTY ON MARKUP AGREEMENT**

Chairman informed the meeting that Sindh Government, Board of Revenue was giving an extended meaning to the markup/loan agreements and treating these as conveyance deeds raising demands in retrospect for additional stamp duty.

The Chamber has taken up this matter with the Sindh Finance Minister.

Mr. Azhar Hamid of ANZ Grindlays offered to provide a copy of the legal opinion which his bank has sought in this respect. Text of the opinion to be communicated to all members.

With no other points to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

27th March, 1997

MINUTES OF THE MEETING OF THE CHAMBER'S STANDING SUB COMMITTEE FOR BANKING & FINANCE HELD ON 18TH MARCH , 1997 AT 3.30 PM IN THE COUNCIL HALL OF THE CHAMBER.

PRESENT:

MR. SAJJAD RAZVI	CHAIRMAN	CITIBANK
MR. ZAHID RAHIM (REP. BY MR. J. MARSH)	CO-CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN		AMERICAN EXPRESS
MR. B. H. DOLE		BANK OF CEYLON
MR. ZAKIR MAHMOOD		BANQUE INDOSUEZ
MR. M. YOUNAS KHAN		DEUTSCHE BANK
MR. KEVIN FLANNERY		EMIRATES BANK
MR. MUNEER KAMAL (REP. BY MR. ASHRAF WATHRA)		FAISAL BANK
MR. M. HAROON AHMED (REP. BY MR. R. ALVI)		HABIB BANK A.G.
MR. SHAFAAT A. SIDDIKY		I F I C
MR. MIRZA SALEEM BAIG (REP. BY MR. ARIF BASKAI)		MASHREQ BANK
MR. SANDY GILLIO		SOCIETE GENERALE
MR. HUMAYUN ZIA (REP. BY MR. ASLAM JANJUA)		TRUST BANK LIMITED

LEAVE OF ABSENCE:

MR. ATIF BAJWA	ABN AMRO BANK
MR. AZHAR HAMID	ANZ GRINDLAYS
MR. S. ALI RAZA	BANK OF AMERICA
MR. KENICHI NAKAGAWA	BANK OF TOKYO
MR. KHAWAJA ZAFARULLAH	DOHA BANK
MR. NICHOLAS CHERRILL	HONGKONG & SHANGHAI
MR. FASIAR RAHMAN	RUPALI BANK

Chairman welcomed Members to the meeting, especially new Member Trust Bank Limited represented by Mr. Aslam Janjua.

The minutes of the last meeting held on 16th January, 1997 were confirmed.

ITEM 2 OF THE AGENDA

The Chairman invited discussions on matters arising out of the last meeting.

(i) Secretary General informed the meeting that the Chairman had addressed the Governor, State Bank of Pakistan on 16th January, 1997 on tax issues faced by foreign banks in Pakistan

(ii) Secretary General informed the meeting that Mr. Ali Raza, had phoned to enquire if his proposal to address the Deputy Governor on Fund Management Services asking for changes in the ground rules documented in BPRD Circular No. 36 dated 3rd December, 1996 had been taken up.

Chairman informed the meeting that he had discussed this matter with Mr. Chugtai, Director State Bank of Pakistan, who had declined to make any changes in the above ground rules, as Banks were consulted on this matter before the Circular was issued.

Chairman offered to discuss this matter again with State Bank of Pakistan.

(iii) Secretary General informed the meeting that legal opinion from Abraham & Sarwana on provisional "Tax on Services" was awaited.

(iv) On the Sindh Government Stamp Duty issue treating markup agreements as conveyance deeds, it was agreed that Mr. Zakir Mahmood and Mr. Kevin Flannery would visit Sindh Government officials to clarify matters. Chairman to discuss with President of National Bank of Pakistan.

ITEM 3 OF THE AGENDA

Chairman offered to speak to Deputy Governor State Bank of Pakistan to ascertain if the request for salary information has the blessings of higher management in State Bank of Pakistan.

Meanwhile member banks are advised to respond on a general basis, giving maximum and minimum of grades and scales.

ITEM 4 OF THE AGENDA

Chairman offered to talk to State Bank of Pakistan to ascertain about closure on Saturday, either alternate Saturday closure or half day weekly Saturday closure.

ITEM 5 OF THE AGENDA

The comments received from NIFT on the Surridge & Beecheno opinion, as provided to Mr. Muzzaffar Khawja of Citibank in their letter dated 3rd March, 1997 were discussed.

It was agreed to form a working group consisting of the following.

Emirates Bank	-	Mr. David Corrin
Deutsche Bank	-	Mr. Bahauddin Khan
American Express	-	Mr. Jamil Iqbal

to discuss the divergent issues with the NIFT management to arrive at a consensus. In particular Clauses 3(d) optional source charges, 3(h), 5(a), 5(b) and 5(e).

OTHER MATTERS

American Express raised the point about banks sharing borrowers information. There should be no reluctance to share information or to give NOC's when requested.

Regarding the refund of monies collected from the Banks for the Prime Minister's Flood Relief Fund, Secretary General advised that this will be done as soon as bills for legal services are received.

Hongkong Bank letter dated 14th March, 1997 was tabled, expressing their views on working hours and not agreeing to pay a proportion of legal fee concerning NIFT.

Meeting closed with vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECREATRY

2nd July, 1997.

MINUTES OF THE MEETING OF THE CHAMBER'S STANDING SUBCOMMITTEE FOR BANKING & FINANCE HELD ON MONDAYJUNE 30, 1997 AT 11.30 AM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT:

MR. SAJJAD RAZVI	CHAIRMAN	CITIBANK
MR. ZAHID RAHIM &	CO-CHAIRMAN	STANDARD CHARTERED
MR. ASIF ZAIDI		STANDARD CHARTERED
MR. ATIF BAJWA		ABN AMRO BANK
MR. TAWFIQ A. HUSAIN		AMERICAN EXPRESS
MR. AZHAR HAMID &		ANZ GRINDLAYS
MS. ZOYA JAFAREY		
MR. S. ALI RAZA		BANK OF AMERICA
(REP. BY MR. NABEEL A. ALVIE)		
MR. K. A. S. PERERA		BANK OF CEYLON
(REP. BY MR. M. J. KHAN SADIQ)		
MR. KENICHI NAKAGAWA		BANK OF TOKYO
(REP. BY MR. MOHD. FAROOQ)		
MR. ZAKIR MAHMOOD &		BANQUE INDOSUEZ
MR. RIZWAN HAIDER		
MR. M. YOUNAS KHAN		DEUTSCHE BANK
MR. KHAWAJA ZAFARULLAH		DOHA BANK
(REP. BY MR. A. RASHEED)		
MR. KEVIN FLANNERY		EMIRATES BANK
MR. MUNEER KAMAL		FAISAL BANK
(REP. BY MR. ARIFUL ISLAM)		
MR. M. HAROON AHMED		HABIB BANK A.G.
(REP. BY MR. R. ALVIE)		
MR. NICHOLAS CHERRILL		HONGKONG & SHANGHAI
MR. SHAFAAT A. SIDDIKY		I F I C
MR. MIRZA SALEEM BAIG		MASHREQ BANK
MR. MD. SELIM KHAN		RUPALI BANK
MR. SANDY GILLIO		SOCIETE GENERALE

LEAVE OF ABSENCE:

MR. HUMAYUN ZIA	TRUST BANK LIMITED

The minutes of the last meeting held on 18th March, 1997 were confirmed.

Chairman stated that this meeting had a single point agenda, and that was to consider the State Bank's approval for foreign banks to participate in commodity financing operations.

Mr. Zahid Rahim informed the meeting that he had attended a meeting of The State Bank of Pakistan on 25th June chaired by Mr. Ashraf Janjua, the subject of which was to discuss agricultural credit. In this meeting foreign banks were encouraged to lend to "high-tech" agricultural ventures, but State Bank of Pakistan did not consider it mandatory for foreign banks. However local banks were mandated to lend to farmers. On the same day Mr. Mukhtar Nabi Qureshi (Deputy Governor) chaired a meeting of all bankers in which financing of commodity operations was discussed.

Mr. Sajjad Razvi informed the meeting that on 6th June, when the Governor of State Bank of Pakistan met with Heads of foreign Banks, he had informed them that State Bank of Pakistan wants foreign banks to participate in commodity financing operations.

The Chairman then invited discussions around the table. He also invited a shew of hands, and apart from few banks who said no on principle, others said that they would accept it as a *"Give-in" situation, as the participation issue was not negotiable.*

Thereafter Chairman invited discussions on what should be the issues to be taken up with the State Bank of Pakistan before accepting these proposals.

The following points emerged as the issue to be taken up:-

1- All commodity financing operations to be guaranteed by State Bank of Pakistan to Cover both the principal amount and the interest.

2- Such operations not to be on a relationship with client basis but as a loan to State Bank of Pakistan, to be securitised in the form of Certificate of Deposit. This will enable banks to develop a secondary market.

3- Interest payments to be quarterly and exempt from withholding tax.

4- Methodology of fixation of rates to be settled, same as or T-Bills or STFB'S.

5- Defaults and consequences thereof to be spelt out.

6- Exposure proportion to be specified.

7- Selective equalisation of playing fields.
Provisions for bad debts.
Withholding tax discrimination.

8- Tenure of the lending needs to be established.

9- This lending to be outside the credit plan.

10- Lending for commodities should be for incremental financing only and not for loans already contracted.

11- Special consideration for banks having Islamic dimension to their lending.

12- Implementation date in circular letter 27th June 1997 not acceptable.

Foreign banks would require thirty days after all the modalities are settled, in order to obtain head office approvals.

It was agreed that a meeting be requested with the Governor State Bank in which Chairman, Co-Chairman, and the banks with the largest exposure will participate (CitiBank, ANZ, ABN-Amro, SCB, Bank of America and American Express).

Chairman suggested that all legal costs incurred in this connection be shared equally by all member banks. The suggestion to use the services of ORR Dignam was accepted.

Secretary General to write to Additional Director State Bank of Pakistan on behalf of the foreign banks and request him to keep this matter in abeyance, as the foreign banks are seeking an appointment with the Governor of State Bank of Pakistan to resolve this matter.

ZAHID ZAHEER
SECRETARY GENERAL

10thJuly 1997.

Minutes of the Meeting of the Chamber's Standing Sub-committee for Banking & Finance held on Tuesday 8th July, 1997 at 10.00 AM in the Council Hall of the Chamber

Present

MR. KAMRAN FARIDI/MR. SAJJAD RAZVI		CITIBANK
MR. ZAHID RAHIM	IN THE CHAIR	STANDARD CHARTERED
MR. SHABBIR RASHID/MR. ATIF BAJWA		ABN AMRO
MR. AHMED SHUJA KIDWAI		AL-BARAKA BANK
MR. TAWFIQ HUSAIN		AMERICAN EXPRESS
MS. SIMA KAMIL/MR. AZHAR HAMID		ANZ GRINDLAYS
MR. FARRUKH ZAHEER/MR. AZHAR HAMID		ANZ GRINDLAYS
MR. NABEEL A. ALVIE/MR. S. ALI RAZA		BANK OF AMERICA
MR. K.A.S PERERA		BANK OF CEYLON
MR. MUHAMMAD FAROOQ/MR. KENICHI NAKAGAWA		BANK OF TOKYO
MR. RIZWAN HAIDER/MR. ZAKIR MAHMOOD		BANQUE INDOSUEZ
MR. KHAWAJA ZAFARULLAH		DOHA BANK
MR. IAN M. MACKEY/MR. KEVIN FLANNERY		EMIRATES BANK
MR. ARIFUL ISLAM/MR. MUNEER KAMAL		FAYSAL BANK
MR. M. HAROON AHMED		HABIB BANK A.G.
MR. NICHOLAS CHERRILL		HONGKONG & SHANGHAI
MR. SHAFFAT A. SIDDIKY		IFIC
MR. SANDY GILLIO		*SOCIETE GENERAL*
MR. ASLAM JANJUA/MR. HUMAYUN ZIA		TRUST BANK LIMITED

Leave of Absence

MR. M. YOUNUS KHAN	DEUTSCHE BANK
MR. MIRZA SALEEM BAIG	MASHREQ BANK
MR. MD. SELIM KHAN	RUPALI BANK

1. The minutes of the last meeting held on 30th June, 1997 were tabled for confirmation. The Secretary General informed the meeting that in second line of paragraph three of the minutes, the words few banks had been incorrectly used and he would like this to be changed to be replaced to read "five banks" instead of few banks.

   The minutes were confirmed after incorporating the above correction.

2. On a point of order raised by a participating bank about who should attend the meeting of the standing sub-committee, the meeting was informed that the meetings are to be attended by Country Heads of member banks, and only in such cases when the country manager is out of town or indisposed, he may nominate the senior most officer to attend the meeting.

   Secretary General informed the meeting that at the 30th June, 1997 meeting, ~~a~~ member bank had observed that some banks are sending two representatives to standing sub-committee meetings. This practice was not conforming to the agreed procedure.

   Chairman ruled that the Secretary General should write to all banks reminding them of the need to conform to the agreed requirements on who should attend these meetings.

3. Mr. Zahid Rahim informed the meeting that he alongwith Mr. Younus Khan (Deutsche Bank), Mr. Tawfiq Husain (American Express Bank), Mr. Nicholas Cherrill (Hongkong Shanghai Bank) and Mr. Aurangzeb, (ABN Amro) met the Governor State Bank of Pakistan to discuss the commodity financing operations outlined in circular letter of 27th June, 1997.

The twelve issues documented in the minutes of the 30th June meeting were taken up. The Governor relied that the approach was fundamentally flawed and unacceptable. Banks cannot lend to the SBP. SBP may decree to which sectors what percentage of lending should be committed by banks. If banks do not wish to comply, they may leave. Failure to meet targets would invoke penalties. He also said that the rate of 16% would be adjusted in line with market. Initial security would be by way of hypothecation of pledged stocks. Banks would conduct review of the borrowers. SBP will not give a guarantee; GOP will (but apparently it would not be callable, but would avoid the requirement of provisions?). The Governor would not accept that the banks would not be able to lend in these circumstances. If need be, banks would have to reduce their standards. SBP would help the banks improve the credit-worthiness of the borrowers.

The Governor agreed to the possibility of not financing to old stocks; if that were permitted, the NCBs would not participate in the new lending and there would be higher allocations for the foreign banks. It was agreed that it would be best to lend directly to the corporations and not through a NCB, e.g. NBP, acting as middleman. The banks were encouraged to look at the list of fourteen corporations to pick those to whom they would prefer to lend. The banks agreed that it would make sense to syndicate the lending across the chosen corporations to spread the risk.

The Governor also ruled that there will be no lending outside the credit plan and no securitisation of past debt would be allowed. A meeting will be arranged by SBP of old lenders, new lenders and the borrowers. If the borrowers did not show up, they would not receive any funds.

Thereafter the Chairman asked the meeting how many banks were willing to do commodity financing under the above directions, with details to be worked out. Only one member bank declined to participate.

4. State Bank of Pakistan letter BPRD/RU50/911/(X) 11914-97 dated July 7th was tabled for discussion. It was agreed that the following Banks would attend the meeting on 9th July 1997 called by the State Bank:

Citibank, ANZ, Standard Chartered Bank,
Hongkong Shanghai Bank and Societe Generale

It was also agreed that at this meeting the following points will be raised:-

1. Ask for financial reports and cash flows.
2. Borrowing limits of each corporation.
3. Stock levels and statements. Are these insured?
4. Management structure / key people.
5. Which of the corporations are likely to be privatized?
6. Modalities of disbursements, how will they be made?
7. Timing of borrowing of each corporation.
8. Mark up
9. Ask for PACRA rating and/or Credit Bureau Report.

5. Emirates Bank letter dated 4th July, 1997 on loan defaults written to State Bank of Pakistan was tabled for consideration by the other members.

Meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

11th July, 1997

Minutes of the Meeting of the Standing Sub-Committee for Banking & Finance held on Friday 11th July, 1997 at 10.00 AM in the Council Hall of the Chamber

Present

Mr. M. Younas Khan	Chairman	Deutsche Bank
	Substitute	
Mr. Atif Bajwa	Mr. Shabbir Rashid	ABN Amro
Mr. Tawfiq A. Husain		American Express
Mr. Ahmed Shuja Kidwai		Albaraka Islamic Investment Bank
Mr. Azhar Hamid	Ms. Sima Kamil	ANZ Grindlays
Mr. K.A.S Perera		Bank Of Ceylon
Mr. Kenichi Nakagawa	Mr. Mohammad Farooq	Bank Of Tokyo-Mitsubishi
Mr. Zakir Mahmood	Mr. Rizwan Haider	Banque Indosuez
Mr. Sajjad Razvi	Mr. Javed Kureshi	Citibank N. A.
Mr. Khawaja Zafarullah		Doha Bank
Mr. M. Haroon Ahmed		Habib Bank AG
Mr. Nicholas Cherrill		Hongkong & Shanghai
Mr. Shafaat A. Siddiky		I F I C
Mr. Md. Selim Khan		Rupali Bank
Mr. Sandy Gillio		Societe Generale
Mr. Zahid Rahim		Standard Chartered
Mr. Humayun Zia	Mr. Aslam Janjua	Trust Bank

Lveave of Absence

Mr. S. Ali Raza	Bank of America NT & SA
Mr. Kevin Flannery	Emirates Bank
Mr. Muneer Kamal	Faysal Bank
Mr. Mirza Saleem Baig	Mashreqbank PSC

Minutes of the last meeting held on 8th July, 1997 were tabled for confirmation.

On page two, last paragraph in the fifth line the word "not " to be inserted. The fifth line to read "corporations and not through a NCB". Similarly on page 3 of the minutes in paragraph 4, point 8 to read "overdue markups" and not markup on overdues.

The minutes were confirmed after incorporating the above corrections.

Chairman asked Mr. Zahid Rahim to brief the members on the meeting at State Bank of Pakistan on 9th July, 1997. Mr. Zahid Rahim tabled his observations in a four page memorandum which is attached as Annexure I to these Minutes.

A member enquired if foreign currency lending was to be done to a the corporations for commodity financing, would this reduce the allocation of the bank to finance under the

State Bank of Pakistan directions for commodity financing? Another member bank also raised issue of opportunities for off-shore lending , and these are to be syndication.

Chairman proposed that all banks should agree to syndicate financing and asked for a show of hands. Two banks (Societe Generale and Hongkong & Shanghai Banking Corporation) abstained, whereas all others present agreed to syndicate financing.

It was agreed that a risk assessment procedure be started for the fourteen corporations who are potential borrowers. The following banks agreed to do the risk assessment of the listed organisations:-

Name of organization	Abbr.	Risk Assessing bank
Ministry of Food and Agriculture	MINFA	ANZ
Fertilizer Imports Deptt.	F.I.D.	ABN Amro
Rice Export Corporation of Pakistan	RECP	Societe Generale
Trading Corporation of Pakistan	TCP	Citibank
Canteen & Stores Department	CSD	HKSBC
Ghee Corporation of Pakistan	GCP	Deutsche
Pakistan Oil Seed Development Board	PODB	American Express
Utility Store Corporation	USC	American Express
Punjab Agriculture Development & Supplies Corporation	PAD & SC	Deutsche
Punjab Seeds Corporation	PSC	Deutsche
Sindh Agricultural Supply Organization	SASO	Habib A. G.
Sindh Seeds Corporation	SSC	Banque Indosuez
Agricultural Development Authority	ADA	SCB
Pakistan Agriculture Storage & Services Corporation	PASCO	SCB

It was agreed that the risk assessment task be completed in 15 days time. The next meeting be scheduled for Friday 25th July, 1997 at 10:00 AM to review this work.

A member bank observed that the syndicate may be pressurized to accept lending to high risk corporations.

Chairman offered to seek clarification from State Bank of Pakistan for allocation of quota to foreign banks for incremental lending for 1997/98 and also to seek clarifications on other issues.

Meeting closed with a vote of thanks to the Chair.

Yours sincerely

ZAHID ZAHEER
SECRETARY GENERAL

29th July, 1997

Minutes of the Meeting of the Standing Sub-Committee for Banking & Finance held on Tuesday 22nd July, 1997 at 3.30 PM in the Council Hall of the Chamber

Present

Mr. M. Younas Khan	Chairman	Deutsche Bank
	Substitute	
Mr. Atif Bajwa		ABN Amro
Mr. Ahmed Shuja Kidwai		Albaraka Islamic Investment Bank
Mr. Tawfiq A. Husain		American Express
Mr. Azhar Hamid	Mr. R. H. (Bob) De Courteney	ANZ Grindlays
Mr. S. Ali Raza	Mr. Nauman Dar	Bank of America NT & SA
Mr. K.A.S Perera	Mr. MJ Khan Sadiq	Bank Of Ceylon
Mr. Zakir Mahmood		Banque Indosuez
Mr. Khawaja Zafarullah	Mr. A. Rasheed	Doha Bank
Mr. Kevin Flannery	Mr. Ian M. Mackey	Emirates Bank
Mr. Muneer Kamal		Faysal Bank
Mr. M. Haroon Ahmed		Habib Bank AG
Mr. Nicholas Cherrill	Mr. R. Martin	Hongkong & Shanghai
Mr. Mirza Saleem Baig		Mashreqbank PSC
Mr. Md. Selim Khan		Rupali Bank
Mr. Zahid Rahim		Standard Chartered
Mr. Humayun Zia	*Mr. Aslam Janjua*	*Trust Bank*

Leave of Absence

Mr. Kenichi Nakagawa	Bank Of Tokyo-Mitsubishi
Mr. Sajjad Razvi	Citibank N. A.
Mr. Shafaat A. Siddiky	I F I C
Mr. Sandy Gillio	Societe Generale

Minutes of the previous meeting held on Friday llth July, 1997 were confirmed.

Chairman informed the meeting that today' s meeting has been called to review the issues that have arisen after the meeting held with State Bank of Pakistan held on 17th July 1997 with bankers.

1. The State Bank has solicited suggestions for a new forward cover system and given a three weeks time frame for receiving such suggestions.

   State Bank of Pakistan wishes to stop providing foreign exchange cover, as it costs them an estimated Rs. 30 billion per year.

A working group of treasury officers was formed to collate suggestions. The working group to consist of representatives of ABN/ Indosuez / Bank of America / CitiBank / SCB / ANZ / Habib Bank A.G. to formulate suitable recommendations for the standing sub-committee's consideration. The group to consider paper prepared last year by Banque Indosuez.

Standard Chartered Bank offered to be the coordinator. The first meeting of the working group to be held at Standard Chartered Bank premises on Friday 25th July, 1997 at 10:00 AM.

2. The State Bank of Pakistan also seeks inputs from foreign on the following issues relating to monetary policy, debt management and debt instruments:-

(a) Possible introduction of treasury bills of one year a three month duration.

(b) Possible issuance of inflation indexed rupee bonds.

(c) Possible issuance of foreign currency bonds.

To respond to the above three issues, a second working group formed, consisting of ABN Amro / American Express / CitiBank and Banque Indosuez, to come forward with suitable recommendations for the standing sub-committee's consideration.

A member bank pointed out that the State Bank of Pakistan needs to redefine the role of foreign banks. It appears that there is a change of attitude towards the foreign banks, and the State Bank of Pakistan wishes to see an enhanced role of foreign banks' participation in areas other than which they have been operating.

The meeting closed with a vote of thanks to the chair. The next meeting to be held on Tuesday 29th July, 1997.

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

29th July, 1997

Minutes of the Meeting of the Standing Sub-Committee for Banking & Finance held on Tuesday 22nd July, 1997 at 10.00 AM in the Council Hall of the Chamber

Present

	Substitute	
Mr. M. Younas Khan	Chairman	Deutsche Bank
Mr. Atif Bajwa		ABN Amro
Mr. Ahmed Shuja Kidwai		Albaraka Islamic Investment Bank
Mr. Tawfiq A. Husain	Mr. Nadeem Karamat	American Express
Mr. Azhar Hamid	Mr. Aziz Majid	ANZ Grindlays
Mr. S. Ali Raza	Mr. Nauman Dar	Bank of America NT & SA
Mr. K.A.S Perera		Bank Of Ceylon
Mr. Kenichi Nakagawa	Mr. Muhammad Farooq	Bank Of Tokyo-Mitsubishi
Mr. Zakir Mahmood		Banque Indosuez
Mr. Sajjad Razvi	Mr. Saad Uz Zaman	Citibank N. A.
Mr. Kevin Flannery	Mr. Ian M. Mackey	Emirates Bank
Mr. M. Haroon Ahmed	Mr. Sh. Ehsan Uddin	Habib Bank AG
Mr. Nicholas Cherrill	Mr. R. Martin	Hongkong & Shanghai
Mr. Shafaat A. Siddiky		I F I C
Mr. Mirza Saleem Baig		Mashreqbank PSC
Mr. Sandy Gillio	Mr. Shahid Fakhruddin	Societe Generale
Mr. Zahid Rahim		Standard Chartered
Mr. Humayun Zia	Mr. Aslam Janjua	Trust Bank

Lveave of Absence

Mr. Khawaja Zafarullah	Mr. A. Rasheed	Doha Bank
Mr. Muneer Kamal		Faysal Bank
Mr. Md. Selim Khan		Rupali Bank

Chairman welcomed members to the meeting. He stated that he would like to review the progress on the risk assessment of the fourteen corporations who are potential borrowers.

Reports were tabled by ANZ, HKSBC, Deutsche, Banque Indosuez, Habib Bank, covering some of the corporations who are potential borrowers. The reports by ABN Amro (FID), CitiBank (TCP), Societe Generale (Recp), American Express (PODB & USC) and SCB (ADA & PASCO) were under preparation and could not be tabled. However the representatives of Societe Generale, ABN Amro CitiBank, American Express and Standard Chartered Bank *gave an overview of their assessment, and agreed to send their reports to the Chamber* for circulation.

Chairman informed the meeting that in the meeting Mr. Shoaib Ahmed of State Bank has written to the potential borrowing corporations asking them to contact some designated foreign banks for their requirements.

A member bank pointed out that this letter is in contradiction to the syndicated loan proposal being considered by foreign banks. Also, so far no allocation has been made by State Bank of Pakistan quantifying the amounts to be loaned by the foreign banks for commodity financing.

After some discussion it was agreed that a group of six large banks consisting of the following Deutsche / Indosuez / Citi / ANZ / SCB / HKSBC would call on Mr. Mukhtar Nabi Qureshi, the Deputy Governor State Bank of Pakistan for informal discussions to convince him that many of the corporations (potential borrowers) would not qualify for bank loans on stand alone basis, applying normal risk criteria for lending. Foreign Banks therefore advocate syndicate lending to one organization like MINFA, Agricultural Development Bank, National Bank of Pakistan who would then disburse loans to the potential borrowers. It was agreed that the Chairman would seek such a meeting in the State Bank of Pakistan in the near future.

Chairman then invited discussions on the findings of the two working groups formed in the meeting of 22nd July, 1997, to formulate proposals for forward cover fee on foreign currency transactions (SCB) and also on Bonds and other debt instruments (ABN).

Both working groups led by Standard Chartered Bank and ABN Amro stated that they were still deliberating the matter. It was agreed that the draft recommendations of both groups will be finalized by Standard Chartered Bank and ABN Amro respectively by Thursday 31st July, 1997 for circulation.

The next meeting was fixed for Friday 1st August 1997 at 3:30 PM, Meeting closed with a vote of thanks to the chair.

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

29th July, 1997

Minutes of the Meeting of the Standing Sub-Committee for Banking & Finance held on Friday 1st August, 1997 at 3.30 PM in the Council Hall of the Chamber

Present

	Substitute	
Mr. M. Younas Khan	Chairman	Deutsche Bank
Mr. Atif Bajwa		ABN Amro
Mr. Ahmed Shuja Kidwai		Albaraka Islamic Investment Bank
Mr. Azhar Hamid	Mr. Aziz Majid	ANZ Grindlays
Mr. S. Ali Raza		Bank of America NT & SA
Mr. K.A.S Perera	Mr. MJ Khan Sadiq	Bank Of Ceylon
Mr. Zakir Mahmood		Banque Indosuez
Mr. Sajjad Razvi	Mr. Saad Uz Zaman	Citibank N. A.
Mr. Khawaja Zafarullah		Doha Bank
Mr. Kevin Flannery	Mr. Ian M. Mackey	Emirates Bank
Mr. M. Haroon Ahmed	Mr. Sh. Ehsan Uddin	Habib Bank AG
Mr. Nicholas Cherrill	Mr. R. Martin	Hongkong & Shanghai
Mr. Sandy Gillio	Mr. Shahid Fakhruddin	Societe Generale
Mr. Zahid Rahim		Standard Chartered
Mr. Humayun Zia	Mr. Aslam Janjua	Trust Bank

Lveave of Absence

Mr. Tawfiq A. Husain	American Express
Mr. Kenichi Nakagawa	Bank Of Tokyo-Mitsubishi
Mr. Muneer Kamal	Faysal Bank
Mr. Shafaat A. Siddiky	I F I C
Mr. Mirza Saleem Baig	Mashreqbank PSC
Mr. Md. Selim Khan	Rupali Bank

Chairman welcomed members to the meeting. Two Memorandums, one prepared by ABN Amro Bank and the other prepared by Standard Chartered Bank were tabled at the meeting.

Chairman invited discussions first on the SCB memorandum and thereafter on ABN Amro memorandum. Many members participated in discussion. Chairman tried to get consensus of views. It was agreed that the Chairman would summarize the consensus view and prepare letter for discussion with State Bank of Pakistan.

Meeting adjourned with a vote of thanks to the Chair.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

7th November, 1997

MINUTES OF THE MEETING OF THE CHAMBER'S STANDING SUB COMMITTEE FOR BANKING & FINANCING HELD ON TUESDAY 4TH NOVEMBER, 1997 AT 3.30 PM IN OICC&I

PRESENT

Mr. Zakir Mahmood	Co-Chairman	Credit Agricole Indosuez
Mr. Atif Bajwa		ABN Amro
Mr. Tawfiq A. Husain		American Express
Mr. Azhar Hamid		ANZ Grindlays
Mr. S. Ali Raza Rep. By Mr. Aman Siddiqui		Bank of America NT & SA
Mr. K.A.S Perera		Bank Of Ceylon
Mr. Sajjad Razvi		Citibank N. A.
Mr. Khawaja Zafarullah		Doha Bank
Mr. Kevin Flannery Rep. By Mr. S. Majid Ali		Emirates Bank
Mr. Muneer Kamal Rep. By Mr. Ashraf M. Wathra		Faysal Bank
Mr. M. Haroon Ahmed		Habib Bank AG
Mr. Nicholas Cherrill		Hongkong & Shanghai
Mr. Shafaat A. Siddiky		I F I C
Mr. Mirza Saleem Baig Rep. By Mr. Arif Baskai		Mashreqbank PSC
Mr. Sandy Gillio		Societe Generale
Mr. Zahid Rahim		Standard Chartered

LEAVE OF ABSENCE

Mr. M. Younas Khan	Chairman	Deutsche Bank
Mr. Ahmed Shuja Kidwai		Albaraka Islamic Investment Bank
Mr. Kenichi Nakagawa		Bank Of Tokyo-Mitsubishi
Mr. Md. Selim Khan		Rupali Bank
Mr. Humayun Zia		Trust Bank

1. CONFIRMATION OF THE LAST MINUTES

Minutes of the last meeting of the Sub Committee held on 7th October, 1997 was taken as read and approved.

2. CHAMBER'S NOMINATION ON STATE BANK OF PAKISTAN'S SUB COMMITTEE

On State Bank of Pakistan's request to nominate OICC&I's representatives on their under noted Committees, the Chairman proposed following names, which were duly approved by the Committee.

The Chairman informed the Committee that Members thus nominated will liaise on behalf of the OICC&I with the State Bank of Pakistan and report outcome of meetings to the Chairman.

a) SBP'S COMMITTEE TO REVIEW PRUDENTIAL REGULATIONS

The Chief Executives / Country Managers of the under noted Banks will be representing OICC&I on SBP's Committee. If required, they may be assisted by their respective Operation Managers to check any anomaly and to recommend suggestions to improve the working of State Bank of Pakistan with regard to the interface with Banks :

- ANZ GRINDLAYS CONVENER
- STANDARD CHARTERED

b) SBP's Committee on Deposit Insurance Scheme

OICC&I's representation on SVP's Committee on Deposit Insurance Scheme will comprise of the following

- CITIBANK N. A.
- ABN AMRO BANK
- DEUTSCHE BANK

The Committee is to be headed by Mr. Nadeem Hussain, Citibank N. A.

c) SBP's Committee on Information Technology

From OICC&I's side the following Banks to represent:

- CITIBANK N. A. CONVENER
- STANDARD CHARTERED
- HONGKONG & SHANGHAI

3. ISSUES RELATED TO ADVANCE PAYMENT OF INCOME TAX UNDER SECTION 53

Members showed their serious concern about Central Board of Revenue's latest basis of computing Advance Tax under Section 53 of the Income Tax Ordinance, 1979 from the Assessment Year 1998 - 99. As per CBR's Circular No. 13 of 13th September, 1997, Banks are advised that the Advance Tax will be computed in the manner that the Income from the securities against which the tax has been deducted at source, will be excluded from the gross turnover. On the other hand, the tax deducted at source will be excluded from the total tax liability. Accordingly such tax will not be taken as payment towards Quarterly Advance Tax.

Letters dated 29th October, 1997 and 3rd November, 1997 received from Citibank N. A. and Habib Bank AG Zurich respectively on this subject were tabled. After brief discussion, Members agreed to adopt the following line of action:

- The Committee to approach Central Board of Revenue directly in this respect, keeping State Bank of Pakistan informed of their action.
- Expert Tax Advisers should be engaged by the Committees to formulate the presentation to Central Board of Revenue in the appropriate manner. In this connection the name of Mr. Shabbar Zaidi of A. F. Ferguson & Company was proposed. The cost of engaging legal adviser to be borne by all Members equally.

- A Working Group representing the following Member Banks were advised to follow above modus operandi and to determine the time frame. Findings of the Group to be submitted to the Chairman, Chamber's Standing Sub Committee within shortest possible span of time.

WORKING GROUP:

STANDARD CHARTERED	MR. S. LIAQUAT ALI, CONVENER
CITIBANK N.A.	MR. JAFFER NINI
ANZ GRINDLAYS	MR. ASIF SINDHU
HONGKONG & SHANGHAI	MR. AYAZ AHMAD
ABN AMRO BANK	MR. YAMIN KIRAI
HABIB BANK A.G.	MR. SALMAN
FAYSAL BANK	MR. IQBAL

Mr. F. A. Hashimi, Chairman of Chamber's Standing Sub Committee for Taxation should be included in the above list of Members, as his Committee has also been asked by the OICC&I to look into this issue separately.

4. COMMODITY OPERATION FINANCING

There was a negative reply from member Banks when the Chairman enquired whether any financial transaction on Commodity Financing has meanwhile taken place.

5. VISIT OF JAPAN EXPORT IMPORT BANK MISSION

The Chairman invited all Members of the Banking & Finance Sub Committee to meet a Mission of Japan Export Import Bank (JEXIM) visiting the Chamber on Saturday 8th November, 1997 at 9 AM.

6. OUTCOME OF THE MEETING WITH THE WORLD BANK

Mr. Azhar Hamid informed the Sub Committee about the meeting held with the Governor of State Bank of Pakistan in Islamabad.

With no other matters to discussion, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
ACTING DEPUTY SECRETARY

16TH APRIL, 1997

MINUTES OF THE MEETING OF THE CHAMBER STANDING SUB COMMITTEE ON COMMERCIAL & INDUSTRIAL AFFAIRS HELD ON 14TH APRIL, 1997 AT 3.30 PM IN THE CHAMBER'S PREMISES.

PRESENT:

MR. I. S. SANGSTER	***CHAIRMAN***	***LEVER BROTHERS***
MR. KAMRAN Y. MIRZA	CO-CHAIRMAN	ABBOTT
MR. ERIC JANSSENS (REP. BY MR. SAJJAD SALEEM)		BASF
MR. ROBERT JONES		CADBURY
DR. NIGHAT PERVEEN (REP. BY MR. A. MUJTABA KHALID)		GLAXO WELLCOME
MR. A. SAMAD		SANDOZ / CIBA-GEIGY } *NOVARTIS*
MR. WAJAHAT SIDDIQUE		SIEMENS

LEAVE OF ABSENCE:

MR S. A. HADI	BOC
MR. TARIQ KIRMANI	CALTEX
DR. MAHMOOD SAEED	ICI
MR. SARFARZUDDIN	PHILIPS

Chairman welcomed the Members to the first meeting of the enlarged Committee. He regretted that the meeting could not be called any earlier.

1. Chairman stated that before going into the agenda items, it will be in order to brief the Members, on the latest happenings. On 28th March, 1997 the Government of Pakistan announced an Economic Revival Package, as a result of which several changes have been made, some of which are to the detriment of the local manufacturing industry. The Chamber in its Circular No. 64 of 8th April, 1997, advised Members to take up such matters with the Tariff Anomalies Committee, set up for this purpose. Members were also requested to write and inform the Chamber. Fourteen Member Companies responded to the Chamber's Circular. A summary list of all such Companies and the issues raised by them was tabled.

   Secretary General informed the meeting that the Government of Pakistan in response to the reaction of the manufacturers has responded, and an SRO has been issued from Islamabad on the 11th April, 1997 which makes many revisions in the First Schedule of the Customs Act 1969 (IV of 1969). These changes generally appear to be a reduction in import duties of raw materials for industry. Chairman advised that a letter be written to all the Fourteen Companies who have responded to Chamber's Circular No. 64, requesting them to look into the changes made on or after 11th April, 1997 and advise the Chamber, if any anomalies still remain to be corrected. An update is to be requested.

2. The Trade Policy proposals received from Fourteen Member Companies in response to Chamber's Circular No. 45 were then discussed. The summary had been circulated prior to the meeting.

It was agreed that proposals received for Sandoz (Item 5), BASF Pharma Knoll (Item13) and Roche (Item 14) will be examined by the Pharma Buerau and after review the Pharma Bureau will make a suitable recommendation.

With regard to the proposal of Burshane (Item 1) the regulatory duty of all imports has been withdrawn and the proposal is no longer relevant. Similarly the proposal from Mitsubishi (Item 2) to reduce duties on capital goods was considered appropriate. The Government of Pakistan has already reduced this to 10% in the ERP Program announced on 28th March, 1997. The second proposal from Mitsubishi was industry specific. The Chamber has always supported even playing fields.

The proposals from Pakistan Petroleum (Item 3) IBM (Item 4) and Gillette (Item 6) were accepted and the Chamber will support.

The proposals from Hinopak (Item 7) and Indus Motors (Item 9) was industry specific. It was decided to circulate this to the other members of the automobile sector for their views.

The proposal from Exide (Item 8) in relation to smuggling and misuse of Afghan Transit Trade to be supported.

On the proposal from Dadex (Item 10) on Octroi matters, it was agreed that the Federal Government be addressed on the dangers of overburdening local industry with provincial and district levies. Siemens offered to provide basic inputs on various levies made by provincial Government and District and Zilla councils, to give a comparison of the various levies.

On Gestetner (Item 11) proposals to check smuggling and tax evasion, it was agreed to support the proposals.

On the proposals of Siemens (Item 12) it was agreed to support the proposal to prevent the misuse of import of used motors.

3. The meeting then discussed the summary of the proposals received in response to Chamber's Circular No. 194 on Industrial Policy.

It was agreed to support the following.

A. Consistency in policy

B. Protection to local industry

C. Removal of credit controls which are discriminating to foreign Companies (L form)

D. Work visa policy to be streamlined

E. Removal of regulatory duty.

F. No new incentives to be given on geographical basis

G. Withdrawl of deletion program for the Engineering industry

H. Pre budget discussion with Government of Pakistan

I. Streamlining of export rebate system

4. A summary of proposals originally received by the Taxation Sub Committee but deferred for consideration by the Commercial & Industrial Matters Sub Committee was then discussed. Chairman advised that in view of the ERP and the changes made in the tariffs thereafter, the Taxation Sub Committee should revamp these proposals.

5. Chairman advised that the Chamber's budget proposals and the proposals sent to the *Deregulation Commission be circulated to all Sub Committee Members.*

6. Chairman then raised the apprehension of many members on the arbitrary fixation of ITP values, after the discontinuation of the PSI scheme. Members should be alerted about the likely abuse of these discretionary powers. Secretary General offered to write to the Members and explain the parameters for fixation of ITP that have been agreed with the Customs Authorities. It was also agreed that the Chamber would invite the Controller of Valuation to the Chamber for a meeting with the Members to explain the system and address the apprehension of members.

Date of next meeting was fixed for Wednesday 30th April, 1997 at 3.30 PM in Chamber's premises.

Meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

19th May, 1997.

Minutes of the Meeting of Chambers Standing Sub Committee for COMMERCIAL & INDUSTRIAL MATTERS held on Friday 2nd May, 1997 at 3.30 PM in the Chamber's premises.

PRESENT:

MR. I. S. SANGSTER	CHAIRMAN	LEVER BROTHERS
MR. ROBERT JONES		CADBURY
MR. SARFRAZUDDIN		PHILIPS
MR. S. WAJAHAT SIDDIQUI		SIEMENS
MR. TARIQ KIRMANI		CALTEX

LEAVE OF ABSENCE:

MR. KAMRAN Y. MIRZA	CO-CHAIRMAN	ABBOTT
MR. BRIC JANSSENS		B A S F
DR. NIGHAT PERVEEN		GLAXO WELLCOME
MR. S. A. HADI		B O C
DR. MAHMOOD SAEED		I C I

Minutes of the last meeting held on Monday 14th April, 1997 were confirmed.

MATTERS ARISING OUT OF THE LAST MEETING

1. ECONOMIC REVIVAL PROGRAMME

Members expressed the concern that although the Tariff Anomalies Committee constituted for the purpose of removal of anomalies had met several times, and several member companies have appeared before them in Islamabad, the outcome is still not clear.

It was proposed that the Managing Committee be made aware of this problem and requested to write to the Federal Finance Minister seeking his intervention in the matter, and expressing the need for immediate corrective action.

2. TRADE POLICY

It was agreed that based on earlier minuted discussion, Secretary General will draft a letter to the Government of Pakistan - outlining the proposals for the trade policy, and after approval by the Chairman, the proposals will be forwarded to the Ministry of Commerce.

3. ITP ISSUES

Since Members were still concerned about arbitrary fixation of ITP Values, it was necessary to establish a clear procedure for review. Since there is already some agreement with the FPCC&I regarding the appeal review procedure, it was agreed that Mr. Shahzada Alam, Chairman of FPCC&I Valuation Committee be invited to the Chamber for discussions in this matter.

Mr. Sarfrazuddin offered to establish contact with him and invite him to the Chamber to meet the Members, and remove some of the apprehensions.

4. CHAMBER'S PROPOSALS FOR 1997 / 98 FEDERAL BUDGET

It was agreed that a small working group be constituted consisting of:

1. Chairman (OR Secretary General)

2. Mr. Sarfrazuddin (Philips)

3. Mr. S. Wajahat Siddiqui (Siemens)

to visit Central Board of Revenue in Islamabad to follow up Chamber's proposals in relation to Sales Tax, Customs & Excise Duties.

The next meeting was fixed for Monday 2nd June, 1997 at 3.30 PM.

Meeting closed with vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

Minutes of the Meeting of Chamber's Standing Sub Committee for COMMERCIAL & INDUSTRIAL MATTERS held on Monday 9th June, 1997 at 11 AM in the Chamber's premises.

PRESENT

MR. I. S. SANGSTER	CHAIRMAN	LEVER BROTHERS
MR. QAZI SAJID ALI		BASF
MR. S. A. HADI		BOC
MR. ROBERT JONES		CADBURY
MR. TARIQ KIRMANI		CALTEX
MR. SARFARAZUDDIN		PHILIPS

LEAVE OF ABSENCE

MR. KAMRAN Y. MIRZA	CO-CHAIRMAN	ABBOTT
DR. NIGHAT PARVEEN		GLAXO WELLCOME
DR. MAHMOOD SAEED		ICI
MR. S. WAJAHAT SIDDIQUI		SIEMENS

Minutes of the last meeting held on Friday 2nd May, 1997 were confirmed.

MATTERS ARISING OUT OF THE LAST MEETING

1. Mr. Sarfrazuddin (Philips) informed the meeting that Mr. Shazada Alam, Chairman, Federation of Pakistan Chamber of Commerce & Industry Valuation Committee had agreed to visit the Chamber and meet Members of the OICC&I. Mr. Sarfrazuddin was requested to seek confirmation from him for Thursday 3rd July, 1997 at 3.30 PM. Upon receipt of confirmation, the Secretary General would circularize the meeting inviting Member Companies to attend.

2. **ECONOMIC REVIVAL PROGRAMME**

The meeting was informed that the Chamber did write to the Federal Finance Minister emphasizing the urgency to finalize and redress the tariff anomalies created by the above program. The meeting was informed that although the tariff anomalies committee completed its work and submitted its report on 15th May, 1997, at the Chamber's intervention the outstanding issues were addressed even after this date and appropriate action has been taken. The relief / adjustment measures covered under the statutory regulatory order of 31st May, 1997 has removed many of the disparities that had been created.

Chamber to write the Federal Minister of Finance acknowledging the good work of the tariff anomalies committee, despite the limited time frame and the redressal action taken by the government. Copies of the letter be endorsed to the Finance Secretary, Minister of Planning and the Minister of Investment.

Chairman expressed the view that we must persuade the Government of Pakistan to agree to an appropriate net protection to local manufacturers. For this purpose the quantum of protection needs to be established. It was agreed that after the Federal Budget, the Proforma developed by Philips (specimen of Appendix 27 (iii) is attached) will be circulated to Member Companies to seek comparative information on disadvantages to local manufacturers.

Secretary General informed the meeting that the rationale for tariff protection are the numerous non tariff disadvantages that a local manufacturer has to suffer. These were tabled at the meeting - Appendix 27 (v). Chairman expressed the view that this list of non tariff disadvantages could be expanded, and attempts should be made to quantify these disadvantages.

It was agreed that Appendix 27 (v) will be circulated amongst Sub Committee Members for this purpose.

3. TRADE POLICY

The Chamber's proposals for the Trade Policy 1997 / 98 were approved. Chairman expressed the view that a broader brush approach needs to be adopted whilst making such recommendations. It was agreed that the Member companies should be advised in this matter.

The Sub Committee to develop "policy issues" document and this should be taken up by the new Sub Committee.

ANY OTHER MATTERS

a) Mr. Sarfrazuddin gave an overview of the anti smuggling campaign adopted by the Electronic Manufacturers Association.

b) Fax dated 9th June, 1997 received from BASF was tabled for discussion. It was agreed that the issue of expatriate visa policy was a bottleneck and this would be taken up at a meeting with the Minister of Investment planned for later this month.

With regard to question of 100% foreign ownership Secretary General expressed the view that there was no confusion. The policy was quite clearly documented 100% foreign ownership was allowed to manufacturing companies. This was not so for the service sector, which prior permission was still required.

Mr. Qazi Sajid Ali (BASF) was informed that this was not a trade policy matter and as such was not documented in any trade policy. Mr. Qazi Sajid Ali agreed to send to the Chamber a copy of the trade policy document in which he maintained that the ownership issues were documented.

c) Letter dated 6th June, 1997 received from Lucas Service Pakistan (Private) Limited was tabled for discussion.

It was agreed that a reply be sent to the company to take up the matter directly with Central Board of Revenue.

The next meeting was fixed for Thursday 3rd July, 1997 preceding the proposed meeting with Mr. Shazada Alam of FPCC&I.

The meeting closed with vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

<u>Attachments:</u>

8th September, 1997

Minutes of the Meeting of Chamber's Standing Sub Committee on COMMERCIAL & INDUSTRIAL MATTERS held on Monday 1st September, 1997 AT 3.30 PM in the Council Hall of the Chamber

PRESENT

MR. MUNNAWAR HAMID	Chairman	ICI
MR. DAVID C. JOBY		GLAXO WELCOME
MR. SARFARAZUDDIN		PHILIPS
MR. S. WAJAHAT SIDDIQUI - REP. BY MR. M. SULGER		SIEMENS
MR. A. M. DEVINE		SHELL
MR. BENOIT DE DORLODOT		SKF

LEAVE OF ABSENCE

MR. AIZZ A. MAJID	ANZ GRINDLAYS
MR. ROBERT JONES	CADBURY
MR. SHAHID M. KHAN	INDUS MOTORS
MR. MASHKOOR ALAM	LEVER BROTHERS

Chairman welcomed the new Members to the Committee. He introduced himself and asked other participants to do the same.

Minutes of the meeting held on 9th June, 1997 were tabled and confirmed. Secretary General gave an overview of the outstanding issues.

1. **ITP VALUATION** continues to be irksome and with the going away of the PSI Companies, apprehensions are that arbitrary valuations by the Collector will present problems. Although an appeal / review procedure for arbitrary / improper valuation has been agreed with the FPCC&I (documented in Chamber's Circular No.154 dated 6th August, 1997) it does not appear to be satisfactory. The interests of trading groups and the industry are different and FPCC&I seems to be dominated by trading groups.

   Chairman offered to seek the Managing Committee's support for joining the efforts of SITE and other Associations to form a separate industry platform and lobby.

2. **INADEQUATE TARIFF PROTECTION** also continues to be an issue. In order that this matter may be further progressed, it was agreed that the initiative taken by last year's Committee be continued, and responses obtained from Member companies in the format of Appendix 27 (iii) and Appendix 27 (v) as soon as possible.

3. **TRADE POLICY** the comments of last year's committee about adopting a broad brush approach whilst making suggestions on behalf of the Chamber were noted.

   Chairman was of the view that the first priority should be to persuade the government to announce a consistent industrial policy, which is equitable and yields adequate returns to those who invest in manufacturing. The trade policy issue to be accorded a lower priority as it will be a subject of the Industrial Policy.

In this connection it was agreed that a copy of the Report on Industrialization for Global Competitiveness recently drafted by the Task Force be circulated to all Sub Committee Members for their comments.

4. **OCTROI ISSUE** Secretary General informed the meeting that the Chamber had circularized a Memorandum Circular No.139 dated 10th July, 1997 seeking information from Member Companies. It was agreed that Sub Committee Members would lend their support in collecting this information.

5. Letter dated August, 1997 received from Planning & Development Division, Government of Pakistan, Islamabad was tabled for discussion.

   In view of the very nature of the questionnaire relating to investments by both Private and Public sector in the period (1998 – 2010) it was decided that no response be offered.

5. Chairman informed the meeting that the OICC&I Managing Committee is to meet the Prime Minister of Pakistan in the next few days. He invited suggestions and comments.

Meeting closed with a vote of thanks to the Chair.

Next meeting scheduled for Friday 3rd October, 1997 at 3.30 PM.

ZAHID ZAHEER
SECRETARY GENERAL

23rd December 1997

Minutes of the Meeting of Chamber's Standing Sub Committee on COMMERCIAL & INDUSTRIAL MATTERS held on Wednesday 17th December, 1997 AT 3 PM in the OICC&I

PRESENT

MR. MUNNAWAR HAMID	ICI
MR. AIZZ A. MAJID	ANZ GRINDLAYS
MR. DAVID C. JOBY	GLAXO WELCOME
MR. SHAHID M. KHAN	INDUS MOTORS
MR. BENOIT DE DORLODOT	SKF

LEAVE OF ABSENCE

MR. ROBERT JONES	CADBURY
MR. MASHKOOR ALAM	LEVER BROTHERS
MR. SARFARAZUDDIN	PHILIPS
MR. A. M. DEVINE	SHELL
MR. S. WAJAHAT SIDDIQUI	SIEMENS

Minutes of the last meeting held on Ist September, 1997 were considered read and approved.

COMMITTEE'S VIEWS / RECOMMENDATIONS OF PAKISTAN'S INVESTMENT POLICY RECENTLY ANNOUNCED BY THE PRIME MINISTER

The Committee considered the recommendations and views of the Members of the Chamber which was received in response to Circular No. 230 dated 9th December, 1997. A copy of the approved recommendation is attached for your perusal. Members including those who could not attend the meeting, may please forward their comments to the Chamber before it is finally forwarded to the Managing Committee. Since submission of Chamber's opinion to the Government has already been delayed Members are requested to pass on their comments, which in their opinion should be further added or deleted, latest by Monday 29th December, 1997. Thereafter, it will be assumed that the listed recommendations / views are in order and therefore can be forwarded to the Managing Committee.

With no other points to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY

TRADE POLICY PROPOSALS 1997-98

1. **COMPUTERIZATION OF IMPORTS DOCUMENTS**

PROPOSAL

IBM (i) Present form of Bill of Entry should be modified and designed in a manner to meet computer's requirement for data entry.

(ii) Computerization process to be introduced in imports processing.

RATIONALE

A two-step approach for simplification of Customs Bill of Entry currently used for clearance of imported goods proposed as follows:

Step 1: Bill of entry must be on the standard stationary using 8" x 11" paper or 8" x 14" paper with requested information to be on the format that can be easily used for data entry in computer.

Step 2: Computerization process to be introduced in import processing which can help in the following manner:

i) *Fast processing of data on values of imported goods.*
ii) Immediate analysis of duties/taxes paid or evaded.
iii) Availability of reports/data that would allow better analysis based on which Government can formulate more meaningful import/export policies.

2. **LEVIES ON ESSENTIAL GOODS**

PROPOSAL

1996-97 Levies on essential consumer goods and capital goods industry to be reconsidered.

RATIONALE

Excise Duty is a tax on goods produced or manufactured in the country and intended for home consumption. It is paid by the manufacturer or producer and is primarily considered a tax on consumption of luxury goods by the rich who can afford to pay such taxes. It is anomalous to apply this to capital items and essential consumer goods. It should be withdrawn from Paints, Electrical Wires and Cables and Detergents, Toilet Soaps and other hygiene items like Powder, Shampoos and Creams.

3. DOUBLE TAXATION - AN ANOMALY ON BATTERIES LOCALLY MANUFACTURED

PROPOSAL

EXIDE

Separators produced by the manufacturers of the batteries for self consumption should be exempted from Excise Duty to avoid double taxation, as the finished product, the battery attracts 100% excise duty.

RATIONALE

Battery manufacturers are importing raw material to manufacture separators under Government permission which are used in the manufacturing of battery. The finished battery is subject to Excise Duty at the rate of 10% of retail price which includes the cost of separators.

4. IMPORT OF OFFICE EQUIPMENT

PROPOSAL

Check on non legal imports of office equipment can be exercised effectively by:

(a) Restricting any uplift to C & F value as aggregate import cost in excess of 20%. Higher the duties more attraction it provides to the smugglers.

(b) Suppliers of the office equipment, be asked to mention particulars of legal imports in their tender document when submitting to the Government, Semi Government and other bodies.

5. IMPORT OF SCRAP MATERIAL

PROPOSAL

SIEMENS

Consignments of imported scrap material include motors even new or re-useable, which are sold in the market without paying its duties etc. The influx of such 'Scrap' motors in the market should be stopped.

RATIONALE

Importers of Scrap material in their Consignment import new or re-useable motors which are sold freely in the market, without paying duty & taxes etc. to the Government while locally manufacturing industries are hit hard.

6. PHARMA INDUSTRY DUTIES

PROPOSAL

PHARMA BUREAU

All existing import duties and levies, as well as sales tax, should be withdrawn on all imported pharmaceutical raw and packaging materials as well as on imported finished products.

RATIONALE

a) The maximum retail of all registered pharmaceutical products are very strictly price controlled, and it is therefore grossly unjust to levy duties and taxes at the import stage (input tax) when the industry is not permitted to increase its maximum retail price in order to absorb / adjust such extra cost burdens.

b) The pharmaceutical industry manufacturing essential life saving medicines, were for the last 50 years totally exempt from any kind of import duties, levies and taxes. This was done to help keep the retail prices at affordable levels for the consumers. We strongly recommend that this past sound policy continues to be followed and that all medicines are totally exempted.

7. CONCESSIONAL AIR FREIGHT FOR EXPORTS

PROPOSAL

For pharmaceutical product export on concessional air freight rate be introduced keeping the possibility of boosting export to Central Asian States.

RATIONALE

These products are of high value and small volume and have limited shelf life.

8. EXPORT/IMPORT OF SAMPLES

PROPOSAL

Currently export of samples free of charge are limited to Rs. 25,000 per annum. This should be enhanced to 10% of the value of the exports.

Commercial imports of medicine are allowed by the Government to import up to 10% value of their invoice samples. Pharma industries should also be granted same facility.

RATIONALE

PHARMA BUREAU

Medicines are expensive items and the continued erosion of the Rupee has resulted in very nominal samples being exported.

Registration and launch of new pharmaceutical products require clinical trials to be conducted locally for which samples of medicines are needed.

9. IMPORT AGAINST DEMAND DRAFT

PROPOSAL

PHARMA BUREAU

The import Policy Order also allows import against foreign currency demand draft where amount does not exceed US$ 10,000/- or equivalent. This facility was first granted in July, 1994.

RATIONALE

It is suggested that this amount may be increased to US$ 20,000/- which will bring the cost of imported items upto US$ 20,000/- down as the bank charges, as in the case of Letter of Credit, will be avoided.

PHARMA BUREAU

10. IMPORT OF ANTI-POLLUTION EQUIPMENT

PROPOSAL

It is recommended that all imports of anti-pollution equipment as recommended by the National Environment Quality Standards is made duty free and sales tax free.

11. CLEARANCE OF CONSIGNMENTS AT PORTS

PROPOSAL

1996-97

Importers be given a choice to clear material either at Karachi Port or through Dry Ports. It should not be mandatory to clear concessionary imports at Dry Ports only.

RATIONALE

The notification in this regard which is only applicable in the case of an import where a concessionary SRO benefit is involved, creates unnecessary hurdles for the importer who has to clear part of his consignments (those not involving special concessions) from Karachi Port / AFU and the remaining from the nearest Dry Port where the Manufacturing Unit is located. This dual mode of clearance is not feasible and practical at all as it does not allow an importer to centralize his total clearance activity. It is therefore advocated that the choice / option of clearance activity involving a SRO should be left to the discretion of the importer who mostly has his clearance network including manpower resource established close to the Sea Port. Partial clearance therefore does not aid or facilitate the importer's logistical planning network base, as it not only delays the overall activity but it also disrupts the element of continuity and smooth flow in terms of the planning parameters.

12. EXPORT AND RE-IMPORT OF DEFECTIVE EQUIPMENT

PROPOSAL

Procedure for export and re-import of defective equipment be simplified.

RATIONALE

At times, importers are required to send sophisticated equipment abroad for repairs. The procedure for export and re-import of this type of equipment and cancellation of Bank Guarantees is fairly cumbersome and involves considerable hassle, documentation and paperwork. The procedures should be simplified.

INCONSISTENCY IN GOVERNMENT POLICIES

(i) AUTO POLICY

PROPOSAL

A long term industry friendly policy for 5 – 7 years be formulated in Auto Industries.

RATIONALE

Auto Industry requires a heavy capital expenditure and long gestation period.

(ii) IMPORT OF SECOND-HAND AND RECONDITIONED EQUIPMENT

PROPOSAL

1996-97 Foreign companies are required to obtain prior permission to import used and reconditioned machinery. This tantamounts to discrimination.

RATIONALE

At present, foreign companies are required to obtain prior permission of the Government to import second-hand and reconditioned equipment. Firstly, this restriction is discriminatory and inconsistent with the Government policy to encourage foreign investment. Secondly, this policy discourages the use of relatively cheap equipment with substantial operating life in the country.

It is therefore suggested that foreign companies should have freedom to import second-hand and reconditioned equipment.

(iii) IMPORTS BY OIL AND GAS COMPANIES

PROPOSAL

PPL All matters related to import and export authorization of Oil and Gas Companies be handled centrally by the Regulatory Authority of Ministry of Petroleum & Natural Resources, without any reference to other Ministry.

RATIONALE

The Import – Trade Policy and the Import – Export Procedures clearly state that specific requirements of Oil & Gas Companies irrespective of import status of individual items shall be governed through recommendations of the Ministry of Petroleum & Natural Resources. It has, however, been witnessed on several occasions that certain cases need to be referred to the Ministry of Commerce or the Finance Division for their concurrence before the Regulatory Authority can issue the authorization. Such references, within the Ministries cause delaying grant of urgently required import / import-export / export-import authorizations. It is recommended that in the forthcoming trade policy 1997 – 98, it should be stated that all matters relating to import / import-export - export-import authorizations be handled by the Ministry of Petroleum & Natural Resources without any references to other Ministries or their associated Departments.

PROTECTION TO LOCAL INDUSTRIES

(i) PROPOSAL

GILLETTE To encourage local manufacturers a protection of at least 25% be provided and duties and other levies on raw material and components be reduced.

RATIONALE

The current duty structure does not encourage local manufacturing. The rates of Duty, Sales Tax and other import levies are same for fully finished products and their raw materials and components. In order to encourage local manufacturing it is suggested that protection of at least 25% be provided to local manufacturers and duties and other levies on import of raw materials and components be reduced accordingly.

PHILIPS

(ii) PROPOSAL

Sudden withdrawal of Protection Policy may threaten survival and growth of Industries.

RATIONALE

Withdrawal of Protection Policy allowed to the Industries be phased out in number of years in order to reduce its sudden impact.

(iii) PROPOSAL - AFGHAN TRANSIT TRADE AGREEMENT

Misuse of the agreement with Afghanistan be minimised. The list of items not permissible for imports to Afghanistan be reviewed.

RATIONALE

In order to protect local auto battery manufacturing industries due to the influx of auto batteries from Afghanistan, the Government should remove the automotive lead acid batteries from the list of items allowed under Afghan Trade Agreement

(iv) PROPOSAL - OCTROI & LOCAL TAXES

Local authorities should be discouraged from collecting octroi and other local taxes from Industries; as, taxation of Industries is already creating a heavy burden on manufacturing costs.

RATIONALE

Arbitrary increase in rates of Toll Tax and Zila Tax charged by local bodies and district authorities adversely effect the cost of production.

Due to the devaluation of currency and general inflation in the international market prices which keep on increasing and thereby volume of Octroi based on the value of the material automatically increases. Imposition of further enhancement in Octroi rates are therefore not justified.

DISCRIMINATION AGAINST FOREIGN COMPANIES

PROPOSAL

Restriction on local borrowing by foreign companies under Form 'L' regime should be removed.

RATIONALE

This restriction on borrowing by foreign companies only tantamounts to discrimination.

WORK VISA POLICY

PROPOSAL

GILLETTE & 1996-97

Work visa of expatriate managers and technocrats be issued for longer duration and there should be no restriction on Exit or re-entry during the tenure of the visa.

RATIONALE

In certain cases Work visa for short duration i.e. 3 months or so are issued and the visa holders have to face the inconvenience of frequent renewal and or obtaining permission for the exit from the country. Such restriction should be withdrawn.

9th April, 1997

Minutes of the Meeting of Chamber's Standing Sub Committee for CORPORATE LAW held on Tuesday 8th April, 1997 at 3 PM in the Chamber's Premises.

PRESENT

MR. TARIQ AMIN	CO-CHAIRMAN	RHONE-POULENC
MR. S. K. HUSSAIN		HUB POWER
MS. NAUSHEEN AHMED		ICI
MR. SAEED AKHTAR		PAKISTAN PETROLEUM

LEAVE OF ABSENCE

DR. M. S. HABIB	CHAIRMAN	GLAXO WELLCOME
MR. ALI AAMIR		ANZ GRINDLAYS
MR. QAZI SAJID ALI		BASF
DR. NIGHAT PERVEEN		J&P COATS
MR. N. HAQ		PAKISTAN TOBACCO
MS. FAWZIA KAZMI		SHELL

Mr. Tariq Amin welcomed the new Member from ICI on the Committee.

Minutes of the last meeting held on 7th October, 1996 were confirmed.

Secretary General informed the Committee that Mr. Iqbal Junejo, Chairman, Monopoly Control Authority had visited Chamber on 12th January, 1997 when matters relating to the Monopoly Control Law were discussed.

The Co-Chairman invited discussions on the second item of the agenda the Central Depository System (CDS).

Secretary General informed the meeting that in December, 1996 the Chamber had addressed the Chairman, Corporate Law Authority on the reservations it had on the proposed CDC Ordinance. The matter was also discussed with Mr. Khalil Masud, the then Chairman of Corporate Law Authority, despite this the CDC Ordinance XII of 1997 was promulgated on 28th January, 1997, without incorporating any of the desired changes.

Mr. S. K. Hussain of Hub Power Company informed the meeting about their perceptions in this matter and also the apprehensions about Karachi Stock Exchange changing its rules and making it mandatory for companies to join the CDS, He also emphasized his company's concern about the weak indemnity clauses. The CDC regulations which are being prepared for approval of the Corporate Law Authority, have not been made available to the issuers of capital.

Mr. Tariq Amin offered to speak to the new Chairman and adjourning the meeting for a short while, spoke to Mr. Shamim Ahmad Khan on this matter. He informed the meeting that the Corporate Law Authority confirmed that the ordinance has been presented as a bill to the Parliament for enactment. He however agreed to meet a delegation of the OICC&I to discuss this matter.

It was agreed that Chamber would write to the Corporate Law Authority on these matters, and also seek sharing of the exposure draft of the CDC regulations. It was also agreed that Mr. Hussain would prepare a one page hand out for the MNA's in anticipation of debate in the parliament.

It was also agreed that since Citibank N.A. is a shareholder in the above company, Mr. Sajjad Razvi be approached in this matter.

The meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

6th January, 1998

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON CORPORATE LAW HELD ON TUESDAY 30TH DECEMBER, 1997 AT 3 PM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT :

MR. TARIQ AMIN	CHAIRMAN	RHONE POULENC
MR. M. AKHTAR KHAN		CALTEX
MR. S. K. HUSSAIN - REP BY MR. ARSHAD HASHMI		HUB POWER
MR. T. A. BATLAY		LAKSON TOBACCO
MR. AAMER AZIZ SAIYID		LEVER BROTHERS
MS. FAUZIA KAZMI		SHELL
MR. HALEEM KHAN		SIEMENS

LEAVE OF ABSENCE :

MR. ANDALIB ALVI	ENGRO CHEMICAL
MR. ALIM A. DANI	GLAXO WELLCOME
MR. SAEED AKHTAR	P P L

Chairman welcomed the members to the first meeting of the new sub committee. He stated although the sub committee had not met formally since April, 1997, a fair amount of dialogue and interaction has been going on both among the Chamber members and various external agencies.

Minutes of the last meeting held on 8th April, 1997 were confirmed. Mr. Tariq Amin informed the meeting that he had been in touch with Chairman, Corporate Law Authority on the CDC issue and upon CLA's intervention, Mr. Javed Panni came to the Chamber and had two meetings with the members to address the concerns of OICC&I members on CDC matters. Chamber formally addressed the Chairman, CLA on 8th September, 1997 in which the Chamber's concerns were outlined.

The Managing Director, CDC was invited to the Chamber for meeting the concerns of Chamber's members. Minutes of this meeting was circulated separately. The outcome was not satisfactory and Chamber's concern remains un-addressed.

Mr. Tariq Amin offered to approach the Chairman, CLA to visit the Chamber in mid January, 1998. Meanwhile the Chamber will send a reminder letter to the Chairman, CLA seeking a response to the Chamber's communication of 8th September, 1997.

Chamber to ascertain the operating experience of the eight companies that have been notified by the CDC.

It may also be ascertained how many stock brokers have registered with CDC, as this may be a measure of the level of confidence.

OTHER MATTERS

1) Members raised the difficulties being faced at the Registrar's office in processing of documents.

2) Excessive documentation and returns relating to concentration of assets under the Monopoly Control Act, were also a cause of concern, as was the return of share transactions ("Form A"). some of these returns should be accepted by Email.

3) Penal clauses in the companies ordinance need to be softened and more than one person be responsible for imposing penalties.

Next meeting fixed for second week in January, 1998.

ZAHID ZAHEER
SECRETARY GENERAL

Minutes of the meeting of Chamber Standing Subcommittee on ENVIRONMENT held on February 25, 1997 in the Chamber's premises.

PRESENT:

MR. D.M. WOODROFFE	CHAIRMAN	HUB POWER CO.
MR. ZAFFAR A. KHAN	CO-CHAIRMAN	ENGRO CHEMICAL
MR. MUJI-BUR REHMAN		LEVER BROTHERS
MR. S. MUSHARRAF ALI		ABBOTT
MR. SOHAIL W. SIDDIQUI		SIEMENS
DR. NAVEED AHMED		HUBCO

LEAVE OF ABSENCE:

DR. MAHMOOD SAEED	I C I PAKISTAN
DR. A. M. DEVINE	SHELL PAKISTAN
MR. TARIQ ATAULLAH	CIBA-GEIGY
MR. R. J. RAIDERS	UNION TEXAS
MR. RASHID ALI	CPC RAFHAN

1. CONFIRMATION OF THE MINUTES:

Minutes of the last meeting held on 26th November 1996 already circulated to the members was considered, read and approved by the Committee.

2. MATTERS ARISING OUT OF THE SAID MINUTES:

No member raised any comment.

3. ORDINANCE NO.XXXII OF 1997 CALLED "THE PAKISTAN ENVIRONMENTAL PROTECTION ORD.1997"

A copy of the Ordinance is provided to all members present in the meeting. The Chairman inviting comments of the members on the Ordinance said that since it has already been promulgated, members should study the Ordinance in detail and appraise the Committee about its implications.

Mr. S. Musharraf Ali of ABBOTT submitted his few observations on the Ordinance. A copy passed on to the members present. The members were asked to consolidate their views on the Ordinance, particularly, where there are deviations, if any, from previously agreed principles.

4. CHAMBER'S REPRESENTATION:

Representation of the Chamber in various Federal and Provincial Environmental Committees/Councils was discussed. It was agreed that once the new Government settle down and key appointments in the Environment Ministry are known, this matter shall be persued.

Meanwhile it was suggested by Mr. Zaffar A. Khan that ENVIRONMENTAL COMMITTEE of the Chamber should prepare a paper on monitoring of wastes and their recommendations. Members were asked to forward their feed back in this respect to the Co-Chairman.

5. SDPI REPORT:

Mr. Zaffar A. Khan referred to the SDPI Report dated January 21, 1997, which was circulated by the Chamber to all members of the Environment Subcommittee. It was suggested that members review the position taken in the SDPI Report and give their views at the next meeting to guide the Committee in its future inter-action on with the Government.

It was suggested that the pollution charge proposal developed by FPCCI be obtained and circulated to the Committee for their comments. Mr. Zaffar A. Khan was asked to do the needful in this regard.

Since there was no other matter to discuss, the meeting ended with a vote of thanks to the chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

2nd October, 1997

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON ENVIRONMENT HELD ON WEDNESDAY 17TH SEPTEMBER, 1997 AT 3 PM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT :

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICAL
CAPTAIN N. A. FARUQI (RETD.)		CALTEX
MR. JAVED AKBAR		ENGRO CHEMICAL
MR. DAVID CHARLES JOBY		GLAXO WELLCOME
DR. NAVEED AHMAD		HUB POWER
MR. HASAN IRFAN		PHILIPS
MR. S. SAIFUL ISLAM		SHELL
MAJOR A. A. ZUBERI (RETD.)		SIEMENS

LEAVE OF ABSENCE :

MR. IMRAN FAROOKHI — AGREVO

Chairman welcomed the new members to the committee and asked each member to introduce themselves.

Chairman gave a brief overview of the past year's activities of the committee. He also appraised the members about chamber's participation in other Government Committees like Pakistan Environmental Protection Council (PEPC), Experts Advisory Committee on NEQS and the Environment Standard Committee.

The Chairman suggested that members be provided a copy of the Minutes of the meeting of the Experts Advisory. Committee on NEQS held on 13th May, 1997 in Islamabad, which contains the proposed revision in NEQS (attached).

The Chairman informed the Committee about the Government's decision to reactivate the Environment Standard Committee chaired by Mr. Shams Lakha. A meeting of the Committee has been convened on 23rd of September, 1997. Chairman invited comments / suggestions from the Members for this meeting.

Members suggested the following to be taken up at the meeting.

a) Implementation date of the legislation, particularly the penal clauses be extended until the NEQS are revised and adopted.

b) The Act should be made applicable to Government bodies as well as private sector, so that possibilities of discrimination could be avoided.

c) Before taking any penal action under the Act, Trade Bodies / Chamber of Commerce to be taken into confidence and consulted.

d) When ascertaining the amount of pollution charge, it has been suggested that this should be related to the cost of clean up. The difficulty in ascertaining clean up costs is a problem.

The Chairman opened that the Working Group constituted in April this year should be revived to deliberate and prepare a set of proposals for the quantum of pollution charge, the schedule of imposition, and the quantum of increase in future years, so that these can be submitted to the Environment Standard Committee (ESC). He informed the meeting that he will be attending the meeting on 23rd September, 1997.

With no other points to discuss the meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

18[th] December, 1997

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON ENVIRONMENT HELD ON FRIDAY 5TH DECEMBER, 1997 AT 3 PM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT :

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICAL
MR. M. S. NISHAT AHMAD		AGREVO
CAPTAIN N. A. FARUQI (RETD) - REP BY MR. ATIQUEUR REHMAN		CALTEX
MR. JAVED AKBAR		ENGRO CHEMICAL
MR. DAVID CHARLES JOBY		GLAXO WELLCOME
MR. S. SHAHID ALI		HUB POWER
MAJOR A. A. ZUBERI (RETD)		SIEMENS

LEAVE OF ABSENCE :

MR. HASAN IRFAN	PHILIPS
MR. S. SAIFUL ISLAM	SHELL

Minutes of the last meeting held on 17th September, 1997 already circulated to Members was considered read and approved.

Mr. Javed Akhtar gave a run down on a Roundtable Meeting called by FPCCI on "Implementation of NEQS Modalities and the Role of Industry Association". The participants in the meeting where from industry, Government NGO's and Consultants working on NEQS. At this FPCCI meeting, a survey was conducted and discussions held to arrive at a consensus.

The results of the survey which are attached were presented to the OICCI Members. The OICCI Members are generally supportive of the program and have initiatives to launch the NEQS. OICCI Members suggested that Environmental Advisors and officers should be identified by all OICCI Members for networking and sharing of environmental related information. Some concerns were expressed on basis for determination of pollution charge.

As agreed, attached herewith is a copy of the draft of Pakistan Environmental Protection Agency (Certification of Environmental Laboratories) Regulation, 1996. Chamber's comments thereon, which were circulated previously are once again forwarded to the Members of the present Committee.

Also attached is a copy of the Minutes of the Meeting of Expert Advisory Committee on NEQS held on 15th November, 1996 at Islamabad.

The Chairman emphasized the necessity to develop a group of personnel out of the Members of the Chamber who are acquainted with the sciences of Environment and its technologies which can be made more useful by exchanging ideas and mutual discussions on problem related matters. A letter is to be issued by the Chairman for circulation to all Members of the Chamber asking for their cooperation in this respect.

Major A. A. Zuberi from Siemens very kindly volunteered to provide brochures of his Company's products related to Environmental Control.

NEXT MEETING :

If any member feels it necessary to discuss any particular agenda, a meeting of Committee can be called.

With no other points to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY GENERAL

Attachments :

8th September, 1997.

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON INSURANCE HELD ON THURSDAY 4TH SEPTEMBER, 1997 AT 3 PM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT :

MR. ZAKIR MAHMOOD	CHAIRMAN	CREDIT AGRICOLE INDOSUEZ
MR. MOIN M. FUDDA	CO-CHAIRMAN	COMMERCIAL UNION
MR. S. UMER ALI SHAH (REP. BY : MS. ZEHRA NAQVI)		CIGNA
MR. K. MOAZZAM REHMAN		ENGRO CHEMICAL
MR. FAROOQ NAZIR		LEVER BROTHERS
MR. JAVED IQBAL		PHILIPS
MR. AHMAD SALAHUDDIN		ROYAL EXCHANGE
MS. FARZANA SIDDIQ		ROYAL INSURANCE

LEAVE OF ABSENCE :

MR. ALEEM A.DANI	GLAXO WELLCOME
MR. MUJIB KHAN	NEW HAMPSHIRE

Chairman welcomed the new Members to the Committee and asked each Member to introduce themselves.

It was agreed that Mr. Moin M. Fudda would be the Co-Chairman of the Committee.

Minutes of the Meeting held on 5th May, 1997 in the Council Hall of the Chamber were confirmed.

Chairman asked Mr. Moin M Fudda to give an overview of last year's deliberations of the Sub Committee, and to identify the matters that need urgent follow up.

Problems identified were :

1. Delays in remittance of dividends.
2. The problem of deduction of re-insurance premium.
3. Rationalization of insurance tariff.
4. The need to have the insurance Act 1938 revised.
5. NIRC Commission Report not yet published.
6. Request of OICC&I for representation on the Insurance Advisory Board.
7. OICC&I request for issuance of Life Insurance Policies in U. S. $ has been turned down.
8. The issuance of insurance policies in U. S. Dollars.
9. Enlargement of scope of Personal Accident and Health Insurance.

Mr. Fudda informed the meeting that the task force constituted by the government had met on a few occasions and is about to finalize the report.

It was agreed that the OICC&I would write a letter to Mr. Amjad Virk, Joint Secretary (Insurance) Ministry of Commerce, Government of Pakistan, Islamabad raising the issues of concern to OICC&I Members. Mr. Fudda alongwith Mr. Ahmed Salahuddin to finalize the letter for dispatch on 5th September, 1997.

Mr. Fudda also informed the meeting that ADB has appointed consultants to advise on the restructuring of the regulatory department of insurance.

It was further agreed that Member Insurance Companies to provide feedback on delays in dividends and deduction of re-insurance premiums.

The meeting closed with a vote of thanks to the Chair.

No date was fixed for the next Meeting.

ZAHID ZAHEER
SECRETARY GENERAL

2nd October, 1997 / 28th October, 1997

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON INSURANCE HELD ON THURSDAY 25TH SEPTEMBER, 1997 AT 3 PM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT :

MR. ZAKIR MAHMOOD	CHAIRMAN	CREDIT AGRICOLE INDOSUEZ
MR. MOIN M. FUDDA	CO-CHAIRMAN	COMMERCIAL UNION
MS. ZEHRA NAQVI		CIGNA
MR. K. MOAZZAM REHMAN		ENGRO CHEMICAL
MR. FAROOQ NAZIR		LEVER BROTHERS
MR. MUJIB KHAN		NEW HAMPSHIRE
MR. AHMAD SALAHUDDIN		ROYAL EXCHANGE
MS. FARZANA SIDDIQ		ROYAL INSURANCE

LEAVE OF ABSENCE :

MR. ALEEM A.DANI	GLAXO WELLCOME
MR. JAVED IQBAL	PHILIPS

The Chairman welcomed the Members to the second meeting of the new Committee and advised that holding of this meeting was necessitated in view of the correspondence exchanged since the meeting held on 4th September, 1997. Chairman recalled that the meeting on 4th September, 1997 had on open agenda. Moreover, he had himself requested *Mr. Moin Fudda (the Chairman of the penultimate meeting) to give an* overview of the previous deliberations of the Sub Committee.

As regards Mr. Fudda's Co-chairmanship, the Managing Committee had left the decision to the Chairman to nominate the Co-chairman and constituted the Committee. Therefore, he had requested Mr. Fudda to be the Co-chairman and constituted the new Sub Committee

Mr. Fudda stated that some members had objection to his being the Co-chairman and he was quite prepared to withdraw, but the Committee indicated there was no objection to his nomination.

Ms. Naqvi stated that the issue of Miscellaneous Specified Business was controversial and should not have been included in the letter to the Joint Secretary. Chairman however, recalled that the subject was discussed during the 4th September, 1997 meeting and no disagreement was expressed thereto. Chairman concluded that most of the members supported this view and if any members had some reservation, they should have been clearly stated at the meeting.

With regard to confirmation of Minutes of the Meeting held on 4th September, 1997 Ms. Naqvi desired that her disagreement on inclusion of miscellaneous specified business in the letter to the Joint Secretary should be recorded. Chairman then asked Ms. Siddiq whether she would like her disagreement to be recorded, as she also had written on the subject. She replied in the negative. The Minutes of 4th September,1997 were then confirmed.

Chairman concluded that withdrawal of the letter written to the Joint Secretary would not be in the larger interest of the Chamber, but suggested that the follow up meetings these issues marked under Specified Miscellaneous Business need not be actively pursued.

Chairman proposed that if not two at least one meeting should be held during the current term of the Sub Committee. It was decided that before formal notice of the next meeting was issued, the members may propose items to be placed on its agenda, to the Secretariat. The tentative date was set for 15th December, 1997.

The meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY-GENERAL

31st December, 1997

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON INSURANCE HELD ON MONDAY 15TH DECEMBER, 1997 AT 3 PM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT :

MR. ZAKIR MAHMOOD	CHAIRMAN	CREDIT AGRICOLE INDOSUEZ
MR. MOIN M. FUDDA	CO-CHAIRMAN	COMMERCIAL UNION
MS. ZEHRA NAQVI		CIGNA
MR. K. MOAZZAM REHMAN		ENGRO CHEMICAL
MR. MUJIB KHAN		NEW HAMPSHIRE
MR. JAVED IQBAL		PHILIPS
MS. FARZANA SIDDIQ		ROYAL INSURANCE

LEAVE OF ABSENCE :

MR. ALEEM A.DANI	GLAXO WELLCOME
MR. FAROOQ NAZIR	LEVER BROTHERS
Mr → AHMAD SALAHUDDIN	ROYAL EXCHANGE

Minutes of the last meeting of the sub committee held on Thursday 25th September, 1997 at 3 PM were considered read and approved.

a) On Chairman's request, that Co-Chairman, Mr. Moin M. Fudda appraised the Members about Government's latest efforts to bring reforms and amendments in the Insurance Act, 1938, particularly in the Life Insurance sector. Mr. Fudda expressed the view that the entire Insurance Act needs to be revamped to bring in line with other developed countries. He said the Task Force has not been made public and it would be appropriate if Secretary, Ministry of Commerce be approached by the Chamber to obtain a copy of the Insurance Task Force Report 1997.

b) Referring to the Pakistan Investment Policy announcement (page 34) unlike the investment facilities granted to other foreign investors in Pakistan, foreign investment in Insurance Sector is restricted to 51%. This disparity should be removed. Ms. Naqvi said that in reality only Life Insurance Sector has been opened to foreigners and there still remains the restrictions on General Insurance. The chairman requested Ms. Naqvi to draft a suitable text to be included in Chamber's letter.

c) Insurance Companies are not allowed exemption on Capital Gain Tax as recently circulated by Central Board of Revenue. The Co-Chairman volunteered to prepare a draft letter for the Ministry of Finance in this respect to be issued by the Chamber.

Next Meeting of the Sub committee to be held sometime in mid February in consultation with the Chairman.

The meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY GENERAL

12th September, 1997

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON LABOUR HELD ON THURSDAY 28TH AUGUST, 1997 AT 9 AM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT :

MR. KAMRAN Y. MIRZA	CHAIRMAN	ABBOTT
MR. PERVAIZ H. KHAN	CO-CHAIRMAN	LEVER BROTHERS
MR. M. MATIN KHAN		BARRETT HODGSON
MR. JALEES A. SIDDIQI		PHILIPS
MR. RASHID AHMAD		SHELL

LEAVE OF ABSENCE :

MR. H. A, ATHAR	CALTEX
MR. SALIM AZHAR	ENGRO CHEMICAL
MR. MUZAFFAR IQBAL	GLAXO WELLCOME
MR. MUZAFFAR MATLOOB	HINOPAK
MR. S. WAJAHAT SIDDIQUI	SIEMENS

1. Chairman welcomed new Members to the Sub Committee Meeting and asked them to introduce themselves. Mr. Pervaiz H. Khan was requested to be the Co-Chairman.

2. Secretary General informed the meeting that although there has been no formal meeting of the Sub Committee since October last year, major concerns of the Chamber have been brought to the Government's attention. The Vice President (Mr. S. Naseem Ahmad) last year in October addressed the Federal Joint Secretary, Labour in this connection. This was followed by the Secretary General's addressing the Federal Labour Secretary on 10th April, 1997, soon after the 25th March, 1997 COLA Legislation.

   The Chamber also drew the attention of the Commission on Deregulation on the need to rationalize the overprotective labour laws. That inhibit productivity discourages employment and frightens away much needed productive investment.

   Again on 13th March, 1997 the Secretary General addressed the Board of Investment in Islamabad providing details and views of the Chamber on all Labour law matters.

   The Secretary General on the 2nd July, 1997 wrote to the new Federal Labour Secretary in Islamabad, expressing the Chamber's concern at the Government's interference in the collective wage bargaining process. The President, Mr. Naseem Ahmad called on the Federal Secretary in Islamabad on 31st July, 1997 and discussed the above issue. The Chamber has on the 22nd August, 1997 again addressed the Federal Labour Secretary as a follow up to the President's visit.

3. It was agreed in the short term that the Chairman of the Sub Committee would write to the Federal Labour Minister (Mr. Sheikh Rashid Ahmad) outlining the issues, and requesting a meeting with him.

4. It was further agreed that in the medium term in order to strengthen and advocate the Chamber's point of view, a document be prepared which should be a cross country comparison of prevailing labour legislation in the region, such as the law of dismissal, minimum wages, contract labour, etc.

Mr. Perwaiz H. Khan (Lever Brothers) alongwith Mr. Jalees A. Siddiqi (Philips), Mr. Rashid Ahmad (Shell) and Mr. S. Wajahat Siddiqui (Siemens) to try and obtain comparative information, as their companies operate in the region. For this purpose a Questionnaire to be developed.

Mr. Rashid Ahmad and Mr. Pervaiz H. Khan agreed to review all existing labour legislation, in order to identify those laws which need to be revised or updated. Once these issues are developed, they could be taken up with the Sindh Government.

5. Mr. M. Matin Khan offered to do a concept paper for the distribution of Worker's Profit Participation Fund.

6. Letter dated 9th July, 1997 received from Pharmatec was tabled for discussion. The meeting was informed by Mr. Matin Khan that the issue has since been settled and the notification withdrawn by the Sindh Government.

The meeting closed with a vote of thanks to the Chair.

Next meeting scheduled for last week in October, 1997.

ZAHID ZAHEER
SECRETARY GENERAL

9th December, 1997

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON LABOUR HELD ON THURSDAY 27TH NOVEMBER, 1997 AT 3.30 PM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT :

MR. KAMRAN Y. MIRZA	CHAIRMAN	ABBOTT
MR. M. MATIN KHAN		BARRETT HODGSON
MR. SALIM AZHAR		ENGRO CHEMICAL
MR. RASHID AHMAD		SHELL

LEAVE OF ABSENCE :

MR. PERWAIZ H. KHAN	CO-CHAIRMAN	LEVER BROTHERS
MR. H. A. ATHAR		CALTEX
MR. MUZAFFAR IQBAL		GLAXO WELLCOME
MR. MUZAFFAR MATLOOB		HINOPAK
MR. JALEES A. SIDDIQI		PHILIPS
MR. SOHAIL WAJAHAT SIDDIQUI		SIEMENS

CONFIRMATION OF THE MINUTES

Minutes of the last meeting of the Subcommittee held on 28th August 1997 already circulated to the members was considered, read and approved.

MATTERS ARISING OUT OF THE SAID MINUTES :

Major issues were discussed and it was re-structured that a dialogue with the federal Ministry of Labour be initiated. Alternatively a representative group of the committee should seek an appointment for a meeting at Islamabad.

It was agreed that letters be drafted for submission to the Government covering the points which were highlighted in various communications related to the recent past. Other issues which are required to be raised by the Chamber also to be added in the letter.

The drafts would be prepared jointly by the following members of the Subcommittee for circulation prior to dispatch to the Federal and Provincial Governments :

MR. KAMRAN Y. MIRZA	CHAIRMAN	ABBOTT
MR. M. MATIN KHAN		BARRETT HODGSON
MR. SALIM AZHAR		ENGRO CHEMICAL

With no further points to discuss the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
ACTING SECRETARY GENERAL

12th September, 1997.

MINUTES OF MEETING OF THE CHAMBER'S STANDING SUB-COMMITTEE FOR PORT TRUST & COMMUNICATION HELD ON 29TH AUGUST, 1997 AT 3 PM IN THE CHAMBER'S PREMISES.

PRESENT:

MR. D. M. WOODROFFE	CHAIRMAN	HUB POWER
MR. M. MOONIS	CO-CHAIRMAN	UNITED LINER
MR. NADEEM JAFAREY		CALTEX
MR. SHAHID H. SIDDIQUI		HINOPAK
MR. B. SAEED		SIEMENS

LEAVE OF ABSENCE:

MR. SHAHID A. HAKIM	ENGRO CHEMICALS
MR. MOHAMMAD HANIF	GLAXO WELLCOME
MR. S. H. A. BUKHARI	P & O CONTAINERS
MR. FAROOQ HASAN	PAKTEL
MR. HENK VAN ROEST	SHELL

The Chairman welcomed new members to the committee and asked each member to introduce themselves.

Chairman then informed the meeting that Mr. Moonis has accepted his request to be the Co-Chairman of the Standing Sub-Committee.

Although the last formal meeting of the Sub-Committee was held in September last year, the Chamber's concerns have been agitated at the Port Trust level and also at the forum of the Karachi Port Council.

Chairman informed the meeting that Government of Pakistan has constituted a task force for shipping matters under the Chairmanship of the Minister of State for Water & Power, Captain Haleem Siddiqui. Your Chamber is fortunate that Mr. Moonis has been nominated as a member of the Sub Committee on Port Privatization constituted by the Chairman of the Task Force.

He requested Mr. Moonis to give an overview of the terms of reference of the task force and the deliberations.

Mr. Moonis informed the meeting that amongst other drawbacks the cost of handling Cargo at Karachi. Port was the highest in the region. This was due to gross over employment both at the Dock Labour Board and in the KPT. The Dock Labour Board imposes a levy of Rs. 42 per ton on all cargo, passing through Karachi. This cost is likely to increase due to diversion of about 30% of Containerized Cargo to QICT.

Other problems relate to equipment like dredgers, tugs, pilot boats and proper container handling facilities needed for roll on / roll off arrangements from ships.

Chairman advised the Sub-Committee members that Roads and Railway transportation was also within the purview of this Sub-Committee and he would welcome discussions on these matters at the next meeting.

Also the problems of the Cellular Telephone Companies be left for the next meeting when hopefully the representative from Paktel will be present.

It was agreed that the Chamber will continue its efforts to invite Sheikh Inamul Haque the Federal Communications Secretary to visit the Chamber.

Meeting closed with a vote of thanks to the Chair.

Next meeting scheduled for 30th September, 1997 at 3.30 PM.

ZAHID ZAHEER
SECRETARY GENERAL

REVISED & AMENDED

23rd December, 1997

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON PORT TRUST & COMMUNICATIONS HELD ON THURSDAY 18TH DECEMBER, 1997 AT 3 PM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT :

MR. M. MOONIS	CO-CHAIRMAN	UNITED LINER
ME NADEEM JAFAREY		CALTEX
MR. SHAHID A. HAKIM		ENGRO
MR. MOHAMMAD HANIF		GLAXO WELLCOME
MR. S. H. A. BUKHARI		P & O

LEAVE OF ABSENCE :

MR. D. M. WOODROFFE	CO-CHAIRMAN	HUBCO
MR. SHAHID H. SIDDIQUI		HINOPAK
MR. FAROOQ HASAN		PAKTEL
MR. HENK YAN ROEST		SHELL
MR. HENK YAN ROEST		PHILIPS
MR. B. SAEED		SIEMENS

Minutes of the last meeting held on 29th August, 1997 already circulated to Members were considered read and approved.

The Co-Chairman briefly informed the Members about the following issues :

- Status of the negotiations with the Karachi Dockyard Labour Board wherein the main point of contention now left to settle is the union's demands to make all Dock Workers as the permanent employees of the Karachi Dock Labour Board. In view of the present policy of the Government and the World Bank as well, the said demand of the Union leader is not palatable.

- KDLS levy has already swelled from Rs.42 few years back to Rs.70 as on 1st January, 1998.

- The existing inconsistency in the rates of Octroi and Zilla Tax charged at Port Qasim, essentially required to be settled without any further delay. The Co-Chairman appraised the Members about Chamber's ongoing dialogues with the Government of Sindh in this respect.

- The inordinate delay in completion of the connecting Road Bridge at Port Qasim is a persisting hurdle in movement of heavy trucks to and from Port Qasim. Mr. Shahid A. Hakim of Engro Chemicals consented to prepare a draft letter of protest addressed to concerned authorities. The letter to be issued by the Chamber.

- It is expected that the various teething problems in clearance of Containers at Port Qasim will soon be resolved once the coordination and understandings between respective departments i.e. Customs, Port Authorities and others is adequately established. The efforts in this respect is in progress.

- Referring to the unethical practice of some of the Non Vessel Operating Common Carriers (NVOCC) agents the Co-Chairman advised to avoid using them as some of them may not have proper offices or addresses to establish contact when needed. To avoid excessive payments at the Port of Discharge Members therefore specifically state in the Letter of Credit "Shipment under a NVOCC Bill of Lading not acceptable".

- Invitation should be extended to the Federal Secretary Communications by the Chamber.

With no other point to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

MINUTES OF THE MEETING OF CHAMBER STANDING SUB COMMITTEE FOR TAXATION HELD ON 6TH JANUARY 1997 IN THE CHAMBER PREMISES.

PRESENT

MR. FUAD A. HASHMI	CHAIRMAN	GESTETNER
MR. ASHRAF BAWANY		BOC PAKISTAN
MR. FAROOQ NAZIR		LEVER BROTHERS
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MS. FARAH QURESHI		MACKINNON, MACKENZIE
MR. AZIZ A. VAZIR		ROCHE PAKISTAN
MR. S. HASHIM ISHAQUE		SHELL PAKISTAN

LEAVE OF ABSENCE

MR. AZHAR A. MALIK	CO-CHAIRMAN	ICI PAKISTAN
MR. IFTEKHAR ALAM		COMMERCIAL UNION
MR. A. A. DANI		GLAXO-WELLCOME

1. Minutes of the last meeting held on 3rd December 1996, already circulated to members, were approved.

2. Matters arising out of the said minutes:

- **Unpaid refunds related to Income Tax, Custom Duty & Sales Tax.**

  The Committee was informed that only one letter (i.e. from Berger Paints) was received by the Chamber in response to the reminder issued to the members on 28th November. Based on the text of the letter, the Committee agreed that Chamber should write a letter to the Member CBR (Exise & Sales Tax).

- A copy of Chamber letter dated 2nd January 1997 addressed to Mr. Mir Mumtaz Ahmed, Commissioner of Income Tax, was circulated among the members. It contained :-

- Royalty - Exemption under certain treaties.
- Dividend - Rate under the treaties

- **Sindh Government's levy of 0.5% on the amount charged on services rendered under Section VII of Sindh Finance Act 1996.**

  According to the above levy, persons who have been subjected are required to recover the said tax from their customers and deposit it in the Sindh Government's treasury as on 5th of every month.

  Legal opinion as sought by our members in this respect is that services would be subjected to this tax unless writ petition is filed with the High Court. Since no representation has been made by any category of person, the levy cannot be avoided.

- **Matter related to withholding Tax**

  Mr. Aziz A. Vazir to draft a supplement note to Mr. Mumtaz Ahmed, Commissioner Income Tax on the above subject.

- **Federal Budget's proposals - 1997-98**

  Reference to the Chamber's Circular No. 02, dated 2nd January, 1997 wherein the members have been asked to forward their proposals related to 1997-98 Federal Budget on Income Tax, Custom Duty and Sales Tax & Excise Duty. The Committee resolved that proposals of last year's budget which were not considered by the Government should be resubmitted this year, if they are still viable. Following action was suggested:

- After scrutinizing such proposal, the committee decided that Chamber should issue another circular to members wherein the listed proposals which pertain to Income Tax, Wealth Tax, Custom duty Sales Tax and Excise duty are grouped in the manner CBR have required. Members should be requested to include their views along with other fresh proposals for this year and forward them to the Chamber by the 20th January, 1997.

- The proposals thus received from the members to be sorted out by the Deputy Secretary and passed on to the respective group leaders which consist of :-

	GROUP	**LEADER**	
1.	Chemical/Pesticides, Fertilizer and Paints	Mr. Azhar A. Malik	ICI
2.	Banking/Industries/Finance & Leasing Companies	Mr. Iftikhar Alam	C.U.
3.	Pharmaceutical Industries	Mr. A. A. Dani	Glaxo
4.	Food & Consumer products	Mr. Farooq Nazir	Lever
5.	Shipping, Airline, Trading and others	Ms. Farah Qureshi	Mackinnon
6.	Oil, Gas and Energy	Mr. S. Hashim Ishaque	SHELL
7.	Engineering/Industrial product	Mr. Ashraf Bawany	BOC
8.	Tobacco & other manufacturing Cos.	Mr. Tasleemuddin A. Batlay	Lakson Tobacco

Recommendations of the Group Leaders to be discussed in the next meeting before onward submission to the Managing Committee. A list of members tabulated according to the respective group is attached.

5. Letters of BOC Pakistan Ltd. dated 18-19-96

Text of the letter to be included in the Budget Proposals for 1997-98 after approved by the respective group.

6. Other Matters

- Mr. Hashim Ishaque informed that before finally committing for continuing his membership on the Committee for rest of the term he will first discuss the issue with Mr. T. V. Higgins.

- Next date to hold the meeting was fixed for January 27, 1997 at 12 noon in the Chamber Premises.

There being no other point to discuss the meeting ended with a vote of thanks to the Chair.

MOHAMMED ASLAM
DEPUTY SECRETARY

4th February, 1997.

Minutes of the meeting of Chamber Standing Subcommittee for TAXATION held on February 2, 1997 in the Chamber's premises.

PRESENT

MR. FUAD A. HASHIMI	CHAIRMAN	GESTETNER
MR. A. A. DANI		GLAXO/WELLCOME
MR. FAROOQ NAZI R		LEVER BROTHERS
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MR. S. HASHIM ISHAQUE		SHELL PAKISTAN

LEAVE OF ABSENCE

MR. AZHAR A. MALIK	CO-CHAIRMAN	ICI PAKISTAN
MR. ASHRAF BAWANY		BOC PAKISTAN
MR. IFTEKHAR ALAM		COMMERCIAL UNION
MS. FARAH QURESHI		MACKINNON
MR. AZIZ A. VAZIR		ROCHE PAKISTAN

MINUTES OF THE LAST MEETING HELD ON 6TH JANUARY 1997:

Minutes of the last meeting held on 6th January 1997 which had been already circulated to members were considered and approved. There were no matters arising out of the said minutes except that Mr. Aziz Vazir's report would be received at the next meeting.

CHAMBER'S BUDGET PROPOSALS TO THE CHAIRMAN C.B.R.:

Chamber's letter dated 19th January 1997 addressed to the Central Board of Revenue on *Budget proposals was tabled for discussion. Mr. Fuad Hashimi explained to the members* that the Chamber had submitted broad-based policy and macro economic proposals to CBR to meet the 30th January 1997 deadline. He then read out the salient features of the proposals and stated that the sub-committee was now charged with submitting detailed tax proposals with-in three weeks. A copy of the letter would be circulated to all members of the Subcommittee.

Chairman suggested that keeping Chamber Circular No.04 dated 9th January as a guide line each group leader needed to add or delete items received from the members as proposals. There was a discussion on the need to review the legislation on perquisites and the disparity in tariffs on locally manufactured products against the imported ones. As only some of the members of the Chamber had reported to the group leaders while others had not, it was decided to hold the next meeting of the Subcommittee on 13th February 1997 at 3:00 P.M. when these would be discussed and finalized.

There being no other points to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

16th February, 1997.

Minutes of the meeting of Chamber Standing Subcommittee for TAXATION held on February 13th, 1997 in the Chamber's premises.

PRESENT

MR. FUAD A. HASHIMI	CHAIRMAN	GESTETNER
MR. A. A. DANI		GLAXO/WELLCOME
MR. FAROOQ NAZIR		LEVER BROTHERS

LEAVE OF ABSENCE

MR. AZHAR A. MALIK	CO-CHAIRMAN	ICI PAKISTAN
MR. ASHRAF BAWANY		BOC PAKISTAN
MR. IFTEKHAR ALAM		COMMERCIAL UNION
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MS. FARAH QURESHI		MACKINNON
MR. AZIZ A. VAZIR		ROCHE PAKISTAN
MR. S. HASHIM ISHAQUE		SHELL PAKISTAN

APPROVAL OF THE MINUTES:

Minutes of the last meeting held on February 2, 1997 already circulated to the members, was considered read and approved.

RECOMMENDATIONS OF GROUP LEADERS:

The following Group Leaders who were present in the meeting tabled their recommendations to the Committee for discussion:

1. Mr. Farooq Nazir - Group leader of Food and consumer products.
2. *Mr. A. A. Dani - Group Leader of Pharmaceutical Industries.*

After brief discussion their respective recommendations were discussed and finally approved by the Committee for onward submission to the Managing Committee .

Due to their absence, recommendations of the following Group Leaders could not be considered by the Committee:

GROUP	LEADER	
1. Chemical, Pesticides & Fertilizer Plant	: Mr.Azhar A.Malik	ICI Pakistan
2. Banking, Finance, Leasing & Insurance	: Mr. Iftekhar Alam	Commercial Union
3. Shipping, Airlines, & Others	: Ms. Farah Qureshi	Mackinnon Trading
4. Oil, Gas & Energy.	: Mr. S. Hashim Ishaque	Shell Pakistan
5. Engineering & Industrial Products	: Mr. Ashraf Bawany	BOC Pakistan
6. Tobacco & other manufacturing Cos.	: Mr.Tasleemuddin A. Batlay	Lakson Tobacco

a) The TAXATION Subcommittee should meet again on 17th instant at 3:30 P.M. in the Chamber premises and complete the recommendations of the above Groups for onward submission to the Managing Committee in its meeting scheduled to be held on t8th February 1997.

b) The respective Group Leaders should be asked to submit their proposal to the Chamber latest by l6th instant positively, so that they may be discussed in the meeting. The Deputy Secretary to issue urgent messages in this respect to those Group Leaders who could not attend the meeting.

There being no other points to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

19th February, 1997.

Minutes of the meeting of Chamber Standing Subcommittee for TAXATION held on February 17th, 1997 in the Chamber's premises.

PRESENT

MR. FUAD A. HASHIMI	CHAIRMAN	GESTETNER
MR. AZHAR A. MALIK - (Rep. By Mr. Vaqar A. Malik)	CO-CHAIRMAN	ICI PAKISTAN
MR. ASHRAF BAWANY		BOC PAKISTAN
MR. IFTEKHAR ALAM		COMMERCIAL UNION
MR. A. A. DANI		GLAXO/WELLCOME
MS. FARAH QURESHI		MACKINNON
MR. AZIZ A. VAZIR		ROCHE PAKISTAN
MR. S. HASHIM ISHAQUE		SHELL PAKISTAN

LEAVE OF ABSENCE

MR. TASLEEMUDDIN A. BATLAY	LAKSON TOBACCO
MR. FAROOQ NAZI R	LEVER BROTHERS

1. CONFIRMATION OF THE LAST MINUTES:

Minutes of the last meeting held on February 13, 1997 circulated to members was considered, read and approved.

2. FEDERAL BUDGET PROPOSALS FOR 1997-98:

Mr. Mohammad Aslam (Deputy Secretary) presented a summary at the meeting, which was the first draft of the proposals based on the proposals of the Group Leaders. This draft was discussed at length by those three leaders present at the meeting. Mr. Dani reported that the draft presented did not include some of his points. Ms Farah Qureshi wished that one/two of her point be included. Mr. Hashim Ishaque did not have anything to add.

Mr. Malik (Chemicals group) promised to send his group report by fax, on the following day as did Mr. Bawany (Engineering group) and Mr. Iftekhar Alam (Banking group).

It was agreed that the Chamber wou1d circulate a revised second draft based on the discussion held at today's meeting. Thereafter the committee will meet again to review the second draft.

Since the final report of the Subcommittee could not be completed for submission to the Managing Committee in its meeting scheduled for next day i.e. 18th of February, the Chairman asked the Secretary General to convey his apologies to the Managing Committee in this respect and to indicate 28th February 1997 as the date for submission to the Managing Committee.

Meanwhile the Committee agreed to the following revised schedule:-

a) Those Group Leaders who could not complete their recommendation (based on the proposals received from members of their respective group) to finalize them as soon as possible within the next twenty four hours.

b) Respective Group Leaders to meet again at Chamber's premises on Thursday, February 20, 1997 at 3:00 P.M. to review the second draft and to propose a final list of proposals.

c) Taxation Subcommittee to hold a formal meeting on Sunday, February 23 at 3:30 P.M. in the Chamber's premises to finalize Committee's overall recommendations for onward submission to the Managing Committee.

3. OTHER MATTERS:

Mr. Azhar A. Malik vide his letter dated 17th February 1997 advised that in consideration of his present official assignment he is not in a position to continue to remain on the Committee. Mr. Malik however, proposed Mr. Vaqar A. Malik, General Manager Finance / Management Services of ICI to be considered as his replacement. The Chairman and the Committee regretfully acceded to the request and extended their thanks to Mr. Azhar A. Malik for his cooperation and support.

Participation of Mr, Vaqar A. Malik was welcomed by the Subcommittee.

There being no other point to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

24th February, 1997.

Minutes of the meeting of Chamber Standing Subcommittee for TAXATION held on February 23rd, 1997 in the Chamber's premises.

PRESENT

MR. FUAD A. HASHIMI	CHAIRMAN	GESTETNER
MR. ASHRAF BAWANY		BOC PAKISTAN
MR. IFTEKHAR ALAM		COMMERCIAL UNION
MR. A. A. DANI		GLAXO/WELLCOME
MR. FAROOQ NAZI R		LEVER BROTHERS
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MS. FARAH QURESHI		MACKINNON
MR. AZIZ A. VAZIR		ROCHE PAKISTAN

LEAVE OF ABSENCE

MR. VIQAR A. MALIK	ICI PAKISTAN
MR. S. HASHIM ISHAQUE	SHELL PAKISTAN

1. REVIEW OF THE BUDGET PROPOSALS:

Subsequent to the meeting of the Subcommittee last held on 17th February 1997, a copy of Second Draft of the Federal Budget Proposals for 1997-98 was provided to members for review.

After brief discussion, it was agreed that Group Leaders pertaining to FOOD & CONSUMER PRODUCTS and ENGINEERING & INDUSTRIAL PRODUCTS should finalize their recommendations, which in their opinion are to be included in the overall recommendations of the Committee, preferably the same day or within next 24 hours.

Group Leaders of CHEMICAL/ FERTILIZER/PAINT i.e. Mr. Vaqar A. Malik was asked to provide a fresh proposal encompassing matters related to other companies of this Group as well. His current proposals pertained to ICI related matters only and were peripheral.

After incorporating the respective recommendations, the THIRD DRAFT is to be circulated to the members for their final consensus before submission to the Managing Committee. The next meeting is scheduled to be held on WEDNESDAY, 26TH FEBRUARY 1997 at 11:00 A.M.

2. APPOINTMENT OF THE CO-CHAIRMAN:

Since Mr. Azhar A. Malik, the Co-Chairman has resigned from the membership of the Subcommittee, members present in the meeting unanimously proposed Mr. Aziz A. Vazir to be the Co-Chairman of the Sub-Committee for rest of the term. Mr. Vazir very kindly consented to the proposal.

There being no- other points to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

10th March, 1997.

Minutes of the meeting of Chamber Standing Subcommittee for TAXATION held on February 27th, 1997 in the Chamber's premises.

PRESENT

MR. FUAD A. HASHIMI	CHAIRMAN	GESTETNER
MR. AZIZ A. VAZIR	CO-CHAIRMAN	ROCHE PAKISTAN
MR. VAQAR A. MALIK		ICI PAKISTAN
MR. IFTEKHAR ALAM		COMMERCIAL UNION
MR. FAROOQ NAZI R		LEVER BROTHERS
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MS. FARAH QURESHI		MACKINNON
MR. S. HASHIM ISHAQUE		SHELL PAKISTAN

LEAVE OF ABSENCE

MR. ASHRAF BAWANY	BOC PAKISTAN
MR. A. A. DANI	GLAXO/WELLCOME

1. CONFIRMATION OF MINUTES:

Minutes of last two meetings held on 17th and 23rd February 1997, already circulated to members, were considered read and approved.

2. APPROVAL OF FEDERAL BUDGET PROPOSALS FOR 1997-98 :

Third draft of the Committee's proposals for Federal Budget was discussed at length.

After some amendments to the draft, it was agreed that: -

a) Issue which the Committee considered could more appropriately be addressed by the Commercial and Industrial Policy Subcommittee should be listed out separately by the Deputy Secretary and passed on to the said Committee for its action. Letters of acknowledgement to be issued to all those members who have sent their proposals, advising them how the Committee has responded to their proposals.

b) Ms. Farah Qureshi was asked to look into the final list of proposals related to Income Tax and Wealth Tax matters before they are forwarded to the Managing Committee, while, Mr. Tasleemuddin Batlay would go through the list of proposals pertaining to Custom Duty, Sales Tax and Excise Duty.

c) The final list of proposals to be faxed to all members of the Committee on 28th February asking them to raise any point, which they consider, should be added or omitted. Such advices must reach the office of the Chamber same day. Thereafter the proposals will be considered complete for submission to the Managing Committee.

d) Matters related to Form 'L' issue to be raised by the Secretary General in his overall submission to the Managing Committee.

With no other point to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

8th September, 1997

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON TAXATION HELD ON THURSDAY 28TH AUGUST, 1997 AT 3.30 PM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT

MR. FUAD AZIM HASHIMI	CHAIRMAN	GESTETNER
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. PARVEZ GHIAS		ENGRO CHEMICAL
MR. ALEEM A. DANI		GLAXO WELLCOME
MR. TASLEEMUDDIN A. BATLAY		LACKSON TOBACCO
MR. FAROOQ NAZIR		LEVER BROTHERS
MR. MUNAF LAKDA		PHILIPS
MR. FEROZE COWASJI		SHELL

LEAVE OF ABSENCE

MR. AZIZ A. VAZIR	CO-CHAIRMAN	ROCHE
MS. FARAH QURESHI		MACKINNON MACKENZIE

Chairman welcomed the new members to the meeting and asked all members present to introduce themselves.

Chairman suggested and the committee accepted that Mr. Aziz A. Vazir be invited to be the Co-Chairman of the committee.

Minutes of the last meeting on 27th February, 1997 were confirmed.

Chairman then proceeded to identify group leaders and to assign them sector-wise responsibility.

Mr. Pervez Ghias (Engro Chemical) to succeed Mr. Azhar Malik as the group leader for the Chemical / Pesticides / Fertilizers & Paints sectors. There are (12) companies in this sector.

Mr. Asif Sindhu (ANZ Grindlays) to succeed Mr. Iftikhar Alam as the group leader for the Banking / Leasing / Financial services & Insurance sectors. There are (21) companies in the Banking sector, 6 companies in Insurance and (15) companies in the Leasing / Financing services sector.

Mr. Aleem Dani (Glaxo Wellcome) to continue to act as group leader of the (30) Pharmaceutical companies.

Mr. Farooq Nazir (Lever Brothers) to continue to act as the group leader for the (15) companies on the Food & Consumer Products sector.

Ms. Farah Qureshi (Mackinnon Mackenzie) to continue to act as group leader of the (40) companies in Trading, Shipping, Airlines, and other services sectors.

Mr., Feroze Cawasji (Shell) to replace Mr. Hashim Ishaque as the group leader for the (18) companies in the Oil, Gas and Energy sector.

Mr. Munaf Lakda (Philips) to replace Mr. Ashraf Bawany as the group leader for the (20) Engineering & Industrial Products companies.

Mr. Tasleemuddin A. Batlay (Lakson Tobacco) to continue as group leader for the (9) companies in Tobacco and other Manufacturing sectors.

Mr. Aziz A. Vazir (Roche) to continue to be the group leader for general Indirect Taxation.

A revised sector-wise list of the companies is attached.

It was agreed that each group leader will review the OICC&I budget proposals relating to his sector, to determine which are the key issues which remain unaddressed and still need to be pursued by the Committee. Each group leader will send his / her findings to the Secretariat of the Chamber, before the next meeting.

Mr. Tasleemuddin Batlay raised the question of the inequities and the indiscriminate increase in local / octroi taxes. Secretary General informed the meeting that the chamber had taken cognizance of the issue and its Circular No. 139 documents the problems as perceived by the chamber. Chamber has invited inputs from members. Unfortunately very few replies have been received. Chairman requested group leaders to follow up with the companies in their group and obtain responses.

Hinopak letter dated 17th July, 1997 was tabled for discussion. Committee was of the view that the company be informed that registration was postponed upto December, 1997. The other problem was a one time problem and not likely to repeat itself.

Chairman suggested that a Circular be sent from the chamber to all members to obtain their E-mail addresses and compile a Directory.

Next meeting scheduled for Tuesday 7th October, 1997 at 3.30 PM.

ZAHID ZAHEER
SECRETARY GENERAL

OICC&I LIST OF MEMBERS (SECTOR WISE)
STANDING SUBCOMMITTEE ON TAXATION

9 September, 1997

1. **CHEMICAL / PESTICIDES / FERTILIZERS / PAINTS :**

GROUP LEADER
MR. PERVAIZ GHIAS
(ENGRO)

1. AGREVO PAKISTAN (PVT.)LTD.
2. BASF PAKISTAN (PRIVATE) LTD.
3. BERGER PAINTS PAKISTAN LTD.
4. DAWOOD HERCULES CHEMICALS LTD.
5. DOWELANCO B.V.
6. ENGRO CHEMICAL PAKISTAN LTD.
7 ICI PAKISTAN LTD.
8. LEVER CHEMICAL (PVT) LTD.
9. PAKISTAN GUM & CHEMICALS LIMITED
10. PAKISTAN GUM INDUSTRIES (PVT) LTD.
11. RHONE-POULENC (PRIVATE) LTD.
12. RHONE-POULENC CHEMICALS (PVT) LTD.

2. **BANKING / INSURANCE / FINANCIAL SERVICES & LEASING COS.**

BANKS

GROUP LEADER
MR. ASIF SINDHU
(ANZ BANK)

1. ABN AMRO BANK N.V.
2. ALBARAKA ISLAMIC INVESTMENT BANK B.S.C. (E.C.)
3. AMERICAN EXPRESS BANK LTD.
4. ANZ GRINDLAYS BANK PLC
5. BANK OF AMERICA NT & SA
6. BANK OF CEYLON
7. BANK OF TOKYO MITSUBISHI LTD.
8. CITIBANK N.A.
9. CREDIT AGRICOLE INDOSUEZ *(The Global French Bank)*
10. DEUTSCHE BANK A.G.
11. DOHA BANK LTD.
12. EMIRATES BANK INTERNATIONAL LTD.
13. FAYSAL BANK LTD.
14. HABIB BANK AG ZURICH
15. HONG KONG & SHANGHAI BANKING CORP. LTD
16. INTERNATIONAL FINANCE INVESTMENT & COMMERCE BANK LTD.
17. MASHREQBANK PSC
18. RUPALI BANK LTD.
19. SOCIETE GENERALE
20. STANDARD CHARTERED BANK
21. TRUST BANK LIMITED

INSURANCE

22. CIGNA INSURANCE ASIA PACIFIC LTD.
23. COMMERCIAL UNION ASSURANCE CO. PLC
24. NEW HAMPSHIRE INSURANCE COMPANY
25. NORWICH UNION FIRE INSURANCE SOCIETY LTD.
26. ROYAL EXCHANGE ASSURANCE
27. ROYAL INSURANCE PLC

LEASING & FINANCIAL SERVICES

28. ATLAS INVESTMENT BANK LTD.
29. ATLAS LEASE LIMITED
30. CITI BANK HOUSING FINANCE
31. CITICORP INVESTMENT BANK (PAKISTAN) LIMITED

32. COMMONWEALTH DEVELOPMENT CORPORATION
33. EQUITY INTERNATIONAL (PRIVATE) LTD.
34. INDOSUEZ W.I. CARR SECURITIES PAKISTAN (PVT) LTD.
35. INDUSTRIAL PROMOTION SERVICES (PAKISTAN) LTD.
36. INTERNATIONAL HOUSING FINANCE
37. JARDINE FLEMING PAKISTAN BROKING (PRIVATE) LTD.
38. KHADIM ALI SHAH BUKHARI & CO. LTD.
39. ORIX LEASING PAKISTAN (PVT) LTD.
40. PAKISTAN CREDIT RATING AGENCY [PRIVATE] LIMITED
41. SAUDI PAK INDUSTRIAL & AGRICULTURAL INVESTMENT CO. (PVT) LTD.
42. SECURITY LEASING CORPORATION LIMITED

3. **PHARMACEUTICAL INDUSTRIES:**

GROUP LEADER
MR. A. A. DANI
(GLAXO WELLCOME)

1. ABBOTT LABORATORIES (PAKISTAN) LTD.
2. BARRETT HODGSON PAKISTAN (PVT) LTD.
3. BAYER PHARMA (PRIVATE) LTD.
4. BEECHAM PAKISTAN (PRIVATE) LTD.
5. BOEHRINGER MANNHEIM PAKISTAN (PVT) LTD.
6. BRISTOL - MYERS SQUIBB PAKISTAN (PVT) LTD.
7. CIBA - GEIGY (PAKISTAN) LTD.
8. CLARIANT PAKISTAN LIMITED
9. CYANAMID (PAKISTAN) LTD.
10. GETZ PHARMA PAKISTAN (PRIVATE) LIMITED
11. GLAXO WELLCOME PAKISTAN LTD.
12. HOECHST MARION ROUSSEL (PAKISTAN) LIMITED
13. JOHSON & JOHNSON PAKISTAN LTD.
14. KNOLL PHARMACEUTICALS LTD.
15. MERCK MARKER (PRIVATE) LIMITED
16. MERCK SHARP & DOHME OF PAKISTAN LTD.
17. ORGANON PAKISTAN (PRIVATE) LTD.
18. OTSUKA PAKISTAN LTD.
19. PARKE, DAVIS & COMPANY LTD.
20. PFIZER LABORATORIES LTD.
21. PHARMACIA & UPJOHN (PRIVATE) LIMITED
22. PHARMATEC PAKISTAN (PVT) LTD.
23. RHONE-POULENC RORER PAKISTAN (PVT) LTD.
24. ROCHE PAKISTAN LTD.
25. SANDOZ (PAKISTAN) LTD.
26. SCHERING ASIA GmbH - PAKISTAN BRANCH
27. SMITH AND NEPHEW PAKISTAN (PVT) LTD.
28. SMITH KLINE & FRENCH OF PAKISTAN LTD.
29. W. WOODWARD PAKISTAN (PRIVATE) LTD.
30. WYETH LABORATORIES (PAKISTAN) LTD.

4. **FOOD & CONSUMER PRODUCTS :**

GROUP LEADER
MR. FAROOQ NAZIR
(LEVER)

1. BROOKE BOND LTD.
2. CADBURY PAKISTAN LTD.
3. COCA-COLA BEVERAGES PAKISTAN LTD.
4. COCA-COLA EXPORT CORPORATION
5. CONTINENTAL BISCUITS LTD.
6. CPC RAFHAN LTD.
7. LEVER BROTHERS PAKISTAN LTD.
8. NESTLE MILKPAK LTD.
9. NORTHERN BOTTLERS (PVT) LTD.
10. PAK WATER BOTTLERS (PVT) LTD.

11. PEPSI-COLA INTERNATIONAL (PVT) LTD.
12. PROCTER & GAMBLE PAKISTAN (PVT) LTD.
13. RECKITT & COLMAN OF PAKISTAN LTD.
14. SHEIKHOO SUGAR MILLS LTD.
15. TETRA PAK PAKISTAN LTD.

5. **SHIPPING, AIRLINES, TRADING & OTHER SERVICE S**

SHIPPING & AIRLINES

GROUP LEADER
MS. FARAH QURESHI
(MACKINNON)

1. COX & KINGS (AGENTS) LTD.
2. JAMES FINLAY PLC
3. KLM ROYAL DUTCH AIRLINES
4. LUFTHANSA GERMAN AIRLINES
5. MACKINNON, MACKENZIE & CO. OF PAKISTAN LTD.
6. P&O CONTAINERS PAKISTAN (PVT) LTD.
7. RAY SHIPPING ENTERPRISE LTD.
8. UNITED LINER AGENCIES OF PAKISTAN LTD.

TRADING & OTHER SERVICES

9. ALCATEL PAKISTAN LTD.
10. AST RESEARCH INC.
11. BLACKWOOD HODGE (PAKISTAN) (PVT) LTD.
12. BRINKS PAKISTAN (PVT) LTD.
13. DUPONT FAR EAST INC.
14. GESTETNER (PRIVATE) LTD.
15. IBM SEMEA - PAKISTAN BRANCH
16. ITOCHU CORPORATION
17. KELLER GRUNDBAU GmbH
18. KODAK LTD.
19. LUCAS SERVICE PAKISTAN (PVT) LTD.
20. 3M PAKISTAN (PRIVATE) LTD.
21. MARUBENI CORPORATION – KARACHI LIAISON OFFICE
22. MITSUBISHI CORPORATION
23. MITSUI & COMPANY LTD.
24. MONOTYPE SYSTEMS LIMITED
25. MULLER & PHIPPS PAKISTAN (PVT) LTD.
26. NALCO GULF LTD.
27. NATIONAL CARBON COMPANY PAKISTAN (PVT) LTD.
28. NCR CORPORATION
29. NICHIMEN CORPORATION
30. OXFORD UNIVERSITY PRESS
31. PAKCOM LTD.
32. PAKISTAN INTERNATIONAL COMPUTERS LTD.
33. PAKTEL LTD.
34. PHILIPS ELECTRICAL COMPANY OF PAKISTAN (PVT) LTD.
35. REUTERS LTD.
36. SGS PAKISTAN (PRIVATE) LTD.
37. STARPAK GROUP (PVT) LTD.
38. TEAM S. A. (LUXEMBURG)
39. TOMEN CORPORATION
40. UNISYS PAKISTAN (PVT) LTD.

6. **OIL / GAS & ENERGY :**

GROUP LEADER
MR. FEROZE CAWASJI
(SHELL PAKISTAN)

1. AES LAL PIR LIMITED
2. ATTOCK OIL COMPANY LTD.
3. ATTOCK REFINERY LTD.

4. BHP MINERALS INTERNATIONAL EXPLORATION INC.
5. BURMAH OIL COMPANY (PAKISTAN TRADING) LTD.
6. BURSHANE (PAKISTAN) LTD.
7. CALTEX OIL (PAKISTAN) LTD.
8. CASTROL LTD.
9. HUB POWER COMPANY LTD.
10. ICI PAKISTAN POWERGEN LTD.
11. KOT ADDU POWER COMPANY LTD.
12. LASMO OIL PAKISTAN LTD.
13. M-I OVERSEAS LTD.
14. NATIONAL POWER INTERNATIONAL
15. PAKISTAN OILFIELDS LTD.
16. PAKISTAN PETROLEUM LTD.
17. SHELL PAKISTAN LTD.
18. UNION TEXAS PAKISTAN INC.

7. **<u>ENGINEERING & INDUSTRIAL PRODUCTS :</u>**

GROUP LEADER
MR. MUNAF LAKDA
(PHILIPS)

1. AEG PAKISTAN (PRIVATE) LTD.
2. ATTOCK INDUSTRIAL PRODUCTS LTD.
3. BOC PAKISTAN LTD.
4. DOMESTIC APPLIANCES LTD.
5. ENGRO PAK. TANK TERMINAL LTD.
6. EXIDE PAKISTAN LTD.
7. GEC AVERY (PRIVATE) LTD.
8. GENERAL TYRE AND RUBBER CO. OF PAKISTAN LTD.
9. GHANDHARA NISSAN DIESEL LTD.
10. HINOPAK MOTORS LTD.
11. HONDA ATLAS CARS (PAKISTAN) LTD.
12. INDUS MOTOR COMPANY LTD.
13. JOHNSON & PHILLIPS (PAKISTAN) LTD.
14. KSB PUMPS COMPANY LTD.
15. OERLIKON-WELDING LTD. - ZURICH
16. PAKISTAN CABLES LTD.
17. PHILIPS ELECTRICAL INDUSTRIES OF PAKISTAN LTD.
18. SIEMENS PAKISTAN ENGINEERING CO. LTD.
19. SINGER PAKISTAN LTD.
20. SKF SOUTH EAST ASIA AND PACIFIC PTE LTD.

8. **<u>TOBACCO & OTHER MANUFACTURING COS. :</u>**

GROUP LEADER
MR. TASLEEMUDDIN A. BATLAY
(LAKSON)

1. ATTOCK CEMENT PAKISTAN LTD.
2. BATA PAKISTAN LTD.
3. DADEX ETERNIT LIMITED
4. FILTRONA INTERNATIONAL LTD.
5. GILLETTE PAKISTAN LTD.
6. J & P COATS PAKISTAN (PVT) LTD.
7. LAKSON TOBACCO CO LTD.
8. PAKISTAN TOBACCO CO LTD.
9. R. J. REYNOLDS (PVT) LIMITED

10th October, 1997

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON TAXATION HELD ON THURSDAY 7TH OCTOBER, 1997 AT 3.30 PM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT

MR. FUAD AZIM HASHIMI	CHAIRMAN	GESTETNER
MR. AZIZ A. VAZIR	CO-CHAIRMAN	ROCHE
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. PARVEZ GHIAS		ENGRO CHEMICAL
MR. TASLEEMUDDIN A. BATLAY		LACKSON TOBACCO
MR. FAROOQ NAZIR		LEVER BROTHERS
MS. FARAH QURESHI		MACKINNON MACKENZIE
MR. MUNAF LAKDA		PHILIPS

LEAVE OF ABSENCE

MR. ALEEM A. DANI	GLAXO WELLCOME
MR. FEROZE COWASJI	SHELL

1. APPROVAL OF THE MINUTES

Minutes of the last meeting held on 28th august, 1997 previously circulated to the members, were considered read and approved.

2. POINTS ARISING OUT OF THE SAID MINUTES

(a) Activities of Group Leaders

The Chairman informed the committee that no tangible progress has been made by a group. The following group leaders have meanwhile issued letters to members pertaining to their group. Responses are awaited.

	SECTOR :	GROUP LEADER :
1	CHEMICAL / PESTICIDES / FERTILIZERS	MR. PARVEZ GHIAS
2	BANKING / LEASING / FINANCIAL SERVICES AND INSURANCE	MR. ASIF SINDHU
3	ENGINEEING AND INDUSTRIAL PRODUCTS	MR. MUNAF LAKDA

Group Leaders were asked to sort out and discuss the basic proposals, which are of common denomination and in their opinion Chamber should take up with the Government for their redressal.

Mr. Asif Sindhu informed the Committee that out of 35 letters which he had issued to members pertaining to his group, only two have come forward with their suggestions. This gives him reason to believe that either Members have no proposal to put forward for redressal or they have little confidence in the ability of the Chamber in respect of pressing their demands with the Government effectively.

(b) Key issues of last year's proposals still un-addressed

Mr. Aleem A. Dani's comments on redressal of the budget proposals of last year (1996-97) were tabled. General consensus of the members in this respect was that with the exception of few, most of them have not been resolved. The Chairman advised other Group Leaders to reconsider them while preparing the proposals for the forthcoming budget.

(c) Octroi Issue

The Secretary General appraised the Committee about the data collected from Members of the Chamber on Octroi. Eleven members responded to the chamber's request to provide the data. Out of which, one member i.e., Reckitt & Colman of Pakistan Limited had no comments. Information thus collected pertains to :

- Total Octroi paid during the year 1995 - 96 and upto June 1997 by the individual companies.
- Inter-province and inter-district variations in rates of Octroi on same products.
- Different basis of charging Octroi rates in different provinces / districts.

Mr. Ian Sangster has offered to help in analyzing the data so collected by the chamber.

Mr. Farooq Nazir agreed to establish trend analysis of Octroi rates. This information will help the chamber in the forthcoming meeting with the Chief Minister of Sindh or other concerned Government agencies in the near future. A presentation on the enhancements in Octroi rates during the past few years should be of considerable help.

Mr. Tasleemuddin A. Batlay referred to the meetings lately held at Hyderabad and Kotri Chambers of Commerce, wherein the Chief Minister of Sindh, Mr. Liaquat Ali Jatoi is said to have promised to change the basis of charge of Octroi.

The Chamber to try and obtain copy of the Minutes of this meeting.

(d) Advance Tax Calculation

System and the methodology of Advance Tax calculation has been changed. Matter to be taken up with Central Board of Revenue at the appropriate time. Meanwhile, Mr. Aziz A. Vazir offered to seek clarification whether this is adjustable with the Return.

The committee opined that Mr. Shahid Hussain should be invited to the chamber at the earliest opportunity and concerns of the members of the chamber be discussed and brought to his attention. Meanwhile the Sub Committee should determine the points to be raised for discussion with Mr. Shahid Hussain.

3. ANY OTHER MATTERS

(a) Professional Tax imposed in Punjab

Mr. Abdul Malik's fax dated 24th September, 1997 on the issue of imposing a Professional Tax in Punjab under Punjab Finance Act, 1997 payable by the companies incorporated in Punjab under the Companies Ordinance, 1984 @ 1% of the net Income Tax payable (minimum Rs.200) was discussed. Chamber to circulate this letter to all members asking for their opinion and the probabilities of challenging it by filing writ petition in the High Court.

(b) CVT on property

Mr. Aziz A. Vazir was requested by the committee to look into the possibility of seeking exemption of CVT on self-occupied house. The committee to be appraised on this subject after detailed study in its next meeting.

4. NEXT MEETING

Next meeting of the committee is scheduled to be held on Thursday 13th November, 1997 at 3.30 PM in the Chamber's premises.

As there were no other points to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

24th November, 1997

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON TAXATION HELD ON THURSDAY 13TH NOVEMBER, 1997 AT 3.30 PM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT

MR. FUAD AZIM HASHIMI	CHAIRMAN	GESTETNER
MR. AZIZ A. VAZIR	CO-CHAIRMAN	ROCHE
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. FAROOQ NAZIR		LEVER BROTHERS
MS. FARAH QURESHI		MACKINNON MACKENZIE
MR. FEROZE COWASJI		SHELL

LEAVE OF ABSENCE

MR. PARVEZ GHIAS	ENGRO CHEMICAL
MR. ALEEM A. DANI	GLAXO WELLCOME
MR. TASLEEMUDDIN A. BATLAY	LACKSON TOBACCO
MR. MUNAF LAKDA	PHILIPS

1. APPROVAL OF LAST MINUTES

Minutes of the last meeting of the standing Sub Committee on Taxation held on [7th October, 1997 already circulated to Members were considered, read and approved.

2. MATTERS ARISING OUT OF THE LAST MINUTES

a) Progress of the Group Leaders was reviewed and discussed. The committee, once again, stressed the necessity of early determination of key issues which should be pursued. Each Group Leader will forward his / her findings to the Secretariat of the Chamber preferably before the next meeting.

b) The chairman invited Mr. Farooq Nazir to give a brief review of the discussion held in the meeting with the Chief Secretary of Sindh on matters related to Octroi & Zilla Taxes. The matter is being actively followed up by the Additional Secretary, Local Government.

3. ADVANCE PAYMENT OF INCOME TAX

The Chairman briefed the Committee that the subject of Advance Payment of Income Tax is being separately looked after by a Group formed for this purpose by the Chamber's Standing Sub Committee on Banking & Finance. The Group intends to take up the issue directly first with the Regional Commissioner of Income Tax, Karachi, followed by subsequent meeting with Central Board of Revenue at Islamabad. The Group is in close touch with Mr. F. A. Hashimi. Mr. Asif Sindhu will appraise the Committee of developments taking place in this respect.

4. AFTER EFFECTS OF CHANGES IN FINANCIAL YEAR

Mr. Aziz A. Vazir, the Co-Chairman of the Committee explained Government's views on the change of "Financial Year" issue. He promised to give a write-up on this subject for the Members. (The note of Mr. Vazir received subsequently has since been distributed to the Members).

5. ANY OTHER MATTERS

i) Provincial Tax Imposed in the Punjab

The Committee was informed about Glaxo Wellcome's intention to file writ petition against the Province of Punjab through Secretary, Revenue Department, Government of Punjab and that they were in touch with their Lawyers, Surridge & Beecheno, Lahore in this respect. According to their letter dated 2nd September, 1997 Members of the Chamber who have their establishment in Punjab and apprehend to be affected, were advised to file a writ petition against the above law for obtaining injunctions, in consultation with their legal advisers. A collective or joint measure taken by the affected companies, in this respect, would be more economical and forceful. Chamber's Circular No. 219 dated 25th November, 1997 in this respect may be referred.

ii) Mr. Farooq Nazir's posting abroad

Mr. Farooq Nazir of Lever Brothers informed the Committee that since he has been posted abroad, this would be his last meeting of the Committee. He thanked the Committee for their cooperation and expressed his well wishes.

On behalf of the Committee, the Chairman recognized the ever-coveted support of Mr. Nazir in the discharge of the business of the present committee and the Committee of the past years as well, and wished all success and prosperity in his life.

Lever Brothers will hopefully soon nominate his substitute on the committee.

6. NEXT MEETING

The Sub Committee to meet next on Thursday 4th December, 1997 at 3 PM.

As there was no further matters to be discussed, the Meeting was adjourned with a vote of thanks to the Chair.

MOHAMMAD ASLAM
ACTING SECRETARY GENERAL

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON TAXATION HELD ON 4TH DECEMBER 1997 AT THE CHAMBER'S PREMISES.

PRESENT

MR. F.A. HASHIMI	CHAIRMAN	GESTETNER
MR. AZIZ A. VAZIR	CO-CHAIRMAN	ROCHE
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. PERVEZ GHIAS		ENGRO CHEMICAL
MR. ALEEM A. DANI		GLAXO WELLCOME
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MR. MUNAF LAKDA		PHILIPS

LEAVE OF ABSENCE

MS. FARAH QURESHI	MACKINNON, MACKENZIE
MR. FEROZE COWASJI	SHELL

1. **CONFIRMATION OF THE MINUTES**

Minutes of last meeting of the Taxation Sub Committee held on 13th November 1997, already circulated to Members, was considered, read and approved.

2. **MATTERS ARISING OUT OF THE LAST MINUTES**

(a) Progress of the Group Leaders

Progress of the group leaders was reviewed. After brief discussion it was agreed that every group leader will select three key issues to be their recommendations for Chamber's Proposals for the forthcoming Federal Budget. Before determining the recommendation, the group leader may consult members of their respective group. The recommendation to be submitted for Committee's approval in its next meeting.

(b) Octroi/Zilla and other local taxes

Mr. Munaf Lakda of Philips appraised the Committee with the outcome of discussion held in the meetings with the Sindh Government.

Members agreed to put forward under-noted view of the Taxation Subcommittee for the Managing Committee to consider:

Quote

"All Local Taxes, i.e. Octroi, Export Tax, Zilla Tax etc charged by local tax collecting agencies in the Province of Sindh should be levied on the basis of 'Weight' rather than on 'Ad Valorem' as is in vogue in other provinces of Pakistan.

The Local Taxes in the Sindh Province have become far too excessive and need to be scaled down drastically. The Ad Valorem basis has also led to unchecked malpractices. Further the excessive rates have arisen from the conversion of the collection mode from Weight to Ad Valorem basis and should be reverted back. Local Taxes are intended to be collected only to assist in the uplift of the local areas and not as excessive burdens on the Industry and Trade as is currently the case.

It is also recommended that the Sindh Government be requested to issue a Model Schedule so that payment of local taxes becomes equitable and collection free of disputes."

Unquote

(c) Advance Payment of Income Tax

Mr. Asif Sindhu who also happens to be on the BANKING & FINANCE Subcommittee's Tax Working Group on Advance Payment of Taxes, informing the Group's activities to the members said that CBR at Islamabad has advised them to sort out this issue with the Regional Commissioner of Income Tax at Karachi and to arrive at a mutual understanding. Meanwhile Government's demand to pay the Advance *Income Tax has been kept in abeyance till settlement of the issue.* Discussion with the Regional Commissioner of Income Tax is continuing.

(d) Provincial Tax imposed in Punjab

Representatives of Glaxo Wellcome and Philips Electrical Company informed the Committee that they have filled writ petitions in Lahore High Court against the above law for obtaining injunction and that their legal advisers are hopeful of achieving positive result.

3. NEXT MEETING

The Sub Committee decided to hold its next meeting on December 29th at 3 PM in the Chamber's premises.

As there were no other issues to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY