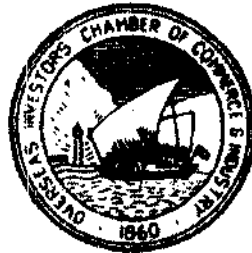


OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY

Chamber of Commerce Building
Talpur Road
Karachi-74000

Phones: 2410814-15
Fax: 2427315
Email: info@oicci.org
Website: www.oicci.org



**ANNUAL REPORT
FOR THE YEAR
2002**

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

ANNUAL REPORT 2002

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MANAGING COMMITTEE OF THE CHAMBER FOR THE YEAR 2002



Office Bearers:

KAMRAN Y. MIRZA
PRESIDENT

Abbott Laboratories Pakistan Limited

ZAFFAR A. KHAN
VICE PRESIDENT

Engro Chemicals Pakistan Limited

ZAHID ZAHEER
SECRETARY GENERAL

Members:

ARIF M. ALI
Deutsche Bank A. G.

JUERGEN KOENIG
Merck Marker Pakistan Limited

HUMAYUN BASHIR
IBM Pakistan

AZHAR MALIK
ICI Pakistan Limited

MUSHARAF HAI
Unilever Pakistan Limited

FAROOQ RAHMATULLAH
Shell Pakistan Limited

VINCENT R. HARRIS
Hub Power Company Limited (THE)

SOHAIL W. H. SIDDIQUI
Siemens Pakistan Engineering Company Limited

YUKIO HASEGAWA
Mitsubishi Corporation

ZUBYR SOOMRO
Citibank N. A.

HASAN ALI KHAN
Continental Biscuits Limited

CHAIRMEN OF THE CHAMBER

CHAIRMEN		
D. MCLVER	-	1860/61
W. NICHOL	-	1861/62
A. STEWART	-	1862/63/64
A. E. DENSO	-	1864/65/66
W. G. HALL	-	1866/67/68
J. G. TINDAL	-	1866/69/70
MAX DENSO	-	1870/71/72
F. MASOTTI	-	1872/73
W. THORBURN	-	1873/74
W. M. MACAULAY	-	1874/75
W. THORBURN	-	1875/76
MAX DENSO	-	1876/77
JAMES GRANT	-	1877/78
A. MCHINCH	-	1878/79/80
MAX DENSO	-	1880/81
MAX DENSO	-	1881/82
JAMES GRANT	-	
JAMES GRANT	-	1882/83/84
MAX DENSO	-	1884/85
MAX DENSO	-	1885/86
A. THOLE	-	
A. THOLE	-	1886/87
A. MCHINCH	-	1887/88 TO 1889/90
JAMES CURRIE	-	1890/91 TO 1894/95
T. R. MCLELLAN	-	1895/96 TO 1898/99
T. L. F. BEAUMONT	-	1899/1900
D. MCLVER	-	1900/01 TO 1902/03
HON'ABLE W. T. O' BRIEN	-	1903/04
M. DE P. WEBB, C.I.E.	-	1904/05 TO 1909/10
M. DE P. WEBB, C.I.E.	-	1910/11
H. T. ROBSON	-	
M. DE P. WEBB, C.I.E.	-	1911/12/13
M. DE P. WEBB, C.I.E.	-	1913/14
W. U. NICHOLAS	-	
M. DE P. WEBB, C.I.E.	-	1914/15/16
M. DE P. WEBB, C.I.E.	-	
W. U. NICHOLAS	-	1916/17
M. DE P. WEBB, C.I.E.	-	1917/18/19
H. G. JAUGHTON	-	1919/20
SIR MONTAGUE WEBB KT., C.I.E., C.B.E., M.L.C.	-	1920/21/22
F. CLAYTON C.I.E., M. L. C.	-	1922/23/24/25
F. CLAYTON C.I.E., M. L. C.	-	
R. D. ENGLAND	-	1925/26
F. CLAYTON C.I.E., M. L. C.	-	1926/27/28
F. CLAYTON C.I.E., M. L. C.	-	
J. R. N. GRAHAM V.C.	-	1928/29
E. A. PEARSON	-	1929/30
E. A. PEARSON	-	1930/31
H. G. COOPER, M.C.D.C.M.	-	1930/31
H. S. BIGG - WITHER, O.B.E.	-	1931/32
J. R. N. GRAHAM, V.C.	-	1932/33
G. H. RASCHEN	-	
R. H. MARTIN	-	1933/34
H. S. BIGG - WITHER O.B.E.	-	1934/35/36
G. H. RASCHEN C.B.E.	-	1936/37/38
G. H. J. RICHMOND	-	
R. H. MARTIN	-	1938/39
J. H. BLACKWELL, C.B.E., M.C.	-	1939/40
J. HUMPHREY, O.B.E.	-	1940/41/42
A. T. ORR DEAS, M.C.	-	1942/43
J. H. BLACKWELL, C.B.E., M.C.	-	1943/44
W. J. CULLEN, M.B.E.	-	
J. HUMPHREY, C.B.E., J.P.	-	1944/45
LT. COL W.B. HOSSACK, M.L.A.	-	1945/46
B. R. GRAHAM	-	1946/47
E. J. PAKES	-	
R. L. COGLAN	-	1947/48
B. R. GRAHAM, O.B.E.	-	1948/49/50
J. N. KERR	-	1950/51
D. B. ASHWORTH	-	
B. R. GRAHAM, C.B.E.	-	1951/52/53
T. W. CREE	-	1953/54
B. FANE SAUNDERS, C.B.E.	-	1954/55
T. W. CREE	-	1955/56
W. E. WILKIE - BROWN	-	1956/57
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, OBE	-	1996/97
S. NASEEM AHMAD	-	1997/98
I. S. SANGSTER, OBE	-	1998/99
MUNNAWAR HAMID, OBE	-	1999/2000
TARIQ AMIN	-	2000/2001
MOIN M. FUDDA	-	2001/2002
KAMRAN Y. MIRZA	-	2002/2003

SECRETARIES OF THE CHAMBER

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 TO DATE
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CIRCULAR NO. 32

17TH MARCH, 2003.

CEO'S OF MEMBER FIRMS

NOTICE OF 143RD ANNUAL GENERAL MEETING

NOTICE is hereby given that the 143RD 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 FRIDAY 20TH JUNE, 2003 at 11 AM to transact the following business:

1. To confirm and sign the Minutes of the 142nd Annual General Meeting held on Thursday 27th June, 2002 at 11 AM.
2. To receive the Report of the Managing Committee for the year 2002.
3. To pass the Audited Accounts for the year ending 31st December, 2002.
4. To appoint Auditors for the Chamber for the year 2003 and to fix their remuneration.
5. To receive Report of the Scrutineers on the ballot for the election of Vice President & (Eight) 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 142ND 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 THURSDAY 27TH JUNE, 2002 AT 11 AM**

PRESENT IN PERSON

**MR. MOIN M. FUDDA
PRESIDENT
CGU INTERNATIONAL INSURANCE PLC**

MEMBERS

- | | |
|---|-----------------------|
| 1. ABBOTT LABORATORIES (PAKISTAN) LIMITED | MR. KAMRAN Y. MIRZA |
| 2. ALCATEL PAKISTAN LIMITED | MR. SAEED A. MIRZA |
| 3. ALSTOM PAKISTAN (PRIVATE) LIMITED | MR. M. HAMID |
| 4. BANK OF CEYLON | MR. M. T. PERERA |
| 5. CADBURY PAKISTAN LIMITED | MR. ROBERT JONES |
| 6. CGU INTERNATIONAL INSURANCE PLC | MR. M. VAQARUDDIN |
| 7. COMMERCIAL UNION LIFE ASSURANCE COMPANY (PAK) LTD | MR. S. KAZIM HASAN |
| 8. ENGRO CHEMICAL PAKISTAN LIMITED | MR. IFTEKHAR ALAM |
| 9. GETZ PHARMA PAKISTAN (PRIVATE) LIMITED | MR. ZAFFAR A. KHAN |
| 10. HUB POWER COMPANY LIMITED (THE) | MR. KHALID MAHMOOD |
| 11. INTERNATIONAL HOUSING FINANCE LIMITED | MR. VINCENT R. HARRIS |
| 12. KHADIM ALI SHAH BUKHARI & COMPANY LIMITED | MR. SHAMIM ZAMAN |
| 13. LAKSON TOBACCO COMPANY LIMITED | MR. NADIR RAHMAN |
| 14. LEVER BROTHERS PAKISTAN LIMITED | MR. T. A. BATLAY |
| 15. M-I OVERSEAS LIMITED | MS. MUSHARAF HAI |
| 16. MACKINNON, MACKENZIE & CO. OF PAKISTAN (PVT) LTD | MR. M. R. MONEM |
| 17. MERCK MARKER (PRIVATE) LIMITED | MR. S. H. A. BUKHARI |
| 18. NESTLE MILKPAK LIMITED | MR. S. SHAUKAT ALI |
| 19. NEW HAMPSHIRE INSURANCE COMPANY | MR. SHAHID SIDDIQI |
| 20. NOVARTIS PHARMA (PAKISTAN) LIMITED | MR. MUJIB KHAN |
| 21. OXFORD UNIVERSITY PRESS | DR. FARID KHAN |
| 22. P&O CONTAINERS PAKISTAN (PRIVATE) LIMITED | MS. AMEENA SAIYID |
| 23. PAK-OMAN INVESTMENT COMPANY LIMITED | MR. S. H. A. BUKHARI |
| 24. REUTERS LIMITED | MR. ZAFAR IQBAL |
| 25. ROYAL & SUNALLIANCE INSURANCE PLC | MR. JAVED FARUQI |
| 26. S. C. JOHNSON & SON OF PAKISTAN (PRIVATE) LIMITED | DR. MUMTAZ A. HASHMI |
| 27. SGS PAKISTAN (PRIVATE) LIMITED | MR. HUSAIN JAFAR |
| 28. TYCO FIRE & SECURITY PAKISTAN (PRIVATE) LIMITED | MR. S. FARUKH MAZHAR |
| | MR. JAVED IQBAL |

PRESENT BY PROXY

1. ABB (PRIVATE) LIMITED
2. ALBARAKA ISLAMIC BANK B.S.C. (E.C.)
3. AMERICAN EXPRESS BANK LIMITED
4. AVENTIS CROPSCIENCE PAKISTAN (PRIVATE) LIMITED
5. AVERY SCALES (PRIVATE) LIMITED
6. BARRETT HODGSON PAKISTAN (PRIVATE) LIMITED
7. BASF PAKISTAN (PRIVATE) LIMITED
8. CALTEX OIL (PAKISTAN) LIMITED
9. CDC CAPITAL PARTNERS
10. CREDIT AGRICOLE INDOSUEZ
11. DEUTSCHE BANK AG
12. DOHA BANK
13. EXIDE PAKISTAN LIMITED

14. HABIB BANK AG ZURICH
15. HINOPAK MOTORS LIMITED
16. HUB POWER COMPANY LIMITED (THE)
17. INDUS MOTOR COMPANY LIMITED
18. ITOCHU CORPORATION
19. J&P COATS PAKISTAN (PRIVATE) LIMITED
20. JOHNSON & JOHNSON PAKISTAN (PRIVATE) LIMITED
21. KARACHI INTERNATIONAL CONTAINER TERMINAL LIMITED
22. KELOIL PAKISTAN (PRIVATE) LIMITED
23. KSB PUMPS COMPANY LIMITED
24. LUFTHANSA CARGO AG
25. MERCK MARKER (PRIVATE) LIMITED
26. MERCK SHARP & DOHME OF PAKISTAN LIMITED
27. MITSUBISHI CORPORATION
28. NALCO GULF LIMITED
29. ORIX LEASING PAKISTAN LIMITED
30. PAKISTAN CABLES LIMITED
31. PEPSI - COLA INTERNATIONAL (PRIVATE) LIMITED
32. PHARMACIA PAKISTAN (PRIVATE) LIMITED
33. PHARMATEC PAKISTAN (PRIVATE) LIMITED
34. ROCHE PAKISTAN LIMITED
35. ROUSCH (PAKISTAN) POWER LIMITED
36. SECURITY LEASING CORPORATION LIMITED
37. SHELL GAS LPG (PAKISTAN) LIMITED
38. SIEMENS PAKISTAN ENGINEERING COMPANY LIMITED
39. STORK IBI SCREENS INDUSTRIES (PRIVATE) LIMITED
40. SYNGENTA PAKISTAN LIMITED
41. UNITED LINER AGENCIES OF PAKISTAN (PRIVATE) LIMITED

The meeting was invoked with a short recitation from the Holy Quran by Mr. Mohammad Aslam, Deputy Secretary. President, Mr. Moin M. Fudda chaired the meeting. He addressed:

Ladies & Gentlemen,

I welcome you to the 142nd Annual General Meeting of the Chamber. In addition to the 31 Members present in person, we have received 41 proxies from Members. These are as prescribed under Article 36 of the Chamber's Articles of Association. The quorum prescribed under Article 31 is 25% of total membership, which is 46 including Proxies. We therefore, constitute the necessary quorum.

The Notice convening the meeting has already been circulated, I propose that this be taken as read - The house agreed.

Before proceeding further, I would like to mention some significant activities of the Chamber. After the issue of the Federal Budget 2001 - 2002, the Chamber drew the attention of the Ministry of Finance on the new Income Tax Ordinance 2001 relating to various exemptions, seeking clarifications that retirement benefits (Gratuity & Pension) would continue to remain tax exempt. I am glad to inform you that the Ministry accepted the Chamber's recommendations restoring exemptions available in the Income Tax Ordinance 1979.

On the prevailing Law & Order situation pre and post 11th September events, the Chamber had several meetings with the Ministry and the Governor of Sindh. Local Police Authorities were also contacted to provide the desired protection to our Members.

After persistent efforts, the Chamber's own Website has now been successfully launched and I wish to acknowledge the efforts of the Chamber's Standing Sub Committee on I. T. & E Commerce, and those of the Secretary-General.

During the year a few Members of the Pharmaceutical Industries received unwarranted Notices from the Ministry of Health. Thanks to the Honorable Minister of Commerce, who in reply to Chamber's protests, took personal interest in the matter and supported the withdrawal of the Notices issued to the concerned Members.

The First item on the Agenda is to confirm and sign the Minutes of the 141st Annual General Meeting held on Tuesday 26th June, 2001 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.

Mr. Moin M. Fudda, President who chaired the Annual General Meeting signed the Minutes.

The Second item on the Agenda is to receive your Committee's Annual Report for the year 2001. My own Review and the Committee's Report have already been circulated to you. I will be pleased to answer any questions arising therefrom, and now invite discussions.

Since there are no questions forthcoming, I SEEK that the Report of the Committee for the year 2001 as circulated to Members be ADOPTED.

RESOLUTION

"THAT THE REPORT OF THE COMMITTEE FOR THE YEAR 2001 AS CIRCULATED TO MEMBERS BE AND IS HEREBY ADOPTED"

(PROPOSED BY CHAIR)

AND

(SECONDED BY Mr. Javed Faruqi OF Reuters Limited)

was carried unanimously.

The Third item on the Agenda is to pass the Audited Accounts for the year 2001. Copies are already with you and if there are any questions, I shall endeavor to reply to them.

As there are no questions forthcoming, may I request a Member to PROPOSE the adoption of the Accounts for the year ended 31st December, 2001 and another Member to SECOND the Resolution.

RESOLUTION

"THAT THE AUDITED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2001 BE AND ARE HEREBY ADOPTED"

(PROPOSED BY Mr. Saeed A. Mirza OF Alcatel Pakistan Limited)

AND

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

was carried unanimously.

The Fourth item on the Agenda is to consider appointment of Auditors for the year 2002.

The present Auditors, Messrs. A. F. Ferguson & Company have offered themselves for re-election.

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 2002 AT A FEE OF RS. 23,000 PER ANNUM"

(PROPOSED BY Mr. S. Shaukat Ali OF Merck Marker (Private) Limited)

AND

(SECONDED BY Mr. Shamim Zaman OF International Housing Finance Limited)

was carried unanimously.

The Fifth item on the Agenda is to record the election of Eight other Members of the Managing Committee for the year 2002 - 2003.

This year elections were held for the post of Vice President and for Eight other Members of the Managing Committee. Mr. S. H. A. Bukhari and Mr. Peter Waterhouse 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 election reads as follows:

VICE PRESIDENT

MR. ZAFFAR A. KHAN

Members of the Managing Committee (in alphabetical order)

MR. ARIF M. ALI
MR. HUMAYUN BASHIR
MS. MUSHARAF HAI
MR. VINCENT R. HARRIS
MR. HASAN ALI KHAN
MR. FAROOQ RAHMATULLAH
MR. SOHAIL WAJAHAT H. SIDDIQUI
MR. ZUBYR SOOMRO

The retiring Vice President, Mr. Kamran Y. Mirza as per the Articles of Association succeeds me as the President of your Chamber.

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 Vice President recorded his appreciation for the confidence reposed in him, and proposed a vote of thanks for the outgoing President.

The last item on the Agenda is to discuss any other business for which due notice should have been given. No such notice has been received. However, I will entertain any comments from Members.

The business of the Annual General Meeting having finished, I now request Members to join me for tea.

ZAHID ZAHEER
SECRETARY-GENERAL

MOIN M. FUDDA
PRESIDENT

PRESIDENT'S REVIEW – 2002

The year 2002 was an eventful year that saw a threat of war with India, holding of elections as well as restoration of democracy and last but not the least, the turn around of the economy. But the country continued to suffer internal pressures resulting from its past alliances, geo-strategic location and societal imbalances, though to a lesser degree compared to the previous years.

A hung National Assembly emerged in the October elections, which initially resulted in the Prime Minister having the thinnest majority! It is sincerely hoped that past practices, which brought the political system into disrepute, will be avoided. The new Government is yet to firmly establish its creditability, its strength/concentration being sapped by differences with the opposition parties on LFO. Fortunately, despite public posturing, the political parties on both sides of the divide are maintaining a dialogue, fully aware, that failure to reach an agreement, could jeopardize the progress made to date on restoration of democracy.

With the break of the drought cycle that lasted a few years and the restructuring of the economy over the last 3 years finally paying dividends, the country is poised this year, to record the highest GDP growth rate for almost a decade. However, despite this commendable achievement, the Government was unable to bring significant reduction in poverty and unemployment. Economic growth must lead to poverty reduction in the immediate future, if imbalances in the society are to be reduced. This calls for sustained higher growth over a long period and for this more needs to be done, as the recovery is fragile and requires nurturing.

Credit has to be given to the last Government for its herculean effort to rehabilitate the economy, which led to the present stable macro economic environment. It is encouraging to note that the new Government has publicly acknowledged, that it is absolutely critical for economic and governance reforms be continued. The Government should therefore strongly resist undertaking short-term populist measures, to avoid negating economic progress so painstakingly achieved over the last three years. With expected improvement of relations with India, reasonably stable Afghanistan, end of war in Iraq, continued support of the major Donor Countries and International Institutions, as well as a stable macro economic environment, this Government has an excellent opportunity to usher Pakistan to a much awaited era of rapid economic growth.

All through the year, your Managing Committee continued to interact with the Government functionaries at all levels. In the pre-budget period January – June 2002 extensive parleys were held with Ministry of Finance and Central Board of Revenue officials. The Chamber submitted recommendations both for the Federal Budget and Trade Policy. The issues of the Pharma Industry were also pursued relentlessly.

In the post Budget period towards end August, 2002 the Chamber interacted with Federal Ministers of Finance, Commerce & Industry and with the Governor, State Bank of Pakistan, to agree on an agenda on what needs to be done by the outgoing

Government with respect to its unfinished agenda. Discussions also took place on the need for the new Government to follow this agenda and the methodology to be adopted. A list of priority issues was also sent to the Federal Finance Minister.

In the month of December, the new Federal Minister of Commerce was invited to the Chamber, when detailed discussions took place on the unfinished agenda of the last Government and the concerns of members. Similar exercise has recently been undertaken with Minister of Industries and the then Advisor (now Minister) of Privatization & Foreign Investment in the months of May and March 2003 respectively. The Chairman SECP was also invited in January 2003 and issues raised with respect to Listed Companies (Substantial Acquisition of Voting Shares & Takeover) Ordinance 2002 and the new Code for Corporate Governance.

Many of the activities have also been covered in detail in the Committee's Report being sent to you. Amongst these was the holding of IPR Seminar in May 2003 which got wide media coverage. I was invited to make a presentation on behalf of OICCI at the Pakistan Development Forum also in May in Islamabad, which was well received.

I would like to express my sincere appreciation and thanks for the invaluable assistance and advice extended to me by the Secretary General of the Chamber on a wide range of issues. His relentless efforts provided the vital inputs for all the Chamber's deliberations. I would also like to take this opportunity to thank the outgoing Committee for its cooperation and support.

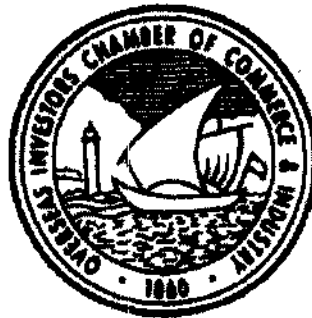
Mr. Zaffar A. Khan will succeed me on 1st July 2003, soon after the Annual General Meeting. I welcome him and all the Members of the new Committee, as they commence their term of office.

KAMRAN Y. MIRZA

May 23, 2003

REPORT OF THE COMMITTEE

FOR THE YEAR 2002



**THE MANAGING COMMITTEE SUBMITS TO MEMBERS
THEIR ANNUAL REPORT UPON SOME OF THE IMPORTANT
SUBJECTS DEALT WITH BY THE CHAMBER DURING THE YEAR
ENDING 31ST DECEMBER, 2002**

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➤ **CHAMBER'S MEMBERSHIP**

▪ **NEW MEMBERS**

During the period January to December 2002, following members were elected as new members of the Chamber:

1. **ABB (PRIVATE) LIMITED**

4-B, Chamba House Lane
GOR - I, P. O. Box 2353
Lahore-54000
Telephone 042-6317388
Fax 042-6366184

NAME OF CHIEF EXECUTIVE

Mr. Farhat Ali
President / CEO

2. **PAK OMAN INVESTMENT COMPANY LIMITED**

1st Floor, Tower 'A'
Finance & Trade Centre
Sharea Faisal,
Karachi
Telephone 5660472 - 7
Fax 5660483
Email pakoman@brain.com.pk

NAME OF CHIEF EXECUTIVE

Mr. Zafar Iqbal
President & Chief Executive Officer

3. **FAUJI OIL TERMINAL & DISTRIBUTION COMPANY LIMITED**

Port Bin Qasim
P. O. Box 9101 PQA
Karachi.
Telephone 0201 - 750003-5
Fax 0201 - 750010

NAME OF CHIEF EXECUTIVE

Cdre @ Usman Umar
General Manager

OUTGOING MEMBERS IN 2002

Following are the outgoing members during the year.

S. No.	NAME OF MEMBERS	REASONS
1	BURMAH OIL COMPANY LIMITED	Mergers
2	CASTROL LIMITED	
3	SMITH KLINE & FRENCH OF PAK. LTD.	
4	BEECHAM PAKISTAN (PVT.) LTD.	
5	ANZ GRINDLAYS BANK LIMITED	
6	KNOLL PHARMACEUTICALS LIMITED	
7	TOMEN CORPORATION	Resignations
8	PAK WATER BOTTLERS (PVT.) LTD.	
9	PAKISTAN CREDIT RATING AGENCY (PVT.) LTD	Change of Ownership
10	CARGILL PAKISTAN CITRUS LIMITED	Close of Business
11	SOCIETE GENERALE	
12	REFRIGERATORS MANUFACTURING CO. OF PAKISTAN LTD	Liquidation
13	GHANDHARA NISSAN DIESEL LIMITED	Non-payment of dues
14	CUPOLA PAKISTAN LIMITED	
15	NATIONAL CARBON CO. OF PAK. (PVT.) LTD.	
16	SKF SOUTH EAST ASIA & PACIFIC (PVT.) LTD.	

CHANGE IN NAMES OF MEMBERS

At the request of the following members, the committee approved the change in their names have been recorded in the Chamber's register as follows:

	<u>Previous name</u>	<u>Present name</u>
1.	BRINKS PAKISTAN LIMITED	PHOENIX ARMOUR (PVT.) LTD.
2.	NATIONAL POWER INTERNATIONAL	INTERNATIONAL POWER GLOBAL DEVELOPMENT LIMITED
3.	PREMIER & SHELL PAKISTAN B. V.	PREMIER – KUFPEC PAKISTAN B. V.
4.	JARDINE FLEMING PAKISTAN BROKING (PVT.) LTD.	JARDINE FLEMING PAKISTAN (PVT.) LTD.
5.	PHARMACIA & UPJOHN (PVT.) LTD.	PHARMACIA PAKISTAN (PVT.) LTD.
6.	NALCO GULF LIMITED	ONDEO NALCO GULF LIMITED
7.	KELOIL PAKISTAN (PRIVATE) LIMITED	PROGAS PAKISTAN (PVT.) LTD.

▪ **CLASSIFICATION OF MEMBERS**

The Membership of the Chamber as on 31st December 2002 stood at 172. List of Members in alphabetical order follows at the next page.

Classification of Membership as per country and category wise is as follows:

Country Wise

BRITISH	45
AMERICAN	42
SWISS	15
JAPANESE	13
GERMAN	08
DUTCH	07
FRENCH	08
HONG KONG	05
U.A.E	04
BELGIAN	03
SAUDI	03
BANGLADESH	02
BAHRAIN	02
CANADIAN	01
SWEDISH	01
AUSTRALIAN	01
DOHA	01
SINGAPORE	01
GREEK	01
SRI LANKA	01
Bermuda (South America)	01
ITALIAN	01
KUWAIT	01
MALAYSIAN	01
OMAN	01
OTHERS	03
	172

Category Wise

PHARMACEUTICAL INDUSTRIES	26
TRADING & OTHER SERVICES	23
OIL / GAS & ENERGY	23
BANKING	19
ENGINEERING & INDUSTRIAL PRODUCTS	17
CHEMICAL / PESTICIDES / FERTILIZERS / PAINTS	14
LEASING & FINANCIAL COMPANIES	14
FOOD & CONSUMER PRODUCTS	14
SHIPPING & AIRLINES	10
TOBACCO & OTHER MANUFACTURING COMPANIES	07
INSURANCE	05
	172

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

LIST OF MEMBERS – AS AT 31ST DECEMBER 2002

1. *ABB (PRIVATE) LIMITED*
2. *ABBOTT LABORATORIES (PAKISTAN) LIMITED*
3. *ABN AMRO BANK N.V.*
4. *ACE INSURANCE LIMITED*
5. *AES LAL PIR LIMITED*
6. *ALBARAKA ISLAMIC BANK B.S.C. (E.C.)*
7. *ALCATEL PAKISTAN LIMITED*
8. *ALSTOM PAKISTAN (PRIVATE) LIMITED*
9. *AMERICAN EXPRESS BANK LIMITED*
10. *ARABIAN SEA ENTERPRISES LIMITED*
11. *ATLAS INVESTMENT BANK LIMITED*
12. *ATLAS LEASE LIMITED*
13. *ATTOCK CEMENT PAKISTAN LIMITED*
14. *ATTOCK OIL COMPANY LIMITED (THE)*
15. *ATTOCK REFINERY LIMITED*
16. *AVENTIS PHARMA (PAKISTAN) LIMITED*
17. *AVERY SCALES (PRIVATE) LIMITED*
18. *BANK OF CEYLON*
19. *BANK OF TOKYO - MITSUBISHI LIMITED*
20. *BARRETT HODGSON PAKISTAN (PRIVATE) LIMITED*
21. *BASF PAKISTAN (PRIVATE) LIMITED*
22. *BATA PAKISTAN LIMITED*
23. *BAYER CROPSCIENCE (PRIVATE) LIMITED*
24. *BAYER PAKISTAN (PRIVATE) LIMITED*
25. *BECTON DICKINSON PAKISTAN (PRIVATE) LIMITED*
26. *BERGER PAINTS PAKISTAN LIMITED*
27. *BHP MINERAL INTERNATIONAL EXPLORATION INC.*
28. *BLACKWOOD HODGE (PAKISTAN) (PRIVATE) LIMITED*
29. *BOC PAKISTAN LIMITED*
30. *BP PAKISTAN EXPLORATION & PRODUCTION, INC.*
31. *BRISTOL-MYERS SQUIBB PAKISTAN (PRIVATE) LIMITED*
32. *BSN MEDICAL (PRIVATE) LIMITED*
33. *CADBURY PAKISTAN LIMITED*
34. *CALTEX OIL (PAKISTAN) LIMITED*
35. *CDC CAPITAL PARTNERS*
36. *CGU INTERNATIONAL INSURANCE PLC*
37. *CHIESI PHARMACEUTICALS (PRIVATE) LIMITED*
38. *CITIBANK N.A.*
39. *CLARIANT PAKISTAN LIMITED*
40. *COCA-COLA BEVERAGES PAKISTAN LIMITED*
41. *COCA-COLA EXPORT CORPORATION (THE)*
42. *COMMERCIAL UNION LIFE ASSURANCE COMPANY (PAKISTAN) LTD*
43. *CONTINENTAL BISCUITS LIMITED*
44. *COX & KINGS (AGENTS) LIMITED*
45. *CREDIT AGRICOLE INDOSUEZ*
46. *DADEX ETERNIT LIMITED*

47. *DAWOOD HERCULES CHEMICALS LIMITED*
48. *DELPHI DIESEL SYSTEMS PAKISTAN (PRIVATE) LIMITED*
49. *DEUTSCHE BANK AG*
50. *DOHA BANK*
51. *DUPONT FAR EAST INC.*
52. *ELI LILLY PAKISTAN (PRIVATE) LIMITED*
53. *EMIRATES BANK INTERNATIONAL PJSC*
54. *ENGRO ASAHI POLYMER & CHEMICALS LIMITED*
55. *ENGRO CHEMICAL PAKISTAN LIMITED*
56. *ENGRO VOPAK TERMINAL LIMITED*
57. *EQUITY INTERNATIONAL (PRIVATE) LIMITED*
58. *EXIDE PAKISTAN LIMITED*
59. *FAUJI OIL TERMINAL & DISTRIBUTION COMPANY LIMITED*
60. *FAYSAL BANK LIMITED*
61. *GENERAL TYRE & RUBBER COMPANY OF PAKISTAN LIMITED (THE)*
62. *GESTETNER (PRIVATE) LIMITED*
63. *GETZ PHARMA PAKISTAN (PRIVATE) LIMITED*
64. *GILLETTE PAKISTAN LIMITED*
65. *GLAXO WELLCOME PAKISTAN LIMITED*
66. *GLOBAL SECURITIES PAKISTAN LIMITED*
67. *HABIB BANK AG ZURICH*
68. *HINOPAK MOTORS LIMITED*
69. *HONGKONG AND SHANGHAI BANKING CORP. LIMITED (THE)*
70. *HUB POWER COMPANY LIMITED (THE)*
71. *IBM*
72. *ICI PAKISTAN LIMITED*
73. *ICI PAKISTAN POWERGEN LIMITED*
74. *INDOSUEZ W. I. CARR SECURITIES PAKISTAN (PRIVATE) LIMITED*
75. *INDUS MOTOR COMPANY LIMITED*
76. *INDUSTRIAL PROMOTION SERVICES (PAKISTAN) LIMITED*
77. *INTERNATIONAL FINANCE INVESTMENT & COMMERCE BANK LTD*
78. *INTERNATIONAL HOUSING FINANCE LIMITED*
79. *INTERNATIONAL POWER GLOBAL DEVELOPMENTS LIMITED*
80. *ITOCHU CORPORATION*
81. *J&P COATS PAKISTAN (PRIVATE) LIMITED*
82. *JAMES FINLAY LIMITED*
83. *JARDINE FLEMING PAKISTAN (PRIVATE) LIMITED*
84. *JOHNSON & JOHNSON PAKISTAN (PRIVATE) LIMITED*
85. *JOHNSON & PHILLIPS (PAKISTAN) LIMITED*
86. *KARACHI INTERNATIONAL CONTAINER TERMINAL LIMITED*
87. *KHADIM ALI SHAH BUKHARI & COMPANY LIMITED*
88. *KLM ROYAL DUTCH AIRLINES*
89. *KODAK LIMITED*
90. *KSB PUMPS COMPANY LIMITED*
91. *LAKSON TOBACCO COMPANY LIMITED*
92. *LASMO OIL PAKISTAN LIMITED*
93. *LUFTHANSA CARGO AG*
94. *3M PAKISTAN (PRIVATE) LIMITED*
95. *M-I OVERSEAS LIMITED*

96. MACKINNON, MACKENZIE & COMPANY OF PAK. (PVT) LIMITED
97. MASHREQBANK PSC
98. MERCK MARKER (PRIVATE) LIMITED
99. MERCK SHARP & DOHME OF PAKISTAN LIMITED
100. MITSUBISHI CORPORATION
101. MITSUI & COMPANY LIMITED
102. MULLER & PHIPPS PAKISTAN (PRIVATE) LIMITED
103. NCR CORPORATION
104. NESTLE MILKPAK LIMITED
105. NEW HAMPSHIRE INSURANCE COMPANY
106. NICHIMEN CORPORATION
107. NIMIR CHEMICALS PAKISTAN LTD.
108. NOVARTIS PHARMA (PAKISTAN) LIMITED
109. OERLIKON-WELDING LIMITED – ZURICH
110. QMAN INTERNATIONAL BANK S. A. O. G.
111. ONDEO NALCO GULF LIMITED
112. ORGANON PAKISTAN (PRIVATE) LIMITED
113. ORIX LEASING PAKISTAN LIMITED
114. OTSUKA PAKISTAN LIMITED
115. OXFORD UNIVERSITY PRESS
116. P&O CONTAINERS PAKISTAN (PRIVATE) LIMITED
117. PAK ARAB REFINERY LIMITED
118. PAKCOM LIMITED
119. PAK OMAN INVESTMENT COMPANY LIMITED
120. PAKISTAN CABLES LIMITED
121. PAKISTAN GUM & CHEMICALS LIMITED
122. PAKISTAN GUM INDUSTRIES (PRIVATE) LIMITED
123. PAKISTAN INTERNATIONAL COMPUTERS LIMITED
124. PAKISTAN MOBILE COMMUNICATIONS (PRIVATE) LIMITED
125. PAKISTAN OILFIELDS LIMITED
126. PAKISTAN PETROLEUM LIMITED
127. PAKISTAN PTA LIMITED
128. PAKISTAN TOBACCO COMPANY LIMITED
129. PAKTEL LIMITED
130. PARKE DAVIS & COMPANY LIMITED
131. PEPSI-COLA INTERNATIONAL (PRIVATE) LIMITED
132. PHARMACIA PAKISTAN (PRIVATE) LIMITED
133. PHARMATEC PAKISTAN (PRIVATE) LIMITED
134. PHILIPS ELECTRICAL INDUSTRIES OF PAKISTAN LIMITED
135. PHOENIX ARMOUR (PRIVATE) LIMITED
136. PREMIER - KUFPEC PAKISTAN B.V.
137. PROCTER & GAMBLE PAKISTAN (PRIVATE) LIMITED
138. PROGAS PAKISTAN (PRIVATE) LIMITED
139. QASIM INTERNATIONAL CONTAINER TERMINAL PAKISTAN LTD.
140. RAFHAN BEST FOODS LIMITED
141. RAFHAN MAIZE PRODUCTS COMPANY LIMITED
142. RAY SHIPPING ENTERPRISES LIMITED
143. RECKITT BENCKISER PAKISTAN LIMITED
144. REUTERS LIMITED

145. *RHODIA PAKISTAN (PRIVATE) LIMITED*
146. *RHONE POULENC RORER PAKISTAN (PRIVATE) LIMITED*
147. *ROCHE PAKISTAN LIMITED*
148. *ROUSCH (PAKISTAN) POWER LIMITED*
149. *ROYAL & SUNALLIANCE INSURANCE PLC*
150. *RUPALI BANK LIMITED*
151. *SAUDI PAK INDUST. & AGRICULTURAL INVESTMENT CO. (PVT) LTD*
152. *S. C. JOHNSON & SON OF PAKISTAN (PRIVATE) LIMITED*
153. *SCHERING ASIA GmbH*
154. *SECURITY LEASING CORPORATION LIMITED*
155. *SGS PAKISTAN (PRIVATE) LIMITED*
156. *SHEIKHOO SUGAR MILLS LIMITED*
157. *SHELL GAS LPG (PAKISTAN) LIMITED*
158. *SHELL PAKISTAN LIMITED*
159. *SIEMENS PAKISTAN ENGINEERING COMPANY LIMITED*
160. *SINGER PAKISTAN LIMITED*
161. *STANDARD CHARTERED BANK*
162. *STORK - IBI SCREENS INDUSTRIES (PRIVATE) LIMITED*
163. *SYNGENTA PAKISTAN LIMITED*
164. *TAPAL ENERGY (PRIVATE) LIMITED*
165. *TETRA PAK PAKISTAN LIMITED*
166. *TOTAL ATLAS LUBRICANTS PAKISTAN (PRIVATE) LIMITED*
167. *TYCO FIRE & SECURITY PAKISTAN (PRIVATE) LIMITED*
168. *UNILEVER PAKISTAN LIMITED*
169. *UNION BANK LIMITED*
170. *UNISYS PAKISTAN (PRIVATE) LIMITED*
171. *UNITED LINER AGENCIES OF PAKISTAN (PRIVATE) LIMITED*
172. *WYETH PAKISTAN LIMITED*

**CHAMBER REPRESENTATIONS ON VARIOUS BODIES
FOR THE YEAR 2002-2003**

REPRESENTATION

- | | | |
|---|--------------------|--|
| 1. <i>Managing Committee of the
Federation of Pakistan
Chambers of Commerce & Industry</i> | <i>(Alternate)</i> | <i>President
Vice President</i> |
| 2. <i>Board of Governors-Foreign
Trade Institute of Pakistan, Islamabad</i> | | <i>Secretary General</i> |
| 3. <i>Board of Governors
Pakistan Institute of
Management Karachi</i> | <i>(Alternate)</i> | <i>President
Secretary General</i> |
| 4. <i>Advisory Council for
the Ministry of Finance</i> | <i>(Alternate)</i> | <i>President
Secretary General</i> |
| 5. <i>Advisory Council for
the Ministry of Commerce</i> | <i>(Alternate)</i> | <i>President
Secretary General</i> |
| 6. <i>Board of Investment, Islamabad</i> | | <i>President</i> |
| 7. <i>Board of Investment &
Trade Promotion Punjab</i> | | <i>President</i> |
| 8. <i>Board of Trustees -
Karachi Port Trust</i> | | <i>Mr. M. Moonis</i> |
| 9. <i>Shipping Rates Advisory Board (SRAB)
(Ports & Shipping Wing)
Ministry of Communications</i> | | <i>Secretary General</i> |
| 10. <i>National Engineering
Manufacturers Export Council</i> | <i>(Alternate)</i> | <i>Chairman of Standing Sub-
Committee on Industrial &
Commercial Matters
Co-Chairman of the above</i> |
| 11. <i>Sindh Industries Facilities Board</i> | <i>(Alternate)</i> | <i>Chairman of Standing Sub-
Committee on Industrial &
Commercial Matters
Co-Chairman of the above</i> |

- | | | |
|---|-------------|--|
| 12. Sindh Social Securities Board | (Alternate) | To be nominated by the
Chairman of Standing Sub-
Committee on Labour &
Employee Relations
Co-Chairman of the above |
| 13. Advisory Committee for the
Regional Commissioner of
Income Tax and Wealth Tax | (Alternate) | Chairman of Standing Sub-
Committee on Taxation
Co-Chairman of the above |
| 14. Karachi Port Trust Council | | Co-Chairman of Standing
Sub-Committee on Ports,
Communications & Shipping
Matters |
| 15. Karachi Dock Labour Board | | Mr. S. H. A. Bukhari |
| 16. Merchant Navy Club | | Chairman of Standing Sub-
Committee on Ports,
Communications & Shipping
Matters |
| 17. Managing Committee of the
Employers Federation of Pakistan | (Alternate) | To be nominated by the
Chairman of Standing Sub
Committee on Labour &
Employee Relations
Co-Chairman of the above |
| 18. Member of Governing Body -
Workers Welfare Fund | | To be nominated by the
Chairman of Standing Sub
Committee on Labour & Employee
Relations |
| 19. Advisory Committee on
Customs & Sales Tax | (Alternate) | Chairman of Standing Sub-
Committee on Taxation
Co-Chairman of Standing
Sub-Committee on Industrial &
Commercial Matters |
| 20. Consultative Committee on
Industrial Research | | Dr. Farid Khan |
| 21. Export Processing Zone Authority | (Alternate) | Chairman of Standing Sub-
Committee on Industrial &
Commercial Matters
Co-Chairman of the above |

- | | | |
|--|-------------|--|
| 22. Valuation Advisory Committee
(ITP) of Collector of Customs
Valuation | (Alternate) | Chairman of Standing Sub-
Committee on Industrial &
Commercial Matters
Co-Chairman of the above |
| 23. Government of Sindh
Labour Advisory Board | | To be nominated by the
Chairman of Standing Sub
Committee on Labour & Employee
Relations |
| 24. National Credit Consultative
Council (NCCC) | | Vice President |
| 25. Pakistan Environmental Protection
Council (PEPC) | (Alternate) | Chairman of Standing Sub-
Committee on Environmental
Matters
Co-Chairman of the above |
| 26. Technical Experts Committee of the
Ministry of Environment | | Co-Chairman of Standing Sub-
Committee on Environmental
Matters |
| 27. Committee of Investment (Sindh) | | Chairman of Standing Sub-
Committee on Industrial &
Commercial Matters |
| 28. Provincial Environment Monitoring
Committee on NEQS | | Co-Chairman of Standing Sub-
Committee on Environmental
Matters |
| 29. National Statistical Council | | Secretary General |

**NOMINATIONS OF CHAMBER'S REPRESENTATIVES TO
FPCC&I MANAGING COMMITTEE & GENERAL BODY FOR THE
NEXT TWO YEARS TERM BEGINNING 1ST JANUARY, 2002**

MANAGING COMMITTEE OF FPCC&I *President*

GENERAL BODY OF FPCC&I

Representing Trade:

President

Mr. Hasan Ali Khan

Representing Industry:

Mr. Kamran Y. Mirza

Mr. Zaffar A. Khan

➤ **MANAGING COMMITTEE**

• **MEETINGS OF THE MANAGING COMMITTEE**

During the first half of the year under review, the Managing Committee held its meetings on 8th January, 11th February, 15th March, 9th April, 7th May and 3rd June, 2002. Minutes of the above meeting have been duly circulated to the members.

At the 142nd Annual General Meeting held on 27th June, 2002 following Members were elected to the Managing Committee for the year 2002 - 2003:

PRESIDENT

MR. KAMRAN Y. MIRZA

ORGANIZATION

ABBOTT LABORATORIES PAK. LTD.

VICE PRESIDENT

MR. ZAFFAR A. KHAN

ENGRO CHEMICAL PAKISTAN LTD.

MEMBERS (in alphabetical order)

MR. ARIF M. ALI

DEUTSCHE BANK AG

MR. HUMAYUN BASHIR

IBM PAKISTAN

MS. MUSHARAF HAI

UNILEVER PAKISTAN LTD.

MR. VINCENT R. HARRIS

HUB POWER COMPANY LTD.

MR. HASAN ALI KHAN

CONTINENTAL BISCUITS LIMITED

MR. FAROOQ RAHMATULLAH

SHELL PAKISTAN LIMITED

MR. SOHAIL W. H. SIDDIQUI

SIEMENS PAK. ENGG. CO. LTD

MR. ZUBYR SOOMRO

CITIBANK N. A.

• **MANAGING COMMITTEE CO-OPTION**

The following three Members were co-opted to the Managing Committee on 31ST July 2002.

NAME:

ORGANIZATION

MR. YUKIO HASEGAWA

MITSUBISHI CORPORATION

MR. JUERGEN KOENIG

MERCK MARKER

MR. AZHAR MALIK

ICI PAKISTAN

• **FURTHER MEETINGS OF NEW MANAGING COMMITTEE**

The incoming Managing Committee held meetings on 31st July, 23rd August, 18th September, 24th October, 13th November and 14th December, 2002. Minutes of the above meetings have duly been circulated to the Members.

- **ACTIVITIES OF THE MANAGING COMMITTEE**

- **PRE BUDGET ACTIVITIES**

On 27th December 2001 in Karachi the Chamber invited Member Taxes CBR for discussions.

- **DRAFT INCOME TAX ORDINANCE 2001**

The Chamber addressed its concern on the draft ordinance, in its letter dated 23rd January, to Member Taxes, Central Board of Revenue, pertaining to amendments in the Income Tax Ordinance 2001

Chamber's letter dated 14th January, 2002 to Federal Finance Minister seeking formation of large tax payer unit can be seen in **Appendix 1**.

The Chamber addressed the CBR on its concerns on taxation matters vide its letter dated 23rd January 2002 addressed to Chairman Central Board of Revenue, this can be seen in **Appendix 2**

- **DISCUSSIONS WITH MINISTRY OF FINANCE**

The President of the Chamber and Co-Chairman of the taxation sub-committee attended a meeting on 11th February 2002 at Islamabad, in the Ministry of Finance which was presided by Mr. Mueen Afzal, Secretary General Finance. They discussed with him the taxation of salaried class. Mr. Riaz A. Malik, Chairman, Central Board of Revenue was also present.

- **TAXATION - SALARIED CLASS & PENSIONERS**

Chamber again addressed the Secretary General, Ministry of Finance on 6th March, 2002 on the above subject. This can be seen in **Appendix 3**

- **TAXATION MATTERS - SALARIED PERSONS**

Chamber on 25th April, 2002 again addressed Mr. Riaz A. Malik, Chairman, Central Board of Revenue for rationalizing the Income Tax pertaining to salaried employees. This can be seen in **Appendix 4**

President of the Chamber met Mr. Mueen Afzal, Secretary General Finance in Islamabad again on 25th April, 2002 and discussed with him also the rationalization proposals for salary taxation. Summary of the proposals were sent to Secretary General Finance vide Chamber's letter dated 25th April, 2002 and this can be seen in **Appendix 5**

- **FEDERAL BUDGET (2002 - 2003) PROPOSALS**

Chamber's proposals for the Federal Budget 2002 - 2003 were circulated to Members on 16th May, 2002. Summary of the proposals can be seen in **Appendix 6**

- **PRICE INCREASE - PHARMACEUTICAL INDUSTRY**

Chamber's letter to Mr. Shaukat Aziz, Minister of Finance dated 18th January, 2002 for resolving the price increase issue for the Pharmaceutical Industry can be seen in **Appendix 7**

- **SHOW CAUSE NOTICES TO PHARMACEUTICAL COMPANY – REDUCTION IN DRUG PRICES**

Chamber's letter to Chairman, Board of Investment, Government of Pakistan dated 15th February, 2002 requesting the Government of Pakistan to intervene in the subject matter, can be seen in **Appendix 8**

Subsequently another letter addressed to Minister of Commerce was sent on 16th March, 2002 can be seen in **Appendix 9**

The Show Cause Notice was later on withdrawn, letter dated 19th March, 2002 acknowledging the support of BOI written to Chairman, Board of Investment can be seen in **Appendix 10**

- **DEREGULATION OF PHARMACEUTICAL INDUSTRY**

Chamber's letter dated 28th June, 2002 to Mr. Tariq Aziz, The Principal Secretary requesting the President of Pakistan for developing clear policy framework for Pharmaceutical Industry which may be compatible with other Countries can be seen in **Appendix 11**

- **TRADE POLICY PROPOSAL 2002 - 2003**

The Chamber's Trade Policy Proposals for the year 2002 - 2003 focused mainly on encouraging exports, relaxation of trade with India, tariff rationalization and other related matters. The proposals were forwarded to the Ministry of Commerce on 19th April, 2002. Summary of the proposals can be seen in **Appendix 12**. These were circulated to members on 16th May 2002.

Chamber's Trade Policy proposals were subsequently discussed on 20th June, 2002 with Mr. Mirza Qamar Baig, Federal Secretary, Ministry of Commerce during his visit to Karachi. This meeting was attended by some Members of the Managing Committee, Chairmen, Co-Chairmen and by a few Sub Committee Members.

- **MEETING WITH FEDERAL FINANCE MINISTER & OTHER OFFICIALS**

A meeting with Federal Finance Minister, Federal Minister for Industries and Commerce, Governor State Bank of Pakistan and Secretary General Ministry of Finance, was held in the Chamber on 29th August 2002 which was followed by a dinner.

The purpose of the meeting with the above government officials was:

1. Secure what had been achieved on the economic front

2. To identify and agree what the outgoing government needs to do between August 2002 and October 2002 to maintain the pace of economic reforms.
3. Establish the methodology to interact with the new government that was likely to emerge after October 2002.

Minutes of the meeting along with the speech of Chamber's President can be seen in **Appendix 13** and in **Appendix 13 A** respectively.

As agreed during the meeting priority issues which were required to be addressed were sent to Federal Minister of Finance vide Chamber's letter dated 3rd September 2002 can be seen in **Appendix 14**

27TH DECEMBER Minister of Commerce

Mr. Humayun Akhtar Khan visited the OICCI and met the members of the Managing Committee and some Head of Members companies. Points discussed during the meeting can be seen in **Appendix 29**. Speech delivered on occasion of his visit can be seen in **Appendix 30**

Subsequently a letter on behalf of the Chamber was written to Federal Minister of Commerce on 31st December 2002 along with a copy of Memorandum pertaining to Intellectual Property Rights issues discussed during his visit. This can be seen in **Appendix 31**

- **SIGNIFICANT CORRESPONDENCE**

- **LETTER TO MINISTER OF INTERIOR**

Chamber's letter dated 3rd January, 2002 to the Federal Interior Minister apprising him about the problem faced by a Member company, for procurement of milk in border areas. This can be seen in **Appendix 15**

- **INSURANCE RULES UNDER INSURANCE ORDINANCE 2000**

Chamber's letter dated 24th January 2002 to Chairman SECP, emphasizing the need for framing Insurance Rules to execute Insurance Ordinance 2000 – can be seen in **Appendix 16**

- **PROCEDURE FOR PAYMENT OF PROFESSIONAL TAX**

Chamber wrote on 26th February 2002 to Minister of Finance, Government of Sindh to streamline the procedure of payment of professional tax by contractors and suppliers. This can be seen in **Appendix 17**

- **COUNTERFEIT PRODUCTS**

Chambers letter dated 4th April 2002 to Additional Secretary, Ministry of Commerce, Government of Pakistan on concerns of the Members of the Chamber, on sale of counterfeit products can be seen in **Appendix 18**

- **C. E.'s DIRECTIVE ON INFORMATION, TECHNOLOGY & E COMMERCE**

Chamber's letter dated 20th April, 2002 to Dr. Ata-ur-Rehman, Federal Minister for Science & Technology seeking certain clarifications on C.E.'s Directive can be seen in **Appendix 19**

- **PERMISSION TO USE PORT QASIM FOR AFGHAN TRANSIT CARGO**

The Federal Minister of Commerce was addressed on the above subject vide Chambers letter dated 29th April 2002. **Appendix 20**

- **SECURITY OF SHIPS AND PORTS**

Chamber's letter dated 31st October, 2002 addressed to Federal Minister of Interior for taking appropriate measures to ensure safety of shipping at Karachi Ports, can be seen in **Appendix 21**

- **THE COMPANIES (AMENDMENT) ORDINANCE 2002 - HALF YEARLY ACCOUNTS**

Chamber wrote on 12th December, 2002 to Securities & Exchange Commission of Pakistan about the amendments relating to publishing of their Accounts. This letter can be seen in **Appendix 22**

- **LISTED COMPANIES (SUBSTANTIAL ACQUISITION OF SHARES) ORDINANCE 2002**

Chamber wrote on 18th February 2003 to Securities & Exchange Commission of Pakistan about the proposed changes in the above ordinance. This can be seen in **Appendix 23**

- **REDUCTION IN LENDING RATES & PROJECT FINANCE**

The Federal Minister of Commerce was addressed on the above subject vide Chamber's letter dated 27th February 2003, can be seen in **Appendix 24**

- **PETROLEUM INDUSTRY STANDARDS**

Chamber's letter dated 27th February 2003 to Chairman, Oil & Gas Regulatory Authority on reviewing the existing petroleum industry standards can be seen in **Appendix 25**

- **FUEL SUPPLIES TO INDEPENDENT POWER PRODUCERS**

The Secretary, Ministry of Petroleum and Natural Resources was addressed and the Chamber's comments on above subject in its letter of 27th February 2003, can be seen in **Appendix 26**

- **OTHER ACTIVITIES OF THE CHAMBER**

- **LAUNCHING OF OICC&I WEBSITE**

Federal Minister of Information & Media Development formally launched the Chamber's website on 24th May 2002. Press release of 27th May can be seen in Appendix 27

- **INFLATION COST OF LIVING SURVEY**

The Committee arranged for Inflation Cost of Living Survey to be done again this year in the month of October. Those members who contributed towards the cost were provided a copy of the survey.

- **OICC&I WORKSHOP ON ENVIRONMENTAL MATTERS**

The Chamber organized a workshop on Environmental Matters at Marriott Hotel Karachi on 20th June 2002. Barrister Shahida Jamil, Federal Minister for Environment, presented a brief overview of environmental issues and problems in the country. She appreciated Chamber's initiative for taking the lead and extending support to the environment sector. The Workshop was attended by twenty persons.

- **DONATION OF EQUIPMENT FOR POLICE TRAINING SCHOOL KARACHI**

Chamber donated projectors and other training equipment to enhance police efficiency. Chamber's letter dated November 15, 2002 addressed to I G Sindh can be seen in Appendix 28

- **SIGNIFICANT MEETINGS HELD IN THE CHAMBER**

28TH JANUARY CENTRAL BOARD OF REVENUE

Mr. Ramzan Bhatti convener of Tariff committee constituted by CBR visited the Chamber and met Members of the Taxation Sub Committee. Members were advised to send proposals identifying raw materials which should attract zero rate of duty.

18TH FEBRUARY VISIT OF PRESIDENT ICC

President, Mr. Richard D. McCormick and ICC Secretary General Madame Maria Livanos Cattai visited the Chamber and met the President, Secretary General & Heads of Member Companies.

28TH FEBRUARY Board of Investment

Mr. Waseem Haqqie, Chairman visited the Chamber and met the President, Secretary General & Heads of Member Companies.

19TH MARCH CENTRAL BOARD OF REVENUE

Mr. Mansoor Ahmad, Member Coordination CBR and Mr. Mukhtar Goondal, Chief Taxes visited the Chamber and met Members of the Taxation Sub Committee, discussion took place on taxation matters.

SIGNIFICANT MEETINGS HELD OUTSIDE THE CHAMBER**7TH JANUARY SECURITIES & EXCHANGE COMMISSION OF PAKISTAN**

A meeting was called by the SECP in , Lahore to review draft of Companies Amendment Ordinance 2001. Mr. Aslam (BOC) and Secretary General attended

14TH TO 16TH JAN 17TH ANNUAL GENERAL MEETING OF PAKISTAN SOCIETY OF DEVELOPMENT ECONOMISTS

The above meeting was held in Islamabad and was attended by Secretary-General, focused on debt, growth & poverty.

16TH JANUARY MEETING ON IMPLEMENTATION OF THE FCPA & OECD CONVENTION ON COMBATING BRIBERY OF PUBLIC OFFICIALS OF PAKISTAN

The above meeting was attended in Karachi by Mr. Arif M. Ali. & Mr. Zubyr Soomro in the office of the Sind Provincial Minister of Finance.

23RD JANUARY MEETING WITH MINISTER OF COMMERCE

Dr. Farid Khan attended a meeting held in Islamabad presided by the Federal Minister of Commerce on Deregulation matters pertaining to the Pharma Industry.

30TH JANUARY NEW INITIATIVES (LOCAL & FOREIGN INVESTMENT IN SIND)

The above meeting set up by the Planning & Development Department in Karachi was attended by Secretary-General, in the office of Finance Minister of Sind

7TH FEBRUARY NATIONAL CREDIT CONSULTATIVE COUNCIL MEETING

The above meeting was held in State Bank of Pakistan Karachi which was attended by Mr. Arif M. Ali, Co-Chairman, Chamber's Standing Sub Committee on Banking & Finance.

9TH FEBRUARY WORKSHOP ON THE NEW TRADE AGENDA, THE WTO & PAKISTAN

The above Workshop conducted by The World Bank was attended by Secretary-General in Islamabad.

14TH & 15TH FEB NEW INVESTMENT OPPORTUNITIES - WORKSHOP

Shell Pakistan Limited convened the above Workshop in Lahore which was attended among others by the Secretary-General.

17TH & 18TH FEB ICC REGIONAL FOREIGN DIRECT INVESTMENT CONFERENCE

The above Conference was held in Karachi Sheraton Hotel which was attended by the President.

2ND MARCH MINISTRY OF FINANCE

President, the Secretary General and Co Chairman of taxation sub committee attended a meeting at Islamabad which was presided by Mr. Mueen Afzal, Secretary General Finance. The main focus was on the issue of taxation of salaried class. The meeting was also attended by Mr. Riaz Malik, Chairman and ther members of the CBR.

29TH MARCH CHAMBER'S DINNER TO HONOUR MR. SHAUKAT AZIZ, FINANCE MINISTER

President hosted a dinner in honour of Mr. Shaukat Aziz, Finance Minister which was held at the Hindu Gymkhana, Karachi. This was attended by Heads of Member Firms and several heads of corporations of non-member firms.

30TH MARCH MANAGEMENT ASSOCIATION OF PAKISTAN PRE-BUDGET SEMINAR - FEDERAL BUDGET 2002-2003

The above Seminar was attended by the President and Secretary-General at Hotel Regent Plaza on 30th March 2002

10TH MAY MEETING WITH SINDH GOVERNOR

The Sindh Governor called for a meeting with the President and Members of the Managing Committee at the Governor's House. Matters relating to security of Assets and personnel were discussed.

11TH MAY 53RD MEETING OF THE ADVISORY COUNCIL MINISTRY OF COMMERCE

The President attended the above meeting in Islamabad organized by the Ministry of Commerce.

14TH MAY APPLICATION FOR GRANT OF LICENSE - NATIONAL COMMODITY EXCHANGE LIMITED

The above meeting was called by Securities & Exchange Commission of Pakistan in Islamabad. At request of Chairman, Chamber's Standing Sub Committee on Industries, Labour & Commercial Matters, the meeting was attended by Mr. Naved Hashmi of Engro Chemical Pakistan Limited

30TH MAY KESC PRIVATIZATION CONFERENCE

The above Conference organized by Privatization Commission, Government of Pakistan was attended by Secretary-General in Pearl Continental Karachi.

7TH JUNE 10TH MEETING OF THE ECONOMIC ADVISORY BOARD

The President attended the above meeting in the Ministry of Finance (Policy Wing), Islamabad. The meeting was also attended by Mr. Zaffar A. Khan and Ms. Musharaf Hai in their personal capacity.

8TH JUNE 29TH MEETING OF THE PROVINCIAL INDUSTRIAL FACILITIES BOARD

Mr. Hasan Ali Khan, Managing Committee Member attended the above meeting in Karachi and represented the Chamber at this meeting.

18TH JUNE ROLE OF THE FEDERAL TAX OMBUDSMAN

Justice ® Salim Akhtar Federal Tax Ombudsman organized the above Seminar on Tuesday 18th June, 2002 in Marriott Hotel Karachi. The Federal Finance Minister was the Key Note Speaker. The Secretary-General was invited to attend.

17TH & 18TH OCT CONFERENCE ON INVESTMENT & TOURISM PROMOTION IN AZAD JAMMU & KASHMIR

The above Conference organized by Azad Jammu & Kashmir Council Secretariat, Islamabad was attended by Secretary-General

24TH OCTOBER MEETING WITH RCIT ADVISORY COMMITTEE

The above meeting held on Thursday 24th October, 2002 and was attended by Co-Chairman of Chamber's Standing Sub Committee on Taxation.

28TH NOVEMBER MEETING WITH RCIT

An invitation was received from Regional Commissioner of Income Tax to participate in Computer Ballot for selection of cases for total Audit Assessment Year 2002 - 2003. The meeting was attended by the co-chairman of taxation sub committee and Secretary-General.

17TH DECEMBER TRAINING WORKSHOP ON SOLID WASTE

Invitation was received from Lead Pakistan requesting OICC&I to attend the above Workshop in Islamabad. This was attended by Secretary-General.

• **VISITORS TO THE CHAMBER**

During the period under review following persons visited the Chamber:

28TH JANUARY The World Bank Mission

Mr. John Williamson, Mr. Brian R. Pinto and Dr. Asya Akhlaque visited the OICC&I to review the Development Policy. They met President, Secretary-General and Members of the Managing Committee and a few Heads of Firms.

25TH FEBRUARY Asia Pacific Regional Office of FIAS

Mr. Andrew Proctor, Regional Manager visited the Chamber and met Secretary General Members of the Managing Committee and Chairmen / Co-Chairmen of the Sub Committees.

13TH MARCH A foreign delegation

Mr. John McNama, Manager, Southern Asia - Publicity & Promotions International Group, Trade Partners UK and Mr. Jawed M. Bukhari, Trade Development Adviser, British Deputy High Commission visited the Chamber and met the Secretary-General.

14TH MARCH Minister for Finance & P&D, Sindh

Dr. Abdul Hafeez Shaikh, Minister for Finance Government of Sindh visited OICC&I and met the President, Secretary General & members of the Managing Committee

15TH MARCH Ambassador of Italy

His Excellency Mr. Angelo Gabriele De Ceglie alongwith Mr. Fabrizio Nicoletti, Consul General of Italy visited OICC&I and met the President and Secretary-General.

2ND MAY British Deputy High Commission

Mr. Roger Sykes, Deputy Director Trade Development and Mr. Hammad Siddiqui, Trade Development Adviser, Karachi visited the Chamber and met the President and Secretary-General.

9TH MAY Avery Scales (Private) Limited

Mr. Jawaid Yasin, Managing Director visited the Chamber and met the President and Secretary-General.

**24TH MAY Federal Minister for Information
& Media Development**

Mr. Nisar A. Memon visited the Chamber and met the President, Secretary General and Members of the Chamber. Mr. Memon later inaugurated the OICC&I Website.

29TH MAY BBC Team

Visited the Chamber and met Mr. Kamran Y. Mirza, the then Vice President, Mr. Zubyr Soomro, Managing Committee Member and the Secretary-General.

4TH JULY Trade Minister (Designate) in Washington

Mr. Ashraf Hayat visited the Chamber and met the Secretary-General and discussed trade related matters.

6TH AUGUST Embassy of the Kingdom of Morocco

Mr. Ahmed Lasfar, Counsellor visited the Chamber and met the Secretary General to discuss matters of mutual interest.

13TH AUGUST Barwill Shipping (Private) Limited

Mr. Syed Akhtar Ali, M.C.I.T. (U.K) Director Commercial and Mrs. Farkhunda Shamim Ahmed, Managing Director visited the Chamber and met the Secretary General.

13TH AUGUST Pakistan PTA Limited

Mr. John R. Stoney, Chief Executive and Mr. Shahid H. Paracha, Vice President Personnel, Administration & Public Affairs visited the Chamber and met the Secretary-General.

11TH SEP Ambassador-Designate of Pakistan to Poland

Ms. Fauzia Nasreen Ambassador (Designate) to Poland visited the Chamber and met the Secretary-General.

9TH OCTOBER Sidat Hyder Morshed Associates (Private) Limited

Mr. Saify Chinoy, Partner visited the Chamber and held discussions with the Secretary-General.

16TH OCTOBER Foreign Delegation's Visit

Mr. Jean Barbe, Commercial Counsellor, Mr. Hubert Colaris, Economic & Commercial Counsellor, Embassy of France in Pakistan and Mr. Pedro Martinez-Vargas, First Counsellor, Delegation of the European Commission to Pakistan visited the OICC&I and met the Secretary-General.

➤ CHAMBER'S STANDING SUB COMMITTEES

The new Managing Committee on 31st July, 2002 decided to separate the Labour & Employee Relations from Industries Labour & Commercial matters committee. It was also decided that UK Companies Sub Committee be discontinued making the total sub committees to twelve. The following Standing sub committees were formed with respective Chairmen & Co-chairmen

NAME OF SUB COMMITTEE:	CHAIRMAN:	CO-CHAIRMAN:
BANKING, FINANCE & LEASING MATTERS	ZUBYR SOOMRO	HUMAYUN MURAD
CORPORATE LAW MATTERS	MUSHARAF HAI	T. A. BATLAY
ENERGY SECTOR	FAROOQ RAHMATULLAH	S. MUNSIF RAZA
ENVIRONMENTAL MATTERS	VINCENT HARRIS	JAVED AKBAR
INDUSTRIAL & COMMERCIAL MATTERS	SOHAIL W. H. SIDDIQUI	YUKIO HASEGAWA
INSURANCE MATTERS	MUJIB KHAN	M. ASLAM
INTELLECTUAL PROPERTY RIGHTS	HASAN ALI KHAN	ANJUM FASIH
I. T. & E COMMERCE	HUMAYUN BASHIR	JAVED FARUQI
LABOUR & EMPLOYEE RELATIONS	ARIF M. ALI	NOT APPOINTED
PHARMACEUTICAL MATTERS	J. KOENIG	ARSHAD KHAN
PORTS, COMMUNICATIONS & SHIPPING MATTERS	S.H.A. BUKHARI	F. H. RAHIMTOOLA
TAXATION	AZHAR MALIK	M. ASLAM

A detailed list of the Members of each of the Chamber's Standing Sub Committees for the year can be seen in our website at <http://www.oicci.org>

- **MEETINGS OF STANDING SUB COMMITTEES**
- **ADMINISTRATION SUB COMMITTEE**

The following Members were appointed to this Sub Committee:

PRESIDENT
VICE PRESIDENT
MR. HUMAYUN BASHIR
MR. ARIF MAHMOOD ALI

Admin sub committee met on 24th September 2002

- **BANKING, FINANCE & LEASING MATTERS**

During the period under the review the sub committee held its meetings on:

16TH September & 28th November, 2002

- **CORPORATE LAW**

The following meetings were held during the year 2002

12th March, 2nd May, 27th June, 6th September and 24th October, 2002.

- **COMMERCIAL, INDUSTRIAL & LABOUR**

The sub committee held its meeting on:

1st February 2002

- **ENERGY SECTOR**

The sub committee held its meetings on:

29th March, 6th June & 9th October 2002

- **ENVIRONMENT**

Following sub committee meetings were held during the year 2002

28th January, 20th March, 3rd October and 12th December, 2002.

- **I. T. & E COMMERCE**

The sub committee held its meetings on:

17th January, 28th February, & 23rd September

- **INDUSTRIAL & COMMERCIAL MATTERS**

The sub committee held its meetings on

15th August 2002 & 18th December 2002

- **INSURANCE**

The sub committee held its meetings on:

8th April, & 19th August 2002

- **INTELLECTUAL PROPERTY RIGHTS**

The following sub committee meetings were held during the year 2002:

18th January, 27th February, 26th March, 3rd May, 31st May, 20th June, 20th August, 3rd September, 17th September, 25th September, 27th November & 18th December 2002

- **LABOUR & EMPLOYEE RELATIONS**

The following sub committee meetings were held during the year 2002:

17th September & 30th October 2002

- **PHARMACEUTICAL**

The following sub committee meetings were held during the year 2002

29th January, 14th February, 26th April, 11th September, 25th September, 1st October, & 5th November 2002

- **PORTS, SHIPPING & COMMUNICATIONS**

During the year under review the following sub committee meetings were held:

23rd January & 16th October 2002

- **TAXATION**

The following sub committee meetings were held during the year 2002

12th April, 20th September & 26th November 2002

The above minutes can be read from the Chamber's website at www.oicci.org

- **ANNUAL GENERAL MEETING**

142nd Annual General Meeting of the Chamber was held at 11 AM on 27th June, 2002 in the Chamber's Hall. Mr. Moin Fudda presided at the meeting. Minutes are attached on page VI of this report.

- **MEASUREMENT DEPARTMENT'S ACTIVITIES**

In the year 2002 the Measurement Department earned revenue of Rs. 1,512,040 compared to Rs. 977,006 last year. Revenue of the last five years are listed below:

1997	RS. 1,055,000
1998	RS. 1,323,900
1999	RS. 1,183,365
2000	RS. 1,067,908
2001	RS. 977,006

• **KARACHI CHAMBER HOSPITAL ASSOCIATION**

The Managing Committee for the year 2002 was elected at the 49th Annual General Meeting held on 30th December 2001. Mr. S. H. A. Bukhari of Mackinnon Mackenzie was nominated by the Chamber as the Chairman of the Association for 2002. The Deputy Secretary of the Chamber acted as Secretary to the Association. The secretarial services were provided by the Chamber.

A new Managing Committee for the year 2003 was elected at the 50th AGM held on 30th December 2002. Mr. S. H. A. Bukhari has been nominated again as the Chairman by the Chamber for the year 2003. Copy of the report for 2002 is available in the Chamber.

➤ **REMEMBRANCE DAY**

Due to the prevailing political situation and possible security risks associated with the event, this year again the ceremony of Remembrance Day was not held.

• **MERCHANTS GOLF CUP COMPETITION**

Karachi Merchants Golf Cup Competition was held on Sunday 20th January, 2002 at the Arabian Sea Country Club. This tournament was sponsored by Overseas Investors Chamber of Commerce & Industry.

Eighty persons participated. Mrs. Shahida Jamil, Federal Minister of Law & Parliamentary Affairs was the chief guest and distributed the prizes.

MERCHANT'S CUP (OICCI MEMBERS)

Winner	Mr. Jalil Anwer Mr. Roy James	National Power International
Runners Up	Mr. Zaffar A. Khan Mr. Sajid Ahmad	Engro Chemical Pakistan Ltd.

PRESIDENT CUP

Winner	Mr. Saad Ali Khan Mr. Talha Ansari	Members of Arabian Sea Country Club
Runners Up	Mr. Omar Javed Mr. Tahir Paracha	Members of Defence Golf Club

BOOBY PRIZE Mr. E. A. Nomani
Mr. Syed Umar Ali Shah

Minister Mrs. Shahida Jamil congratulated the winners of the coveted trophies and applauded the oldest Chamber of Pakistan in supporting sport activities.

2nd May, 2003.

COMMITTEE REPORT ON THE ACCOUNTS FOR 2002

The audited accounts of the Chamber for the year ended 31st December, 2002 together with Auditors Report thereon, are attached.

The current year's working has resulted in excess of income over expenditure amounting to Rs. 1,877,914 as compared to Rs. 3,959,589 for last year. After providing for Income Tax for the year amounting to Rs. 1,000,000 this surplus is reduced to Rs. 877,914.

The income of the Chamber increased by Rs. 1,288,017 compared to previous year, which was mainly due increased revenue income of the Measurement Department.

The expenditure for the year compared to previous year increased by Rs. 3,369,692. This is mainly due to charging off a sum of Rs. 1,164,841 of capital works in progress as expenditure being fees paid to the Architect for design of Chamber's annexe building. There is also increase in the exchange loss amounting to Rs. 514,500 and an amount of Rs. 602,162 in legal fees. Increases have also been recorded in Entertainment and Promotional expenses, Electricity and Gas, Municipal Taxes, Travelling expenses.

**KAMRAN Y. MIRZA
PRESIDENT**

**ZAHID ZAHEER
SECRETARY-GENERAL**

**ZAFFAR A. KHAN
VICE PRESIDENT**

CHAMBER OF
COMMERCE
BUILDING
TALPUR ROAD
P.O. BOX NO. 4833
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www.oicci.org.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, 2002 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts 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 the 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 except for the change as explained in note 1(a) to the accounts, with which we concur;
 - (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, 2002 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 (XVIII of 1980).


Chartered Accountants
16 MAY 2003

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

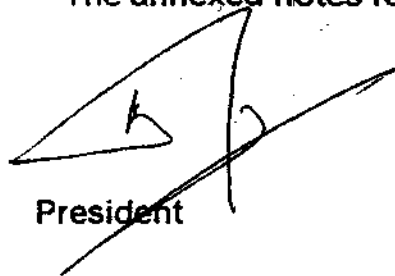
BALANCE SHEET AS AT DECEMBER 31, 2002

	Note	2002 Rupees	2001 Rupees
SURPLUS ACCOUNT			
Balance as at January 1		34,137,332	31,377,743
Surplus for the year		877,914	2,759,589
		<u>35,015,246</u>	<u>34,137,332</u>
SURPLUS ON REVALUATION OF FIXED ASSETS			
	4	-	1,169,659
DEFERRED LIABILITY			
Provision for staff gratuity		3,463,236	3,144,932
CURRENT LIABILITIES			
Creditors		388,030	493,267
Accrued liabilities		1,045,729	1,265,777
Subscription received in advance		2,730,000	1,219,050
Rentals received in advance		4,330,470	4,330,470
Other liabilities		1,685,251	414,805
Taxation	2	2,164,282	2,115,255
		12,343,762	9,838,624
COMMITMENTS			
	3		
		<u>50,822,244</u>	<u>48,290,547</u>


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	Note	2002 Rupees	2001 Rupees
FIXED ASSETS	4	1,172,767	2,204,459
CAPITAL WORK-IN-PROGRESS		-	1,164,841
INVESTMENTS	5	16,820,753	23,754,800
LONG-TERM DEPOSITS		95,485	649,660
CURRENT ASSETS			
Stationery - at cost		110,405	159,271
Sundry debtors - considered good		238,344	571,503
Accrued mark up		5,221,010	4,606,669
Advances, short-term deposits and prepayments	6	957,949	409,013
Cash and bank balances	7	26,205,531	14,770,331
		32,733,239	20,516,787
		<u>50,822,244</u>	<u>48,290,547</u>

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, 2002**

	Note	2002 Rupees	2001 Rupees
INCOME			
Membership subscription and entrance fee		6,751,217	5,642,558
Fees for measurement etc.		1,512,040	977,866
Secretarial fee		60,000	60,000
Commission on sale of publication		4,950	6,300
Building Fund Contributions		680,121	547,756
Surplus on compilation of COLA index		96,500	35,500
Rent		3,616,586	3,616,586
Airconditioning charges		5,018,103	5,018,103
Return on investments		1,904,678	1,700,313
Return on deposit accounts		1,048,049	1,111,014
Exchange gain		-	669,431
Other income		116,875	115,675
		<u>20,789,119</u>	<u>19,501,102</u>
EXPENDITURE			
Salaries and allowances		6,273,224	6,046,813
Contribution to provident fund		298,711	280,881
Contribution to E.O.B.I.		32,550	35,250
Medical expenses		349,027	349,678
Provision for staff gratuity		567,764	429,559
Cost of staff uniforms		29,989	56,685
Entertainment and promotional expenses		534,930	222,926
Insurance (2001: net of recoveries Rs. 10,164)		484,616	447,534
Electricity and gas [net of recoveries Rs. 313,867; (2001: Rs. 178,275)]		1,788,977	1,550,341
Municipal taxes and ground rent [net of recoveries Rs. 21,279; (2001: Rs. 54,284)]		290,028	183,517
Repairs and maintenance		743,518	821,638
Postage, telegram and telephone		488,974	541,994
Printing and stationery		448,845	470,200
Books and periodicals		105,235	54,020
Subscription		44,700	42,250
Travelling expenses		318,836	152,035
Lease rentals		1,809,857	2,051,760
General expenses [net of recoveries Rs. 10,834 ; (2001: Rs. 21,978)]		636,220	709,631
Motor car maintenance		199,411	214,848
Depreciation		139,279	108,962
Generator running expenses		57,882	73,870
Legal and professional		1,994,355	227,352
Ex-members' subscription fee considered irrecoverable written off		4,689	54,452
Donation		514,673	176,250
Exchange loss		514,500	-
Auditors' remuneration	7	98,000	129,477
Golf club competition		132,415	109,580
		<u>18,911,205</u>	<u>15,541,513</u>
SURPLUS BEFORE TAXATION FOR THE YEAR		<u>1,877,914</u>	<u>3,959,589</u>
Taxation - current		1,000,000	1,200,000
SURPLUS AFTER TAXATION FOR THE YEAR		<u>877,914</u>	<u>2,759,589</u>

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, 2002

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Overall valuation policy

These accounts have been prepared under the historical cost convention. Previously leasehold land shown under fixed assets was carried at revalued amount. However, during the year chamber has reversed the surplus on revaluation of fixed assets as this was considered no longer necessary and has valued the leasehold land at cost. The change of this policy has no effect on surplus after taxation.

(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.

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 recognised as deferred income. Deferred income is credited to income and expenditure account over a period of useful life of these assets.

(d) Stationery

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

(e) Revenue recognition

Income is accounted for on an accrual basis except for certification fee and commission on sale of publications which are recognised on actual receipt.

(f) Rates of exchange

Assets in foreign currencies are translated into rupees at the rates of exchange approximating to those prevailing on the balance sheet date.

Exchange gains and losses on translation are included in income currently.

2. TAXATION

In finalising the assessments for 1997-98 through 2001-2002 (accounting years ended December 31, 1996 through 2000) the Deputy Commissioner of Income Tax (DCIT) has raised additional tax demand of Rs. 621 thousand by following a basis not in line with that applied by Chamber consistently for allocation of Chamber expenses. The management intends to file an appeal against the order of DCIT and is hopeful for a favourable outcome. Therefore, no provision has been made in these accounts in respect of the additional tax demand.

3. COMMITMENTS

Commitments for rentals payable under lease agreements in respect of vehicle and air conditioner are as follows:

Year	2002 Rupees	2001 Rupees
2002	-	1,809,635
2003	849,330	849,330
	<u>849,330</u>	<u>2,658,965</u>

4. FIXED ASSETS

	Cost or revaluation as at January 1, 2002	Additions/ (disposals)/ *(reversal of revaluation)	Cost as at December 31, 2002	Accumula- ted depre- ciation as at January 1, 2002	Depreci- ation for the year / (on disposals)	Accumula- ted depre- ciation as at December 31, 2002	Written down value as at December 31, 2002	Rate of depre- ciation %
	←----- Rupees -----→							
Leasehold land	2,406,909	*(1,169,659)	1,237,250	1,088,781	24,745	1,113,526	123,724	-
Building on Leasehold land	457,968	-	457,968	222,340	4,712	227,052	230,906	2
Electrical Installations	362,772	-	362,772	280,843	6,145	286,988	75,784	7.5
Office furniture, fittings and equipments	1,308,020	201,346	1,509,366	739,236	88,497	827,733	681,633	6 & 15
Motor vehicle	-	75,900	75,900	-	15,180	15,180	60,720	20
	<u>4,536,659</u>	<u>(892,413)</u>	<u>3,643,246</u>	<u>2,331,200</u>	<u>139,279</u>	<u>2,470,479</u>	<u>1,172,767</u>	
2001	<u>4,384,376</u>	<u>151,283</u>	<u>4,536,659</u>	<u>2,222,238</u>	<u>108,962</u>	<u>2,331,200</u>	<u>2,204,459</u>	

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:

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

During the year the chamber has reversed the surplus on revaluation of fixed assets.

	2002 Rupees	2001 Rupees
5. INVESTMENTS – at cost		
3 years Special US Dollar Bonds [US\$ 211,200 ; (2001: US\$ 321,000)]	12,320,753	19,254,800
10 years Defence Savings Certificates	2,000,000	2,000,000
3 years Pakistan Investment Bonds	2,500,000	2,500,000
	<u>16,820,753</u>	<u>23,754,800</u>
6. ADVANCES, SHORT-TERM DEPOSITS AND PREPAYMENTS		
Advances to employees	11,250	13,065
Advances to suppliers	1,187	1,404
Short-term deposits	623,175	75,900
Short-term prepayments	322,337	318,644
	<u>957,949</u>	<u>409,013</u>
7. CASH AND BANK BALANCES		
With banks		
- on deposit accounts		
- local currency	12,658,885	12,026,500
- foreign currency [US\$ 40,831 ; (2001: US\$ 26,668)]	2,381,949	1,599,645
- on current accounts	11,152,463	1,136,616
Cash in hand	12,234	7,570
	<u>26,205,531</u>	<u>14,770,331</u>

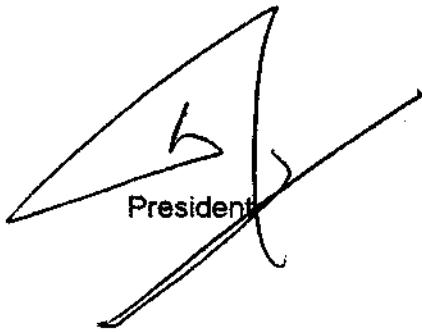
As

8. AUDITORS' REMUNERATION

Audit fee
Tax services

	2002 Rupees	2001 Rupees
Audit fee	23,000	23,000
Tax services	75,000	106,477
	<u>98,000</u>	<u>129,477</u>

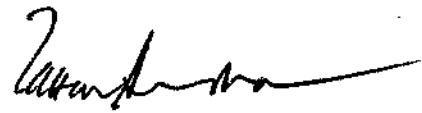
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President



Secretary General



Member

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January 14, 2002

**Mr. Shaukat Aziz,
Federal Minister of Finance &
Economic Affairs
Ministry of Finance,
Government of Pakistan,
ISLAMABAD**

Dear Honorable Minister,

INCOME TAX ORDINANCE 2001

It is a pleasure for me to convey to you this Chamber's appreciation and thanks for the visit to this Chamber by the team of Senior officials led by Mr. Vakil Ahmed Khan member Income tax on 2 December, 2001, others included Mr. M.S. Lal, Mr. Akhtar Jamil Khan, Mr. Shahid Jamal and some more., Their disposition to the points raised and the recommendations put forward by us, on a number of clauses included in the Draft Income Tax Ordinance 2001 was also heartening. Our proposals are being sent to Mr. Riaz Malik, Chairman CBR with a copy to Mr. Mansoor Ahmed, Member, CBR, who, we understand, will consolidate recommendations made by various Institutions and the Stakeholders before the Ordinance is given a final touch. It may please be recalled that earlier this Chamber had a very fruitful discussion with Mr. Riaz Malik, who has certainly brought fresh air in the Central Board of Revenue.

I would like to put forward the views of the Members of this Chamber on formation of a special Unit to deal exclusively with Tax matters and problems of large business houses. It appeared to us an excellent idea, as we hope that it will ensure transparency, avoid harassment and unwholesome practices. It will improve tax collection and serve the mutual interest of both the tax payers the exchequer. In fact, the idea of a 'model Fast Track' tax collection Unit to deal with large business units was mooted out by this Chamber about two years ago.

I would also like to emphasize that apart from efficient systems, built-in controls and application of information technology, this Unit will be able to achieve its designed goals only with the efforts of competent, well trained and experienced professionals with a high degree of integrity. Hiring such professionals may be explored basically from within the available resources. In order to attract the right type of individuals their terms and conditions of employment must be attractive and compatible with those prevailing in the market.

Let me avail this opportunity to reiterate that in order to ensure implementation of the above mentioned objectives in the shortest possible time, this Chamber will be too willing to support and boost your efforts. I assure you that we are keen to participate in the economic revival of the Country, for which, you with agree, a workable, transparent and simpler tax administration system is essential.

With kind regards,

Yours sincerely,

(MOIN M. FUDDA)
PRESIDENT

c.c.: Mr. Mueen Afzal,
Secretary General Finance
Ministry of Finance,
Government of Pakistan,
ISLAMABAD

c.c.: Mr. Riaz A. Malik,
Chairman,
Central Board of Revenue,
ISLAMABAD

cc.: Mr. Vakil Ahmed Khan,
Member Income Tax,
Central Board of Revenue,
ISLAMABAD

January 23, 2002

Mr. Riaz A. Malik
Chairman
Central Board of Revenue,
Islamabad

Dear Sir,

INCOME TAX ORDINANCE 2001

This letter is being addressed to you in continuation of our letters dated 10th August 2001 and 14th January 2002. Over the last few months discussion has taken place at various forums with a number of senior CBR and ministry of Finance officials. The last such discussion was with Member Taxes, CBR and his colleagues on 27th December, 2001 in Karachi. As desired by him, we have sent to him details of our concerns and suggested solutions. While some issues have been resolved and provisions relating to such issues have been suitably amended, a number of very important issues affecting the business still remain unresolved and need to be addressed before the Ordinance is finalized. Major issues requiring attention are highlighted below:

1. Deductions: General Principles sec 20 (1)

The above section proposes that a deduction will only be allowed for any expenditure incurred by a person in the year to the extent to which the 'expenditure is incurred in deriving income from business' chargeable to tax. This could result in misinterpretation in arbitrary disallowances by the tax authorities. It is therefore recommended that the clause xvii of sec 20 (1) of the IT Ordinance 1979 be maintained, which states that any expenditure incurred wholly and exclusively for such business or profession would be allowed.

2. Depreciation of Assets sec 22 (4) & (8)

The above sections stipulate that where a depreciable asset is purchased during the year and used for only part of the tax year in deriving income from business chargeable to tax, only a proportionate deduction is to be allowed. In the year of disposal of the asset, no deduction for depreciation will be allowed. While this may result in notional increase of tax revenue, it will also discourage investment in new plant and machinery. We recommend that the existing provisions for the calculation of normal as well as extra shift depreciation be continued to be allowed.

3. Transactions between Associates sec 108

This section gives wide ranging powers to the commissioner in respect of any transaction between the associates (previously resident and non-resident to determine the income and the source of income arising from the transaction. He may distribute, apportion or allocate income, allow deductions or tax credits, and may also determine the nature of any payment or loss as revenue, capital or otherwise. In our opinion, detailed guidelines need to be incorporated under this section which are included as Annex 'A' in the detailed letter being sent to Mr. Vakil Ahmed Khan, Member Taxes, CBR.

4. Tax on Bonus Shares sec 150

The issue of taxing bonus shares was introduced through the Finance Act 2001:

Every resident company is required to deduct withholding tax from the amount of the dividend paid or collect tax in the case of bonus shares at the rate specified.

Bonus shares issue does not involve any cash distribution and collection of tax from shareholders would be impracticable. We recommend that this provision be withdrawn

5. Salary and Benefits: Value of Perquisites sec 12 & 13

In our letter of August 10, 2001 we had pointed out that the provisions contained in the IT ordinance would result in high increase of taxes (more than 100% in certain categories taking the base year 1998-99). Although some relaxation has since been made, but a number of issues still need to be reviewed. Major ones are:

Medical expense limit exemption has been fixed at 10% of the employee's basic pay. In the case of middle and lower income groups it would cause great hardship. Therefore, recommended that total medical expense reimbursement should be allowed.

In the case of motor vehicles provided by the employer, up to 15% of the value would be added as a perquisite. In some cases this would increase the burden manifold, hence recommended that the existing table under rule 189B of the Income Tax rules 1982 should continue to remain applicable.

Concessional interest loans have been provided by the employers to help employees to build houses (matching with the Government's stated policy of encouraging construction industry), buy cars for personal and family use and meet other contingencies. The proposal to add to income differential benchmark rate would result in additional tax burden on the employees. Therefore, recommended that no change be made in the existing practice to avoid any hardship to the employees

6. Other Issues

Section 53 Advance Tax. We have constantly raised the issue of methodology advance tax. However, no attention has been paid to our recommendation of following the earlier practice of payment of advance tax based on estimates of income provided by the assessee.

The issue of withholding tax under section 50 (7D) continues to cause concern and needs to be clarified.

We request that the issues raised by us should be given due attention. Let us assure you that we are keen to participate in the economic revival of the country, for which, you would agree that a workable and simpler tax system based on justice and equity is an essential ingredient.

With kind regards,
Yours sincerely,

(MOIN M FUDDA)
PRESIDENT

c.c.: Mr. Shaukat Aziz
Federal Minister of Finance &
Economic Affairs
Ministry of Finance
Government of Pakistan
ISLAMABAD

c.c.: Mr. Mueen Afzal
Secretary General Finance
Ministry of Finance
Government of Pakistan
ISLAMABAD

c.c.: Mr. Vakil Ahmed Khan
Member Income tax
CBR
ISLAMABAD

c.c.: Mr. Mansoor Ahmed
Member (Taxes)
Central Board of Revenue
ISLAMABAD

March 6, 2002

**Mr. Mueen Afzal
Secretary General
Ministry of Finance
Government of Pakistan
Islamabad**

Dear Mueen Afzal Saheb,

I am grateful to you and Mr. Riaz Malik for having invited us to discuss the impact of the new Income Tax Ordinance on the salaried class. We were pleased to note that at the very outset you reiterated your earliest statement of the 10th August 2001 that the new Ordinance was —

- a) meant for simplification of tax laws;
- b) not meant to generate additional revenue;
- c) aimed at taxing the salaried class equitably whether in private or public sector.

Our understanding of the issues discussed is as follows:

PENSION / GRATUITY / PROVIDENT FUNDS

Incomes by way of pension, gratuity and Provident Fund Balances are exempt under the Income Tax Ordinance 1979. As mentioned by the CBR, officials present at the meeting, the new ordinance provided that the same would continue to be exempt. However, your goodself was of the view that a final decision in the matter had yet to be taken. There were suggestions to tax pensions exceeding Rs. 80,000 p.a. In this connection;

We submitted that this was apt to bring down the standard of living of pensioners, and ran counter to the purport of the Ordinance highlighted in the preceding paragraph.

We also submitted that pensioners had to bear their medical and hospitalization costs, make their own security arrangements and bear the ever-increasing utilities and energy costs.

We also explained that your earlier suggestion of the burden of enhanced tax being shared by employers was examined by our members. They were strongly of the view that this would seriously affect their costs and slow down investments.

You said that the subject was complex and required an in depth study and further discussions. We were, however, assured that the matter would be considered sympathetically in order to avoid any hardship to pensioners.

MEDICAL EXPENSE

Reimbursements of expenses incurred on hospitalization and on out patient medical expenses, up to 10% of basic salary shall be exempt. Cash medical allowance shall be taxable. It was suggested to enhance the limit to 12.5% or 15%. CBR officials undertook to look into this request.

UTILITY ALLOWANCE

It shall continue to remain exempt to 10% of basic salary.

CONVEYANCE

Conveyance allowance was previously taxed at normal rates in cases of income up to Ra. 300,000 and on engine capacity basis ranging from Rs. 40,000 to Rs. 200,000 in cases of salary over Rs. 300,000, It is proposed by CBR officials that the present rules and practice may continue but monetary limit be raised to Rs. 500,000.

ACCOMMODATION

It was taxed at concessional rates in cases of income up to Rs. 300,000 and on land area basis ranging from Rs. 36,000 to Rs. 420,000 in cases of salary over Rs. 300,000. It is proposed by CBR officials that the present rules and practice may continue but monetary limit increased to Rs. 500,000.

MARK UP ON LOANS

Mark up on loan was previously exempt under a CBR circular. It may be taxable under the new law up to a certain benchmark proposed by representatives of Pakistan Banking Association. However it was pointed by us that based on practice worldwide interest on mortgage finance for self-occupied houses is allowed as an expense. This treatment in our view will also give boost to construction industry and generate employment. You advised CBR officials to examine the matter with reference to tax laws of U.S.A. and other countries We would now like to submit that tax on existing outstanding loan would cause hardships to employees. As such the outstanding amounts of loans should continue to remain exempt from tax.

TAX SLABS

This issue was not on the agenda of the CBR. Mr. Tariq Iqbal Khan proposed that Government should consider increasing the number of slabs to even the burden. Concern was expressed how would be it practicable. He was asked to develop a

proposal and share it with the chamber representatives. Thereafter the same would be further discussed with Mr. Mansoor A. Khan. We requested that tax rates may please be brought down to the level applied in 1997/98.

Finally, we stated that we had been greatly pleased with the simplified version of the Ordinance, publication of its draft for comments and its promulgation well in advance of commencement. As agreed, we look forward to the visit of Mr. Mansoor A. Khan to the Chamber to continue our discussions, we also look forward to another round of discussions with you and the Finance Minister for finalization of personal as well as corporate tax issues to be incorporated in the Federal Annual Budget 2002/3

We shall be grateful for your early response to this letter.

Our sincerest thank to your goodself, Chairman CBR and other officials of Ministry of Finance and Central Board of Revenue.

Yours sincerely,

(MOIN M FUDDA)
PRESIDENT

cc: Mr. Riaz A Malik
Chairman
Central Board of Revenue
Islamabad

cc: Mr. M. S. Lal
Member - Policy and Tax Reforms
Central Board of Revenue
Government of Pakistan
Islamabad

cc: Mr. Mansoor Ahmed
Member (Taxes)
Central Board of Revenue
Islamabad

April 25, 2002

Mr. Riaz A Malik
Chairman
Central Board of Revenue
Islamabad

Dear Riaz Malik Sahab,

Many thanks for giving us an opportunity once again to discuss the taxation matters salaried employees. The outcome of our today's meeting may be summed up as under

1. Medical Expense

a) Expenses when reimbursed, both for hospitalization and outdoor treatment shall continue to be exempt from tax.

b) Medical allowance up to 10% of Basic Salary shall be exempt provided the total of all medical expenses claimed is restricted to the 10% ceiling.

2. Accommodation / Housing

i) House rent allowance paid in cash will be taxable.

ii) **Add Backs**

a) Rent paid by the employer for hired accommodation.

b) Rental ceiling, if any, of accommodation owned by an employer.

c) In case of accommodation owned by an employer with no rental ceiling, the add back criteria shall be developed by the CBR as percentage of basic salary within the existing limit prescribed under Income Tax Rule 18 B (1)+20%.

3. Conveyance / Cars

We proposed modification of the limits prescribed under Income Tax Rule 18 B (2). CBR preferred to maintain the relevant provision contained in the Income Tax Ordinance. However, it was agreed that the request for reduction in the prescribed limit laid down in the Income Tax Ordinance from 15% to 10% and 7.5 % to 5% would be considered. Depreciation allowance will be enhanced from present Rs. 750,000 to Rs. 1,000,000.

4. Concessional Loans for housing, purchase of cars, education etc.

We proposed that all existing loans should continue to be exempt and new loans be made subject to the rate of 5% per annum. CBR had reservations on the question of exempting payments of existing loans in future but was willing to consider the issue grandfatherly, provided new loans were subjected to higher rates. The decision was deferred until next meeting.

5. Maximum rate of tax on salary

We proposed reduction of maximum rate of tax on salary from the existing 35 to 25%. CBR was reluctant not to distinguish between the salaried class and the rest of other tax payers for that purpose. They however agreed to rationalize the slabs remaining within the maximum limit of 35%,

6. Retirement Benefits (Pension, Gratuity, Provident Fund)

We were informed that the Government of Pakistan was not considering any proposal whatsoever to tax retirement benefits and were advised that this assurance be conveyed to all members of the Chamber. If in future, there was any proposal to tax these benefits, the CBR would, first discuss it with the Chamber. We were pleased that the impressions given by CBR officials were consistent with the assurance given by His Excellency, the President to the undersigned on the 9 March 2002.

While we did not have the opportunity of meeting the Secretary General this time, we have been pleased the way your goodself heard us. We now look forward to a final meeting in Karachi in early May as desired by Mr. Mueen Afzal and hope that the meeting 'will be graced by the Finance Minister also.

Finally, as agreed this letter has been seen by Mr. Vakil Ahmed Khan and is being forwarded to our members for their information and satisfaction.

With kind regards,

Yours sincerely,

(MOIN M FUDDA)
PRESIDENT

cc: Mr. Shaukat Aziz
Federal Minister of Finance & Economic Affairs
Government of Pakistan
Islamabad

cc: Mr. Mueen Afzal
Secretary General
Ministry of Finance
Government of Pakistan
Islamabad

cc: Mr. Vakil Ahmed Khan
Member - Direct Taxes
Central Board of Revenue
Government of Pakistan
Islamabad

25th April, 2002.

**Mr. Mueen Afzal,
Secretary General Finance
Ministry of Finance,
Government of Pakistan,
ISLAMABAD.**

Dear Mr. Afzal,

SALARY TAXATION

We thank you for providing us an opportunity this morning to discuss the above matter.

Based on earlier discussions with your goodself and officials of the Central Board of Revenue, we submit our revised proposals for your kind consideration.

As assured by your goodself, the government's intention is to rationalize and simplify the tax laws, and not enhance revenue from salaried employees. We sincerely believe that our proposal meets the above objective.

With kind regards.

Yours sincerely,

**MOIN M. FUDDA
PRESIDENT**

Attachments:

PROPOSALS FOR SALARY TAXATION

I Medical Section 129(A) of Second Schedule

All medical expenses reimbursed at actual should remain exempt from tax. Cash allowance upto 10% of basic salary be tax exempt.

II 18B. (1) Valuation of perquisites received in kind - Computation of value of perquisites, where the same is not quantified in cash, shall be made on the following basis:

(a) Where free unfurnished accommodation is proved to the employee

Nature of Perquisite/Benefit	Value to be Adopted for Addition in Income			
	In areas falling within the limits of Metropolitan Corporation, *Municipal Corporation, Cantonment Board of** the Islamabad Capital Territory	Other places	PRESENT:	PROPOSED:
Accommodation:			PRESENT:	PROPOSED:
With land area upto 250 sq. yards	36,000	43,200	24,000	28,800
With land area upto 500 sq. yards	96,000	115,200	60,000	72,000
With land area of 500 sq. yards and above	180,000	216,000	96,000	115,200
With land area of 1000 sq. yards and above	336,000	403,200	180,000	216,000
With land area of 2000 sq. yards and above	420,000	504,000	240,000	288,000

(b) Where furnished accommodation is proved by the employer value shall be computed in accordance with clause (a) of this sub-rule and a further sum equal to 15 percent of the said value shall be added.

(c) Separate valuation shall be made in respect of heating, cooling, security and domestic servants where these are provided by the employer.

III 18B (2) Value of the conveyance shall be made as under:

Nature of Perquisite/Benefit	Value to be Adopted for Addition in Income	
Conveyance:		
(I) Where the conveyance is exclusively used for private purposes	(I) The value shall be determined on the following basis:	
	Motor vehicle with engine	Amount to be added (per annum)/Rs.
		PRESENT: PROPOSED:
	Less than 1000cc	40,000 50,000
	1000cc to less than 1500cc	80,000 100,000
	1500cc to less than 1800cc	120,000 150,000
	1800cc and over	200,000 250,000

IV Concessional loans to employees

All existing loans should continue to enjoy exemption.

It is suggested that 5% per annum should be the bench mark. Any loans less than this, the differential to be treated as deemed income.

Loans for house building, cars and medical treatment, education should enjoy same privileges.

V 50(1) Maximum salary tax rate

Where the income represent income under the head salary, the rate applicable for the purpose of Para A1 of Part 1 of the First Schedule should be maximum of 25%

VI Retirement Benefit

Present exemption available in the Second Schedule to continue.

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FLEXIBILITY OF INTERNATIONAL TRANSACTIONS UNDER SECTION 108 OF THE INCOME TAX ORDINANCE 2001

January 18, 2002

**Mr,Shaukat Aziz
Federal Minister of Finance & Economic Affairs
Ministry of Finance
Government of Pakistan
Islamabad**

URGENT

Dear Honourable Minister,

We very much appreciate your understanding in resolving the Price Increase issue for the pharmaceutical industry. We also very much welcome the decision by the ECC and Cabinet to set up a committee under the Chairmanship of the Minister of Industries, Mr. Razzak Dawood, to develop recommendations for de-control of this industry which is a significant sector of the national economy. We hope that the report of this committee will be submitted soon for review by the ECC and Cabinet.

It is pertinent to point out that in Pakistan virtually all drugs (over 820) are still price controlled despite numerous generics and severe competition between 400 companies. By comparison India controls the price of only 74 drugs, Bangladesh of 119 drugs, and Sri Lanka has no price control regime. We therefore hope that this committee will recommend measures to reduce the excessive control of this industry in Pakistan, and at a minimum aim to reduce it to the level of other countries in the region.

Sir, I would now like to draw your kind attention to a matter which has generated great concern to our member companies. We understand that the Ministry of Health is now seriously considering review followed by substantial price reductions of leading brands of our member companies down to the level of some of the cheapest generics. We feel that such a proposed action, mandating price cuts on products at a time when the industry is already suffering from over regulation compared to other countries in the region., and inadequate price relief against cost increases will not only damage this industry, but will adversely affect the country's credibility as an investment friendly environment.

It is also very disappointing for us that instead of providing price relief on those numerous products which are loss making, low margin, and low priced compared to other markets, price cuts are being considered. Such an unrealistic approach has led to a constant decline in the growth of this industry to around 3 o/ p.a. This situation is indeed in stark contrast to that in India, where a fall in the growth rate from 15-18% down to 11% in 2000 was enough to shock the Government into remedial measures!

Sir, we need to deregulate the economy of our country and make it mote competitive and open if industry is to prosper and economic growth and investor confidence is to be restored. This proposed price cutting exercise by the Ministry of Health will have a hugely negative impact on our member companies, the industry and also on the level of investor confidence in the country.

We therefore sincerely request that no precipitate and adhoc actions taken by the Government prior to the review and finalization of an overall policy for this sector.

Thanking you,

Yours sincerely,

(MOIN M. FUDDA)
PRESIDENT

February 15, 2002

**Mr. Waseem Haqqie
Chairman
Board of Investment
Government of Pakistan
Ataturk Avenue
Islamabad**

Dear Sir

Subject: Reduction in Drugs Prices - Show Cause Notices

Thank you for your letter dated January 22, 2002 in which you assured us that no precipitate action will be taken before the finalization of the policy on the Pharma Sector,

Whilst, we very much appreciate the initiatives being taken by the government to review the regulatory framework for this industry by the committee appointed by the ECC under the chairmanship of Mr. Abdul Razzak Dawood, we regret to inform you that despite assurances, some of our member companies have received show-cause notices from the Ministry of health threatening price cuts of various products.

Such adhoc action selectively mandating price cuts on certain products when no adjustments are made for the numerous products which are loss making / low margin / and priced lower than India and Bangladesh will adversely affect the credibility or attracting investment which the government together with our chamber is working hard to rebuild.

You are requested to kindly intervene in the, matter to avoid the very serious consequences for investors confidence arising from such one-sided action against major global companies which are long standing investors in Pakistan.

Thanking you,

Yours sincerely,

**(MOIN M. FUDDA)
PRESIDENT**

March 16, 2002

**Mr. Abdul Razzak Dawood
Minister for Commerce, Industries & Production
Ministry of Commerce
Pak Secretariat Block 'A'
Islamabad**

Dear Mr. Minister,

Subject: Show Cause Notices To Pharmaceutical Companies

I am writing to thank you ardently for your efforts for withdrawal of Show Cause Notices issued to the Pharmaceutical sector member companies of this Chamber. Upon receipt thereof I contacted you on 14 February while you were in Washington and expressed the Chamber's concern thereon. Furthermore, at the ICC Conference on Sunday, the 17 February, you gave a patient hearing to me in the presence of Mr. Waseem Haqqie who has always extended all possible co-operations to us.

You very kindly assured me that no adhoc decision would be taken in the matter before the deadline. I am greatly pleased that you kept your word as always and made efforts to resolve this issue. I also very much appreciated that you kindly contacted me in Tehran on 8 March to inform me that the Show Cause Notices had been withdrawn. We, at the Chamber, greatly value your un-stinted support to improve the investment environment in the country.

Thanking you and with kind regards,

Yours sincerely,

**MOIN M FUDDA
PRESIDENT**

March 19, 2002

**Mr. Waseem Haqqie
Minister of State / Chairman
Board of Investment
Shahrah-e-Attaturk
Islamabad**

Dear Waseem Haqqie Saheb,

Subject: Show Cause Notices To Pharmaceutical Companies

I am writing to thank you ardently for your efforts for withdrawal of Show Cause Notices issued to the Pharmaceutical sector member companies of this Chamber. We greatly appreciate your frequent interaction with us and continuous efforts to ensure that the issue is resolved. This is truly a reflection of your commitment in removing the irritants faced by the pharmaceutical companies in particular and the foreign investors in general. We at Chamber look forward to our close association with the Board of Investment under your dynamic leadership.

Thanking you and with kind regards,

Yours sincerely,

**MOIN M. FUDDA
PRESIDENT**

June 28, 2002

Mr. Tariq Aziz
The Principal Secretary to the President
Islamic Republic of Pakistan
President's Secretariat Islamabad

Dear Sir,

Deregulation of the Pharmaceutical Industry

The Overseas Investors Chamber of Commerce and Industry highly appreciates all the efforts made, and policies followed by government, to simplify the regulatory framework for the country's economy, remove impediments to investment and to boost economic activity by providing an investor friendly environment.

Globalization of the world economy is going through a shift in the manufacturing base from developed to developing countries. In order to compete with other developing countries it is essential that Pakistan develops an infrastructure and regulatory framework open, transparent and providing a level playing field to all without discriminating one from the other, and building up unwavering confidence among investors.

The Pharmaceutical industry is an essential and substantial constituent of the national economy developed initially with foreign investment, which now includes very successfully and thriving local companies. This sizeable industry is however excessively, regulated compared to other countries in the world, and even regional.

It is against this background that the Committee on Deregulation of the Pharmaceutical Industry headed by Mr. Razzak Dawood, Minister for Commerce, Industries and Production was set up to review the requirements of Pharmaceutical Industry for its further progress. The committee solicited opinions from various stakeholders before formulating recommendations, and also narrowed down the stretch of divergent opinions, particularly to safeguard consumers' interests. However, it seems that a final decision has not been taken to formulate an enduring policy.

The OICCI represents global pharmaceutical companies with operations in Pakistan as well. These companies have significant long standing investment commitments and interests in Pakistan and have made a substantial contribution to the development of this very important sector of the country's economy.

We are therefore concerned that a clear policy framework for this industry is developed which is compatible with other countries. This will ensure a long term prosperous future of this industry.

We, therefore, take this opportunity to propose that you may kindly submit for His Excellency, the President of the Islamic Republic of Pakistan to give his blessings to our humble request for early accomplishment of liberalization and de-regularization to accelerate the pace of economic development.

With kind regards,

Yours sincerely,

(MOIN M. FUDDA)
PRESIDENT

SUMMARY OF TRADE POLICY PROPOSALS 2002-2003

GOOD GOVERNANCE

- Smuggling
- Counterfeiting

ENCOURAGING EXPORTS – EXPORT ORIENTED INVESTMENT POLICIES

- Streamlining of collections
- No Duty No Drawback
- Conditions included in entitlement certificates
- Free of cost replacement of goods under warranty period
- Export benefits are not applicable for parts
 - (a) Temporary export of special tools and testing equipment
 - (b) Temporary import of locally manufactured goods already exported once for subsequent re-export
- Priorities to be given by customs
- Execution of contracts outside Pakistan and commission received in foreign currency
- Export financing
- Remittance be allowed within 120 days
- Sales tax on purchase of goods by exporter
- Export revenue is taxed @ 1%.
- Fine on late shipment
- Financing projects outside the country
- Support needed from Pak missions abroad
- High cost of local industries
 - (a) Power
 - (b) Telephone
 - (c) Sea Freight
- Raw material imports by unregistered traders
- Export rebate to be considered on non-traditional items.

TRADE WITH INDIA

- Restrictions in trade with India
- Permission to allow import of cheap raw material from India

MISCELLANEOUS

- Import of free of cost samples
- List of Locally manufactured items
- Imports of spare parts
- Unreasonable restriction on shelf life of imported raw material
- Shelf life for import of medicines
- Import against foreign currency demand draft
- Payments of imports through telegraphic transfer
- Foreign exchange remittance of technical fee for engineering/professional fee
- PCT classification of automatic data processing machines
- Import of second hand plant equipment and machinery.
- Import of used fertilizer plants

TARIFF RATIONALIZATION - SALES TAX / CUSTOM DUTIES & OTHER TARIFF RATIONALIZATION MATTERS

- No upward revision in custom duty
- Sales Tax on LAN Equipment
- Exemption of Sales Tax on subsequent supply of imported machinery, equipment and material for Exportation and Production companies
- H T Motors classification
- Partial exemption of custom duty on raw material & components.
- Temporary import of professional equipment.

30TH AUGUST, 2002.

MINUTES OF MEETING ON 29TH AUGUST, 2002

President, Kamran Mirza made the opening remarks. A copy of the speech is attached.

Issues documented in the attached list were raised by members in turn.

MINISTERS RESPONSE

Finance Minister said that he expected macro issues to be raised.

TAXATION ISSUES

Send list of LTU issues by 5th September to Finance Minister. On his next trip to Karachi 17th or 18th September, this issue can be resolved.

Chamber to write to Finance Minister on deprecation on used machinery imported for first time in Pakistan and this may be addressed. Relocation of plants presents an opportunity.

Nothing can be done on salary taxation before the next budget.

New Government expected to be in office by 3rd or 4th week of October, 2002.

LABOUR ISSUES

Minister Razzak Dawood said that a lot of work has been done in the area of labour legislation, and two Committees have worked on it. The finalisation of this issue is with Federal Minister of Labour, Mr. Ovais and he would take up the matter with him.

INDUSTRIAL & COMMERCIAL ISSUES

On better coordination and integration of policies between government agencies, Governor, State Bank of Pakistan said that this was too general a statement and asked for specific issues. Mr. Sohail Wajahat H. Siddiqui said that the list of specific issues was long and he does not propose to read it here.

On the question of too many government inspectors still going around, the Finance Minister suggested that this was a Provincial Government issue and the Chamber should take it up with Governor of Sindh.

Responding to the efforts to curb smuggling, the Finance Minister said x-ray machines are being issued at ports, and law enforcement agencies will have common check posts. Finance Minister also touched upon the under invoicing problem and this is being discussed with the CBR.

On the question of free trade (zero duty imports) from Bangladesh and Sri Lanka, the Commerce Minister said that his Ministry is looking into the matter, and local industry interests will be protected. He also said that the printing of prices on labels issue has been addressed.

ENVIRONMENTAL ISSUES

No discussion took place.

INTELLECTUAL PROPERTY RIGHTS

On this issue, Governor State Bank of Pakistan did not accept the position that infringement or fear of proliferation of brands is a deterrent to investment. He quoted the Chinese example where investors are going by hordes despite China's bad record on imitation of products. Mr. Hasan Ali Khan pointed out that the comparison and analogy of China is not relevant. China is a very big market and offers many more facilities and incentives to investors.

Minister Dawood responded by saying that new Ordinances are being considered to reconcile the overlapping provisions of PPC and TMO, and he is dealing with the matter. He also said that the enforcement of standards and quality are the key issues. The quality control authority needs to have teeth in it and this issue is being addressed. He expects to have a meeting in the next few days on this issue.

SHIPPING / KARACHI DOCK LABOUR BOARD ISSUE

Finance Minister requested Minister Dawood to look into this issue. He said that he will discuss this with the Federal Communication Minister.

PHARMACEUTICAL ISSUES

Finance Minister responded by saying that at the last ECC meeting three committees were formed:

1. First headed by Mr. Mueen Afzal to address the drug policy. This matter will be discussed in the ECC meeting in third week of September.
2. Second Committee headed by Dr. Akram Sheikh, Secretary Industries to look into the amendments in the drug act.
3. Third Committee headed by Secretary Health to make the drug approval and registration system more transparent. Ministry of Health was directed to put all this on the website. Finance Minister wants a feedback on the MOH website.

Finance Minister also wants an independent study, conducted on the comparison of drug prices in Pakistan with India and Bangladesh. This can be done on a sample of 100 drugs, but must be done by an independent agency.

Finance Minister also remarked that the PR of the Pharma Bureau was poor and needs to be addressed. The industry's point of view was not sufficiently agitated in the press and the industry was too divided.

On the question of refund of sales tax, he said that this matter be taken up with the CBR and a meeting in this connection is being held in Karachi on Saturday 31st August, 2002.

To a suggestion that the withdrawal of sales tax be made prospective to allow for stocks to be sold, he did not agree.

Mr. Mueen Afzal said that the trade had benefited earlier, when sales tax was imposed and stocks in the pipeline on which no sales tax had been paid, were sold to the consumers at higher prices. They should accept this reversal against the windfall profits made earlier by the trade.

ENERGY ISSUES

Finance Minister announced that furnace oil has been deregulated today and anyone can import furnace oil. Import of HSD has still been kept with the OMC due to specialized handling and storage, but bulk users with prior permission from Ministry of Petroleum can import directly.

On the issue of independence of regulators like NEPRA, OGRA and PTA, the Finance Minister said that he accepts the Chamber's point, but the Government of Pakistan have been unable to find people of caliber. Minister Altaf Salim was responsible for the search.

It was pointed out to the Minister that OGRA had recently held public hearings for determination of tariff without a quorum.

The purpose of appointing a regulatory authority is to create confidence amongst potential investors and this is defeated if the regulatory authorities are not independent.

On the smuggling of fuels and lubricants issue, the Finance Minister said that the cause is the price differential. He invited the Chamber to come forward with some proposals in this matter. Dr. Shahid Hak to provide.

I. T. ISSUES

Finance Minister said that the Chamber to write to Mr. Mueen Afzal in this matter.

INSURANCE ISSUES

On the question of cover for terrorism and sabotage, the Finance Minister invited the Chamber to come forward with some tangible proposals for home grown solutions.

BANKING ISSUES

Governor, State Bank of Pakistan responded to the minimum capital threshold for banks by saying that he would like foreign banks to inject more capital into their business.

On BPRD Circular No. 12, regarding restrictions on being appointed directors in associated companies, the Governor said that where substantive equity is involved, permissions may be granted by SBP.

NEW RULES FOR NBF'S

The Finance Minister said that these rules will be announced shortly.

In a general discussion on MACRO issues, the Governor said that ensuring the continuity of the economic reforms is a difficult issue and there are no ready made solutions.

- Autonomy of institutions like SBP, SEC and CBR will help in the matter.
- International agreements have milestones and benchmarks and there will also help
- The President of Pakistan has a tenure of five more years and this will ensure continuity.
- Governor also said that there was no difference in the economic policies of the various political governments in 91 / 94 and 97. Only the thrust of implementation was different, so there is no reason to believe that the new political government that emerges will reverse the reforms. All political parties have followed the same policy.

Minister Dawood said that the present government has proceeded too far with the reforms which are now well entrenched and these cannot be revised easily.

Finance Minister closed the meeting with the following remarks:

We care about micro issues although we came here to discuss macro issues.

The President of the Country has shown statesmanship and as a good leader has delegated and not micro managed. He has had a good team pulling together, which has resulted in macro economic policy being followed rigidly and the successes.

There is need to maintain the transparency and credibility of the government. The political parties realize the above. Most politicians will do what is in the national interest.

Therefore a total U turn is not possible, besides the conditionalities of the lenders will act as a restraint. The recent remarks made by Paul Chabier about the economic reforms bear testimony to the fact that the reforms have been appreciated by international lending institutions.

A transition plan is being done by each Ministry and a position paper will be done by each federal minister. Governor State Bank of Pakistan is not subject to the vagaries of election and can stay on. This will ensure continuity.

Finance Minister was of the view that the level of continuity will be better than the past governments.

Finance Minister wants Chamber to send list of priority issues which the Chamber would like the present Government to address before their term finishes.

For the future, he was of the opinion that access to the President of Pakistan was very critical and Chamber should strive for this.

Mr. Zaffar Khan, Vice President proposed a vote of thanks.

ZAHID ZAHEER
SECRETARY-GENERAL

**PRESIDENT'S OPENING REMARKS ON THE OCCASION OF THE VISIT OF
MINISTERS TO THE CHAMBER ON THURSDAY
29TH AUGUST, 2002 AT 7 PM**

BMR AA

MR. SHAUKAT AZIZ, MR. RAZZAK DAWOOD, DR. ISHRAT HUSAIN & MR. MUEEN AFZAL

GENTLEMEN,

WE ARE DELIGHTED WITH YOUR VISIT. IT GIVES US A MUCH NEEDED OPPORTUNITY TO SHARE WITH YOU, OUR VIEWS ABOUT PAKISTAN'S BUSINESS ENVIRONMENT AT THIS CRITICAL JUNCTURE.

ALL OF YOU ARE FAMILIAR WITH THE CHAMBER, SO I WILL JUST HIGHLIGHT THE MAIN FEATURES, WHICH ARE:-

IT IS THE OLDEST CHAMBER IN PAKISTAN, FOUNDED IN 1860 BY BRITISH BUSINESSMEN.

THE CURRENT MEMBERSHIP IS 183, OF WHICH

102	ARE INDUSTRIAL UNDERTAKING
33	TRADING
34	BANKING & FINANCIAL SERVICES
	&
14	INSURANCE, SHIPPING & AIRLINES

SEVERAL MEMBERS ARE LISTED IN THE FORTUNE 500 COMPANIES. COUNTRYWISE, THE REPRESENTATION IS AS FOLLOWS:

50 BRITISH	15 JAPANESE
48 CONTINENTAL EUROPEAN	11 MIDDLE EAST
47 AMERICAN	12 OTHERS

THE SALES OF MEMBER COMPANIES, CONSTITUTE 9% OF THE TOTAL GDP OF THE COUNTRY AND NEARLY 15% OF THE GDP OF THE MANUFACTURING SECTOR. THEY CONTRIBUTE NEARLY ONE FIFTH OF THE TOTAL TAX REVENUE OF THE GOVERNMENT OF PAKISTAN, AND EMPLOY AROUND 50,000 PEOPLE.

THE CHAMBER'S PRIMARY FUNCTION, IS TO PROTECT AND PROMOTE THE COMMERCIAL, INDUSTRIAL AND FINANCIAL INTEREST OF EXISTING, AS WELL AS, POTENTIAL FOREIGN INVESTORS IN PAKISTAN. IT WOULD NOT BE OUT OF PLACE TO MENTION HERE, THAT OUR MEMBERS TAKE PRIDE IN BEING GOOD CORPORATE CITIZENS AND ARE CONFIDENT, THAT THEIR BUSINESS OBJECTIVES, ARE IN LINE WITH THE ECONOMIC ASPIRATIONS OF THE PEOPLE OF PAKISTAN.

YOU WILL RECALL, WHEN WE REQUESTED THIS MEETING, WE HAD THE FOLLOWING ISSUES IN MIND :

ASSURANCE THAT THE ECONOMIC REFORMS AND ACHIEVEMENTS TODATE WOULD BE SECURED.

COMPLETION AND FINALISATION OF SOME REFORMS AS WELL AS POLICIES, PRIOR TO FORMATION OF THE NEXT GOVERNMENT.

ADVICE AND GUIDANCE AS TO HOW TO INTERACT WITH THE NEXT GOVERNMENT, SO THAT THERE IS NO UNWARRANTED DISRUPTION IN ECONOMIC ACTIVITY. THE COUNTRY HAS PAID A HEAVY PRICE ON THIS ACCOUNT IN THE PAST.

THE ABOVE MENTIONED ISSUES, TAKE COGNISANCE AND RECOGNITION OF, THE TREMENDOUS ACHIEVEMENTS OF THIS GOVERNMENT IN THE LAST THREE YEARS. TO NAME A FEW - REDUCTION IN INTEREST RATE, LOWERING OF INFLATION, STRENGTHENING OF THE RUPEE, BUILD UP OF A SIGNIFICANT FOREIGN EXCHANGE RESERVES, RISE IN THE STOCK MARKET, LOWERING OF THE NATIONAL DEBT AND LAST BUT NOT THE LEAST, THE UNPRECEDENT EASY ACCESS PROVIDED TO THE CHAMBER AND ITS MEMBERS BY YOU GENTLEMEN AND OTHER MEMBERS OF THE GOVERNMENT, INCLUDING THE PRESIDENT.

THIS MEETING IS SO STRUCTURED, THAT THE ISSUES THAT CONCERN US, WILL BE INDIVIDUALLY TAKEN UP BY MEMBERS PRESENT THIS EVENING. HOWEVER, BEFORE TAKING THESE UP, THERE ARE SOME BROAD AND GENERAL COMMENTS THAT I WOULD LIKE TO MAKE.

DISTINGUISHED GUESTS, PAKISTAN MUST ALLOW TRADE AND ECONOMIC GOALS TO SHAPE ITS FUTURE POLITICAL AGENDA, AND FURTHER IMPROVE INVESTORS CONFIDENCE. THIS WILL BE POSSIBLE IF SIGNS OF GOOD GOVERNANCE BECOME MORE VISIBLE. THE ESSENTIALS OF GOOD GOVERNANCE ARE CREDIBILITY, INTEGRITY, PREDICTABILITY, SPEEDY DISPENSATION OF JUSTICE AND EFFECTIVE AS WELL AS RAPID IMPLEMENTATION OF POLICIES. THESE MUST REMAIN ON THE REFORM AGENDA OF THE PRESENT AND FUTURE GOVERNMENT.

PAKISTAN MUST NOT BE SEEN AS A COUNTRY WHERE IMPROPRIETY IS FREQUENTLY AND EASILY COMMITTED AND GOES UNDETECTED AND UNPUNISHED. THIS PERCEPTION HAS TO CHANGE. IT WILL CHANGE WHEN THE GOVERNMENT BUILDS A REPUTATION FOR BEING FAIR AND CREATES A LEVEL PLAYING FIELD FOR ECONOMIC ACTIVITY AND PREVENTS RENT SEEKING.

TO ACCELERATE THE INFLOW OF DIRECT FOREIGN INVESTMENT, THERE IS NEED TO IMPROVE THE INVESTMENT ENVIRONMENT FURTHER. SOME OF THE AREAS THAT NEED TO BE ADDRESSED IN THIS CONNECTION ARE:

- CREDIBILITY, CONTINUITY AND IMPLEMENTATION OF THE GOVERNMENT'S POLICIES AS WELL AS HONOURING OF COMMITMENTS.
- RATIONALIZATION OF TARIFFS SO THAT MANUFACTURING IN PAKISTAN, DOES NOT ATTRACT LEVIES, IN EXCESS OF THOSE LEVIED ON THE IMPORT OF THE SAME PRODUCT.
- RATIONALIZATION OF OVERPROTECTIVE LABOUR LAWS, THAT INHIBIT PRODUCTIVITY AND DISCOURAGES EMPLOYMENT.
- A LEAN AND CLEAN GOVERNMENT ON THE LINES THAT 'LESS GOVERNMENT IS GOOD GOVERNMENT'.
- SIGNIFICANT IMPROVEMENT IN LAW & ORDER. DUE TO SECURITY CONCERNS, THE U.S. AND MANY EUROPEAN COUNTRIES HAVE ADVISED AGAINST TRAVEL TO PAKISTAN.
- BARRIERS TO SUCCESS OF EXISTING COMPANIES.

ONE OF THE BETTER WAYS TO ATTRACT FOREIGN INVESTMENT, IS TO DEMONSTRATE SUCCESS OF EXISTING COMPANIES. THIS HAS BEEN MISSING IN SOME AREAS, WHERE UNREASONABLE PRICE CONTROLS HAVE BEEN IN VOGUE LIKE THE PHARMACEUTICAL INDUSTRY AND THE OIL & GAS SECTOR. BOTH OF THESE NEED TO BE DEREGULATED AND INITIAL STEPS TAKEN IN THIS DIRECTION ARE APPRECIATED.

- AN EQUITABLE TAX SYSTEM IN WHICH ALL SECTORS OF ECONOMY SHARE THE BURDEN OF TAXES. SALARIED EMPLOYEES, AND ORGANIZED BUSINESS AND INDUSTRY MUST NOT BE OVER BURDENED WITH TAXES.

THERE IS NEED FOR RAPID PRIVATIZATION OF UNDERDEPLOYED ASSETS

THE GOVERNMENT MUST NOT CONTINUE TO BE A PLAYER (COMPETITOR) AND REGULATOR AT THE SAME TIME.

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 - 1% FEE CHARGED FOR R&D TO ALL PHARMACEUTICAL COMPANIES, WORKERS PARTICIPATION AND WELFARE FUNDS.

THERE IS NEED TO CONTAIN DISCRETIONARY POWERS 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 MINISTRY OF LAW. THIS WOULD MAKE THE APPEAL PROCEDURE MORE EQUITABLE.

FURTHER, 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.

THE PAYMENT OF GST BY ALL SECTORS MUST BE ENSURED. WHERE THERE IS A SUDDEN WITHDRAWAL, AS IN THE CASE OF PHARMACEUTICAL PRODUCTS, THEN THE GOVERNMENT MUST REFUND WHAT HAS BEEN COLLECTED ON ITS BEHALF. MORE ON THIS LATER.

I HAVE ONLY BRIEFLY TOUCHED UPON THE ISSUES AND AS MENTIONED EARLIER, THE MEMBERS PRESENT TODAY WILL ELABORATE ON THESE.

THANK YOU.

3rd September, 2002.

**Mr. Shaukat Aziz,
Federal Minister of Finance,
Ministry of Finance,
Government of Pakistan,
ISLAMABAD.**

Honorable Minister,

I write to thank you for your visit to the Chamber on 29th August, 2002 and the very useful and candid discussions that followed.

At this meeting we agreed to send you a list of priority issues which in our opinion need to be addressed between now and end of October. Please find attached such a list.

We wish to place on record our appreciation of you and your colleagues visit and patient hearing given to our Members.

Yours truly,

**KAMRAN Y. MIRZA
PRESIDENT**

Attachment:

c.c.: Mr. Abdul Razzak Dawood,
Ministry of Commerce,

c.c.: Mr. Mueen Afzal
Ministry of Finance

c.c.: Dr. Ishrat Husain,
Governor,
State Bank of Pakistan,
KARACHI.

LIST OF PRIORITY ISSUES

Pharmaceutical Industry

De-regulation

Labour Laws

Ordinances to be promulgated rationalizing existing laws.

IPR Laws

Overlapping provisions of Pakistan penal code and trade marks ordinance to be reconciled to set up minimum punishments for infringement, and the offenses of counterfeiting to be made cognizable and non bailable.

Taxation

Refund / Adjustment of Sales Tax on Pharmaceutical Products in the supply chain.

Removal of Large Tax Payer's Unit problems.

Initial Depreciation on used Machinery for this first time in Pakistan to be allowed as is done for new machinery. Amendments in Section 23 Clause C of Sub Section 5 of the ITO 2001 required.

State Bank

Threshold of minimum capital of Rs 1 Billion to be reduced for branches of foreign banks, which have high S & P or Moody's rating.

Relaxation of SBP Circular BPPD No 12 for appointment of directors to allow a person to be on multiple boards of financial institutions where there is an association through a 10% equity. This threshold is applicable to boards of banks and NBFIs, as outlined in SBP Circular No BPD 15 of 29th June 2002.

Petroleum

Reduction in Duty differential on mogas and lubricants to reduce smuggling leading to increase in Government Revenue. Industry to submit proposal.

Shipping

Removal of Karachi Dock Labour Board Levy.

Insurance

Help industry to secure insurance cover against terrorism and sabotage

January 3, 2002

**Honourable General (Rtd) Moinuddin Haider
Minister of Interior
Block R, Pak Secretariat
Islamabad**

**Subject: Stoppage of Nestlé Milkpak's Milk
Collection by Pakistan Rangers (Punjab)**

Dear Sir,

Nestlé Milkpak, a member of this Chamber, has brought to our attention the problem it is facing in milk collection in the border areas, which it has been legitimately doing for the past seven years, for producing processed milk and other milk-based products. The Company has reported that its staff is beaten up and its milk forcibly snatched by Pakistan Rangers (Punjab) who, after entering into this business themselves, have forcibly and unlawfully closed down Nestlé Milkpak's business in the area under their control with the sole purpose of creating their business monopoly. The company's representations to the Rangers in this regard have gone un-action.

We understand that this matter was brought to your kind notice by Nestlé Milkpak and has been under your attention for some time.

This Chamber feels very concerned that a foreign investor is being bullied and made to suffer financial losses by a department of the federal government through arbitrary and unlawful acts. We are alarmed because this situation seems to be contrary to the stated policy of the federal government that foreign investors will be provided an enabling environment for their business operations.

You would appreciate Sir, that under the current depressed economic situation, business and industry is struggling to survive, causing investors to shy away from further investments. Despite this, when Nestlé Milkpak recently invested in expanding its milk processing capacity it is now faced with milk shortfalls, putting at risk the investment it made. Situations such as these only erode investor confidence.

We have no doubt that you would resolve this matter at the earliest and in the best interest of promoting a favourable and harmonious business climate.

Sincerely yours,

**Zahid Zaheer
Secretary General**

24th January, 2002.

**Mr. Khalid Mirza,
Chairman,
Securities & Exchange Commission of Pakistan,
NIC Building,
63-Jinnah Avenue,
ISLAMABAD.**

Dear Sir,

INSURANCE RULES UNDER INSURANCE ORDINANCE 2000

I would like to draw your attention to the fact that the new Insurance Ordinance was promulgated in August 2000. However, the Insurance Rules necessary to execute the Ordinance 2000 have not yet been framed. It is in the interest of the entire insurance industry and the corporate sector that the matter is successfully resolved at the earliest considering the length of time that has lapsed.

We look forward to hearing from you on the matter. Any assistance that the Chamber may be able to offer to expedite the matter would be our honour and pleasure.

Yours sincerely,

**ZAHID ZAHEER
SECRETARY-GENERAL**

26th February, 2002.

**Dr. Abdul Hafeez Shaikh,
Minister for Finance & P & D,
Government of Sindh,
KARACHI.**

Honorable Minister,

We would like to draw your attention towards the recent drive by the Sind Excise and Taxation Department for making contractors and suppliers liable to pay their due Professional Tax.

For this purpose, the Department is requiring all the existing tax payers to provide details of their contractors / suppliers, as well as stop making payment to them unless they produce a NOC from the department confirming discharge of their tax liability. Consequently most business establishments are approaching the department to obtain such NOC.

When some of our Members approached the concerned division providing evidence of discharge of their tax liability, instead of instant issuance of NOC, they are being asked to provide various documents, making all the procedure more complex. This is creating undue problems for the honest tax payers and is contradictory to what the present Government is aiming for.

While we applaud the present Government's efforts of making business environment more investors friendly, we regret to inform you that the attitude of the officials at Excise and Taxation Department responsible for issuance of NOC is hampering investors' confidence.

We suggest that instead of going for a NOC, evidence of tax payment supported by challan by the tax payer should be sufficient for this purpose.

We will be obliged if you personally look into the matter, and instruct the Department to be cooperative with the business community, rather than problematic. We however, assure you of full cooperation from our Members as responsible citizens and tax payers.

Yours truly,

**ZAHID ZAHEER
SECRETARY-GENERAL**

4th April, 2002.

**Mr. Khalid Saeed,
Additional Secretary,
Ministry of Commerce,
ISLAMABAD.**

Dear Mr. Saeed,

You will recall our conversation when we met in Karachi on 15th March, 2002 at the PQA meeting. During this brief discussion, I had mentioned to you the concerns of the Members of our Chamber, on sale of counterfeit products in gross violation of IPR laws.

I attach copy of a letter dated 16th February, 2001 which we have written to the Federal Secretary Commerce, which explains the position in some detail.

I write to seek your support in this matter.

Kind regards.

Yours truly,

**ZAHID ZAHEER
SECRETARY-GENERAL**

April 20, 2002

**Dr. Atta-ur-Rehman
Minister for Science & Technology
Pakistan Secretariat- I Block
Islamabad**

Sub: CE Directive on Information Technology - May 2, 2001

Dear Dr. Atta,

On behalf of Overseas Investors Chamber of Commerce and Industry (OICC&I) I wish to congratulate you on creating IT awareness, and I revolution that you are bringing. Let me introduce the (OICC1) which was established in year 1860 and is the oldest chamber in Pakistan. We have over 180 members and contribute 16 % of Pakistan's taxes.

This letter is to request your attention to certain actions underway by your Ministry to prevent the established multinational solution providers and companies from continuing their normal operations in Pakistan.

The member companies of OICC&I, have played a major role in the advancement and promotion of IT in Pakistan since the early fifties, Companies like NCR, ICL, Siemens Unisys and IBM started operations here, and pioneered many of the banking, airline , ERP and government applications in Pakistan. The efforts of these companies and their education centers, plus donations to Universities like IBA, FAST, LUMS, etc created the base for expansion. Over 50,000 IT experts and management leaderships of top 25 IT companies and software houses, came from these companies or from their direct efforts in transfer of technology and human resource development. These companies have paid taxes of over Rupees one Billion in past 10 years alone.

We have noted with great concern that the CE directive and notification is being misinterpreted by some quarters and different interpretations are being made by IT commission, PTCL State Bank etc to give a few examples. These moves are disallowing the established multinational branch offices in Pakistan run by Pakistani's, from participating in projects of Government of Pakistan.

Recent tenders from IT Commission bundle software and hardware plus networking and put in a condition that bidders should be **LOCALLY INCORPORATED**, thus taking away the day to day business of these companies some of whom are operating in Pakistan since 50 years. It appears that inadvertently the government maybe favouring offshore operations of foreign companies, and this programme may only drive away some of the current players branch offices from Pakistan.

If the Governments objective is as above, then a reasonable notice period should be issued to allow these companies to change their mode of operation. Member

companies have written to your Ministry and held meetings with you and Mr. Salman Ansari, but no communication or clarification has been issued.

In the end, the Pakistan software industry is in a developing state, which is also apparent from the CMM level (Carnegie Mellon Maturity model) and certifications achieved, As such large corporations and Govt. projects, will in some cases require internationally tested and proven application packages. The government cannot restrict market access by adopting barriers as this action you will agree is not in line with worldwide trade practices, and the image that Pakistan needs to create, President Musharraf and his team of Ministers had visited the OICCI in November 2000 and assured of a level playing field, which was reiterated by Finance and Commerce Ministers this year.

I request your personal interaction to ensure that the established OICCI member companies like IBM, Siemens, Unisys, 3M, (NCR) etc have a level playing field and are not prevented from participating in government projects.

Following actions and clarification from Ministry will help clear the matter

1. All companies incorporated or registered in Pakistan can bid for government software outsourcing projects. The CE directive does not address hardware, databases, system software, networking, and infrastructure.
- 2 Foreign companies who do not have branch offices or are not incorporated in Pakistan can bid through Pakistan based agents and partners.
3. In both cases above companies should ensure transfer of skills and know how to Pakistani companies.

We are confident that the government will take these matters seriously and a quick resolution will be found which has been overdue for almost one year now. Finally, the OICC&I will be honoured if you could spare some time and visit and address us, to meet the members at the earliest date which includes over 180 leading names of Pakistan.

With kind regards,

Yours sincerely,

MOIN M FUDDA
PRESIDENT

29th April, 2002.

**Mr. Abdul Razzak Dawood,
Minister for Commerce, Industries & Production,
Ministry of Commerce,
Pak Secretariat Block 'A',
ISLAMABAD.**

Dear Minister,

In the course of your recent visit to this Chamber, one of our Members had drawn your kind attention to the fact that in the Pak - Afghan Transit Trade Agreement, signed in 1965 mentioned only Karachi Port for commercial cargo, in transit destined for Afghanistan, because, Port Qasim was not existing then.

Now that Port Qasim has become the second largest Port of the Country, the importers of Afghan Cargo may be allowed to use Port Qasim as well, as an alternate Port.

This facility will ease the pressure on the already congested Port of Karachi, and will so ease shifting the goods, through land route to Afghanistan, by avoiding the traffic congestion of Karachi City.

With kind regards.

Yours truly,

**ZAHID ZAHEER
SECRETARY-GENERAL**

31st October, 2002.

**Minister of Interior
Government of Islamic Republic of Pakistan
Islamabad.**

Dear Sir,

SECURITY OF SHIPS AND PORTS

As you are aware, import and export of products and commodities are essential for the well being of an economy. The cheapest mode of freight is through sea routes. Therefore for any sovereign country the security of ocean trade routes and port facilities is of paramount importance to safeguard its economic interests.

In the wake of the recent terrorist attack on French oil tanker 'LIMBURG' there is credible information available that Oil Tankers in the Arabian Gulf and Arabian Sea are at high risk. In this environment it is highly desirable that the security of ships in the Exclusive Economic Zone (EEZ) of Pakistan should be strengthened, and appropriate measures taken to ensure safety of shipping lanes leading to the two ports at Karachi.

Hence, it is requested that PN, security agencies, and port authorities undertake increased vigilance for the security of the ports and keep OICCI informed of the measures taken by the Government to ensure security of ports and shipping.

Yours truly,

**ZAHID ZAHEER
SECRETARY-GENERAL**

- c.c.: Chief of Naval Staff
Pakistan Navy
Islamabad.
- c.c.: Director General
Maritime Security Agency
Karachi.
- c.c.: Chairman
Karachi Port Trust
Karachi.
- c.c.: Chairman
Port Qasim Authority,
Karachi.

12 December 2002

Mr Rashid Sadiq
Executive Director (Enforcement & Monitoring,)
Securities & Exchange Commission of Pakistan
NIC Building, Jinnah Avenue
ISLAMABAD

Dear Sir

The Companies (Amendment) Ordinance, 2002 - Half Yearly Accounts

This is with reference to the recent amendment in the Companies Ordinance, 1984 and subsequent S E C P's Circular No.16 of 2002 of 11 December 2002. As per the new amendment in Section 245 of the Companies Ordinance, 1984, listed companies are now required to publish their Accounts for the 2nd Quarter also within one month from the close of their first half year. Further, these Accounts are also subject to limited scope review by the statutory auditors.

Prior to aforesaid amendments (promulgated on 26 October' 02) in the Companies Ordinance 1984, time of 60 days was available for the circulation of the half yearly accounts. As such most of the multinational companies had arranged for the Board Meetings for the impending/next half yearly accounts keeping in view the time frame of 60 days. In view of pre-occupation of the Directors, particularly those non-residents whose schedule of meetings is already in place for the next 6 to 8 months, it has become extremely difficult for these companies to rearrange and bring forward their Board Meetings for the purpose of accounts of the 2nd quarter.

Even otherwise since there is lot more work involved in the preparation of half yearly accounts, In addition to the review thereof by the External Auditors you are requested to kindly reconsider amendment to Section 245 and it could be of invaluable help if you could either

- 1 restore in to the previous provisions of Section 245; or
- 2 at least, for the interim period, grant one-time dispensation from application of serial No.39 of Section 2 of the Companies (Amendment) Ordinance 2002 to Companies in respect of their impending / upcoming quarter.

Thanking you

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

18th February, 2003.

**Mr. Khalid Mirza,
Chairman,
Securities & Exchange Commission of Pakistan,
NIC Building,
63-Jinnah Avenue,
ISLAMABAD.**

Dear Sir,

**LISTED COMPANIES (SUBSTANTIAL ACQUISITION OF SHARES)
ORDINANCE 2002**

Further to our letter dated 29th January, 2003, we have the following observations to make:

The proposed Ordinance aims to provide transparency and an even playing field, so that all investors including small shareholders can get an equal chance to benefit from any substantial acquisitions of shares in a company, and we commend the intention.

We have therefore reviewed the Ordinance, and generally are supportive of the provisions. We however feel that certain amendments are required to make it less cumbersome for foreign investors.

- Because of overseas mergers / acquisitions and sometimes other reasons, group companies overseas move their shares from one investment group overseas to another investment group overseas. Therefore, divestment / transfer of shares in a local subsidiary whether as a consequence of a global corporate restructuring or otherwise, by a non resident company to another non resident company abroad should be exempt from the operation of this Ordinance. This would, also facilitate the multinationals to carry out divestment / transfer of shares amongst group companies outside Pakistan without any hindrance, thus facilitating and encouraging investment in Pakistan.
- We believe that where the control of a target company already vests with the acquirer, no real benefit will result from the proposed disclosure. Accordingly, the Ordinance should not apply to acquisition of additional shares by an acquirer who already, directly or indirectly, holds more than 51% shares in a target company.

- Limiting the right to acquire additional 5% share for twelve months does not serve any purpose and therefore, the limitation of twelve months should be removed. The Ordinance allows that as long as the aggregate shareholding of an acquirer does not exceed 25% a person who acquires 10% shares in a listed company can acquire, within a period of twelve months, another 5% shares without making a disclosure to the company and the stock exchange.

In light of the above observations, we would suggest that following amendments be introduced in the Ordinance:

1. Following new Sub Clauses be added in Section 3:

- (i) Divestment / transfer of shares in local subsidiary company by a non resident company to another non resident company abroad.
- (j) Acquisition of additional shares by an acquirer or person who together with Its associated companies, holding company, or subsidiary companies holding 51% or more of the shares or voting rights in the target company.

2. In lines 1 and 2 of Section 4 Sub Section 3 following words should be deleted:

“in any period of twelve months after acquisition of voting shares”

3. First line of Section 5 Sub Section 1 should be changed to read:

“No acquirer holding less than 15% of voting shares in a listed company directly or indirectly shall directly or indirectly acquire”

Also in Section 5 Sub Section 1 (ii) the following words should be deleted:

“Control of a listed company”

4. In Section 6 Sub Section 1 the word “control” appearing in first, second and third lines should be deleted.

5. In Section 34, the words “or expedient” should be introduced in the second line after the words “not practicable”.

We trust you will find these comments useful and will be able to incorporate the necessary changes in the Ordinance.

Yours truly,

KAMRAN Y. MIRZA
PRESIDENT

27th February, 2003.

**Mr. Humayun Akhtar Khan,
Federal Minister for Commerce,
Pak Secretariat,
Government of Pakistan,
ISLAMABAD.**

Dear Sir,

Further to your visit to the Chamber on 27th December, 2002, and with reference to our letter dated 31st December, 2002 wherein we sent you the comments on Changes required in IPR Laws made by Mr. Hasan Ali Khan.

We are now attaching herewith our comments on Reduction in Lending Rates and Project Finance, as desired by your goodself.

The comments on the remaining matters on Antidumping Legislation and Annual Adjustments of Prices of Pharma Products will follow.

Yours truly,

**KAMRAN Y. MIRZA
PRESIDENT**

Attachment:

REDUCTION IN LENDING RATES

The banking system has been and continues to be dominated by large network banks, both those in the public sector and ones that have now been privatized but still carry their public sector legacy. These banks have a substantial intermediation cost from carrying excess branches and staff. They also include large NPLs and write-offs, which have a double impact on their profitability - firstly, through the cost of carrying non-earning assets and secondly, through the non-availability of tax credits on these bad debts

These elements typically add 4-5% of additional costs to their Balance Sheets which are added back to their normal margins. This results in an overall increase in lending rates and pushes up the market as a whole.

The other issue is that the large banks typically use their average cost of funds to determine their lending rate, rather than their marginal cost. Thus, despite the steep drop in market interest rates, this has not translated into an equivalent drop in rates at the large banks which dominate the overall market.

The table below shows data on average lending rates and spreads as of November 2002. It is interesting to note that the nationalized and privatized banks have by far the highest spreads, primarily as a result of the factors mentioned above. However, as a result of market realities, their lending rates have reduced by 1.73% from the interest rate peak of June 2001.

	Nationalized Banks	Privatized Domestic Banks	Private Domestic Banks	Specialized Banks	Foreign Banks	Overall Market
Lending Rate	12.18 %	11.51 %	11.11 %	14.09 %	7.93 %	10.66 %
Spread	8.72 %	8.41 %	5.96 %	4.18 %	4.35 %	6.79 %

While headways has been made on the excess intermediation cost through World Bank assisted restructuring programs, these costs are still substantial. Similarly, while the establishment of the CIRC and tougher recovery laws have stanching the problem of NPLs, it is still an issue that remains to be fully addressed. Meanwhile, tax recognition of the related losses is necessary and will assist in reducing carrying costs. In essence, CBT should accept the write-off's mandated per Slate Bank requirements - this in itself will make a sizeable difference.

PROJECT FINANCE

Since the days of the IPPs, There has been a general lack of activity within the private sector. Most major initiatives have been infrastructure related and in the public sector domain. These conventionally require long term funding and therefore, by definition, are reliant upon multilateral and ECA funding. While commercial banks based in Pakistan have participated in the local currency component and tail portions of fcy debt of these projects and in the few private sector initiatives that have been launched their enthusiasm for project finance is not at the level one would desire it to be. This is primarily due to:

Inconsistent Government Policies: Inconsistency on part of the regulators on issues such as tariffs (e.g IPPs, Petrochemicals etc), ability to curb smuggling and dumping (e.g. Tinplate, Acrylic) and witch hunt (Daewoo, Hubco, Baendar etc) have swayed banks away from such projects which are reliant on continued government support.

Liquidity Constraints: Commercial banks see their primary role as providers of working capital funding and have funded themselves with short term deposits, constraining their ability to commit funding for extended tenors. This is further compounded by lack of developed capital markets, which in other countries provide the platform for sell down and ensures Availability of liquidity in time of need.

Delay in Arbitration and Court rulings: Commercial contracts with suppliers and buyers are the key to most projects. Timely court rulings and enforcement in the event of dispute or defaults under these contracts is therefore critical. Banks in Pakistan draw little comfort from the ability of courts to redress such issues in a timely manner. This is exacerbated by the fact that, when banks do have to bear a loss, there is no tax relief given, which further erodes profitability to unacceptable levels.

Geopolitical instability: . An alternate to local currency funding is the cross border financing which foreign banks (both on and off shore) are capable of providing. However, there needs to be a protracted period of stability before foreign banks will feel comfortable in committing terms cross border to the country.

We would recommend the following:

a) Consistency in government policies is critical. Even when it is perceived that the government has not received the best deal from the investor, re-opening contracts and inadequate follow through on commitments only serves to reinforce the impression of instability and unreliability. These are anathema to the foreign Investor, particularly when long term funds are being committed as they are for project finance

b) Expeditious arbitration procedures and disposal of cases currently stuck in the courts which would demonstrate that the process works efficiently.

c) Provide tax relief on bad debts in accordance with SBP regulations in order to avoid the double impact of losses

d) Creation of a mechanism for mutual funds, pension funds and insurance companies to invest in project finance. These are institutions that have a natural appetite for long-term returns as their funds are also based on longer tenor deposits. The banking system could intermediate by bringing together these investors with appropriate channels for investing their large fund based. They should also be encouraged to invest in the capital markets as, despite the framing of appropriate legislation and improved transparency, bond markets have yet to develop meaningfully in Pakistan

27th February, 2003.

**Chairman,
Oil & Gas Regulatory Authority,
ISLAMABAD.**

Dear Sir,

PETROLEUM INDUSTRY STANDARDS

On behalf of the Overseas Investors Chamber of Commerce & Industry (OICCI) we would like to welcome the establishment of the Oil & Gas Regulatory Authority (OGRA) as an important development in creating an investor-friendly environment in the oil & gas sector in Pakistan.

In addition to the other initiatives that OGRA will be taking, you will appreciate that proper industry standards in line with acceptable international practices will be a key facet in attracting foreign investment in the oil & gas sector. In this regard we believe that the oil industry, through the Oil Companies Advisory Committee, has already started work on reviewing the existing petroleum industry standards, and hope to submit recommendations to OGRA in the near future. We hope these updated standards can be considered and formalized by OGRA as soon as possible.

At the same time we would like bring to your kind attention our concern about the governance of 'standards' in the petroleum industry. As you are aware, the responsibility for inspection/compliance of 'standards' in the petroleum industry presently lies with government agencies whose enforcement of standards leaves much to be desired. This has serious implications as the industry deregulates.

We feel that the industry has an important role to play in maintaining 'standards' to an acceptable level, and we are hopeful that OGRA and the industry can work together to develop a robust governance system that will assure quality and safety 'standards' in the industry.

Please let us know if OICCI is can provide any assistance in this regard.

Thanking you,

Yours truly,

**ZAHID ZAHEER
SECRETARY-GENERAL**

27th February, 2003.

**Mr. M. Abdullah Yousuf,
Secretary,
Ministry of Petroleum & Natural Resources,
Room No. 305, Block 'A',
Pak Secretariat,
ISLAMABAD.**

Dear Sir,

FUEL SUPPLIES TO IPPS

On behalf of the Overseas Investors Chamber of Commerce & Industry (OICCI) I would like to draw your kind attention to the monopoly situation currently existing in the area of fuel supplies to IPPs. We feel that if this situation continues, particularly in view of the impending PSO privatization, it would be detrimental for current and future foreign investment in the oil & gas sector in Pakistan.

We understand that proposals have been submitted by the industry to the Government aimed at introducing competition in the fuel supplies to IPPs and likely to bring considerable annual savings to the utilities that can be passed on to the consumer. These proposals, we believe, will also reduce the Government's exposure vis-à-vis its sovereign guarantee on behalf of PSO.

We hope these proposals are given due consideration by the government, as it is crucial to provide a level playing field for foreign investors in Pakistan so that future investment is encouraged.

We would much appreciate your help in furthering this issue.

Thank you.

Yours truly,

**ZAHID ZAHEER
SECRETARY-GENERAL**

27th May, 2002.

PRESS RELEASE

Mr. Nisar A. Memon, Federal Minister for Information & Media Development visited the Overseas Investors Chamber of Commerce & Industry in Karachi on 24th May, 2002.

The President, Mr. Moin M. Fudda in his welcoming remarks recognized Mr. Memon's contribution as Past President of the Chamber, and as the founder head of the NGO 'Reformers'. He congratulated him on assuming the eminent office of Federal Minister.

The President stated that the Chamber is pleased that the Government has taken several important steps in improving the investment climate, and some results are already visible. Broad guidelines of what needs to be done to restore business confidence were touched upon.

President expressed the Chamber's grief and dismay on the tragic events of 8th May. *The Chamber is solidly behind the President of Pakistan in the extremely critical and tense situation and with the relationship with the neighboring Country, and is confident that the matter will be successfully and effectively dealt by the Government.*

Minister, Nisar Memon while responding to the Chamber's President, stated that it was a great pleasure to be back in the Chamber. He recognized the Chamber's contribution in economic development of the Country, particularly its role in sharing policy guidelines with the Government and its contribution to Human Resource and Management Development in the Country. The economic reforms of the present Government are ongoing and the Chamber has played a useful role in this respect too.

Commenting on the 8th May events which the Minister described as saddening, he wished to assure investors that everything will be done to protect the employees and assets of the investors. The undeclared war by India is unprecedented. The commitment of the troops and morale is very high, there is no panic and the wheels of industry are turning. He has recently visited the Sialkot area and found business as usual. Government is paying attention to civil defence matters to cope with any untoward incident. Although uncertainty and concerns are there, the diplomatic efforts of the Government are strong.

Speaking of media development, the Minister said that a new regulatory body called PEMRA has been established and new T. V. Channels will be allowed in the private sector.

Minister, Nisar Memon then formally launched the Chamber's Website, the URL is www.oicci.org. He congratulated the Chamber on this event.

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

ISSUED BY:

ZAHID ZAHEER
SECRETARY GENERAL

15th November, 2002.

**Mr. Asad Jahangir Khan, PSP,
Additional I. G. Police,
Sind,
KARACHI.**

Dear Mr. Khan,

Reference your letter of 24th October, 2002. We are pleased to donate the following equipments for your School at Garden Police Head Quarters, Karachi on behalf of Overseas Investors Chamber of Commerce & Industry.

- | | | |
|----|---|-------|
| 1. | DIGITAL MULTIMEDIA PROJECTOR OPTOMA
CTX MODEL EZ PRO 735 | 2 NOS |
| 2. | GAYLORD OVERHEAD PROJECTOR 3000 T.2 | 2 NOS |
| 3. | MANGO PREMIUM WITH INTEL PENTIUM 4 | 2 NOS |
| 4. | H.P. LASERJET 1200 PRINTER | 2 NOS |

Our Chamber hopes that these equipments will be useful in developing training courses, resulting in increased Police efficiency leading to improved security environment.

Yours truly,

**KAMRAN Y. MIRZA
PRESIDENT**

POINTS FOR MEETING ON FRIDAY 27TH DECEMBER, 2002.**1. IPR ISSUES**

Indifference to implementation of IPR laws. Investors unwilling to bring in their brands for fear of proliferation and counterfeit products. The unchecked sale of counterfeit products results in substantial loss of revenue to the Government (estimate Rs. 10 Billion per annum). Offenses of counterfeiting and infringement to be made cognizable and non bailable in the Pakistan Penal Code. Overlapping provisions of the penal code and the trade marks ordinance need to be reconciled and consistency in the two laws ensured for better enforcement. Minimum fines must be prescribed to act as a deterrent. New Ordinances being considered by the Government need to be expedited.

Government of Pakistan should create separate courts for the hearing of IPR violations.

Patents

In January 2001, a new patent ordinance was promulgated by the government which recognize TRIPS. But inspite of lapse of almost 2 years, the rules under the new legislation have not been made. Instead, after DOHA declaration, there is a talk of rolling back some of the provisions of the new patent legislation.

Example: Ministry of Health has registered many generic copies of the patent products of multinational pharma companies. Therefore, in practical terms, not much has changed after the new patent ordinance.

We seek the help of government to ensure that appropriate rules are made in order to enforce the new patent legislation in letter & spirit.

Data Exclusivity

The new Patent Ordinance does not provide data protection as per TRIPS clause 39.3. Data exclusivity provisions required by Jan 1, 2000 for all WTO developing countries were not included in this legislation. As such, Pakistan government has not met the deadline of Jan 1, 2000 and is in default of clause 39.3. The concerned government ministries viz. Commerce and Health have not even set in the initial process to comply with the data exclusivity clause. There seems to be completely lack of awareness and training in all government departments involved in implementation and compliance of data exclusivity in specific and IPR in general.

Example: The Ministry of Health is completely unprepared to carry out its obligation under TRIPS. Instead they have accelerated the registration of generic copies of patent products of multinational pharmaceutical companies, thus causing huge revenue loss.

2. PHARMA INDUSTRY ISSUES

Trademarks

The Ministry of Health decree dated August 24, 1994 requires the generic name of a pharmaceutical product to be printed "with at least equal prominence as that of the brand name". This constitutes an infringement of the proprietary rights of the originator. This dilutes the existing differences in quality, efficacy and safety that are signaled through trade name, and incorrectly implies total interchangeability and equality of two different products. This may conflict with Pakistan's obligations under WTO TRIPS rules protecting trademarks (TRIPS Article 20, indicating that "[t]he use of a trademark shall not be unjustifiably encumbered by special requirements..."), and therefore should be amended to comply with TRIPS.

New products registration & pricing

The regulation to obtain a sales permit for a given pharmaceutical product require that the dossier of supporting data be accompanied by certificates of free sales, confirming the approval for sales of the product in developed countries of the world such as the US, Europe & Japan. Local companies, however, can register products from any source. This policy discriminates, therefore, against the research-based companies operating in Pakistan, many of which have registered in Pakistan as Pakistani companies.

Moreover the general experience of many multinational companies in Pakistan is that the time required for the registration process often is two years and even longer. Most of this time is consumed in lengthy and cumbersome, price fixation process. It is expected by those responsible for the pricing decisions, that a new chemical entity will be sold at a price at par with the existing products in the market. The mindset is of "Right to low price" because of being a third world country. Moreover the new research products are considered, as "fancy products" not meant for poor countries like Pakistan.

There are many instances, where products were rejected by the MOH registration board saying that "Product is uneconomical".

We recommend that research based companies should be allowed to market new chemical entities (NCEs) once these are approved by FDA and other regulatory agencies and let the market forces determine the price of the new products.

Price Controls

While the Government of Pakistan has committed itself to allowing annual price increases utilizing a formula which considered currency devaluation and local inflation, allowed price increases have been intermittent and inadequate. The last price increase (December 2001) of 3% on controlled

and 4% on decontrolled, came after one and a half-year and does not offset the cost increases that the industry had to bear during this period.

We seek assurance from the government for the appropriate price adjustments on an annual basis for controlled group of products and remove price controls from the decontrolled group of products. Let the market forces decide the price level of decontrolled group of product.

High Price Products:

MOH has a list of 65 products, on which there were, forced price reductions in the previous years by the MOH, on the basis of alleged high prices compared to India. The irony is that many brands included in this list are not marketed in India, by the respective companies. In spite of the price reductions during 1998 - 1999, these products were excluded from the price increases of June 2000 and December 2001. We recommend that these products must be treated at par with other products for future price increases.

3. GENERAL COMMERCIAL ISSUES

Need for better coordination and integration of policies between various government agencies. Despite promises of reduced intervention, still too many inspections are being carried out

Free trade with Bangladesh and Sri Lanka to be encouraged but should not be allowed to damage local industry

Serious attempts need to be made to curb smuggling of tea and other consumer products, GOP loses tax revenues.

Advance payment in lieu of Letter of credit

Several years back, all advance payments irrespective of commodity to the extent of USD 10,000 for each single transaction was allowed by the State Bank of Pakistan for the import of commodities into the country. No ceiling in the annual amount or number of transactions.

Advance payment in lieu of Letter of credit is restricted to the to the amount of USD 15,000 per fiscal year, and is only for the import of plant & machinery spares.

For the convenient of the industrial importers, the earlier policy, available few years back, as mentioned above may be revived.

Loading on Imports

Customs are singling out certain multinational companies and loading their imports using excuses such as: imports made from parent companies are under invoiced and that the GATT regulations allow companies with royalty agreements to be surcharged.

This is totally unproductive as far as encouraging investment and again makes affected companies unfairly uncompetitive.

Free Import of Secondhand Cryogenic Insulated vessel HS Code 7311.1000

Cryogenic Insulated vessels are especially designed liquid Oxygen & Nitrogen storage tanks, not being manufactured locally. The cost differential between the brand new and used/secondhand is substantial, and with the permission to import the secondhand vessels, an enormous amount of Foreign exchange of the country will be saved, and this will give the boost up in the industrialization in the country. These tanks are free of hazard/explosion. The user of such tanks are only Industrial units for the manufacturing/distribution of industrial & medical gases. Recommended to allow the import of used / second hand vessels.

General Issues

High cost of doing business in Pakistan:

This issue has been taken up in the past also and companies have consistently pointed out that in an environment of decreasing tariffs they are not able to compete effectively with overseas competitors because certain fundamental business costs are higher in Pakistan as compared to other economies. These costs include :

- (a) Cost of utilities especially electricity;
- (b) High financial cost which remains opposite regional competitors so despite the recent decrease in interest/mark-up rates;
- (c) Pakistani companies are also required to invest in infrastructure as the existing infrastructure in Pakistan is inadequate poor and there is no move by the government to provide better facilities at industrial sites. ICI Pakistan itself when it was setting up the PTA project in 1996 invested US\$ 35m in 54 km, a water pipe line which provides 4.5mgd of water, a connector and electricity grid station (which was subsequently handed over to KESC) for US\$ 150m. A chemical jetty and tank farm were set up by a 3rd party (EVTL) and ICI Pakistan contracted to pay back the costs under a 15 year take or pay contract. An effluent treatment plant (as municipal land fills were not available), despite the fact that the plant was being set-up in a brand new industrial estate close to Karachi.

4. INEFFECTIVENESS OF ANTI-DUMPING LEGISLATION

1. Import duties in Pakistan have been reduced to a maximum of 25%, which brings sharply into focus the necessity of effective antidumping laws to prevent injury caused by dumping by overseas competitors.
2. The Antidumping Ordinance promulgated in 2000 is weak in its ability to counter dumping and the process and procedures prescribed in the Ordinance are onerous. The establishment of an economic injury to domestic industry under its provisions requires significant cost and time.
3. The National Tariff Commission is ill equipped to handle complaints under this Legislation. It has inadequate resources and expertise. It is imperative that adequate professional expertise is made available to the Commission if their determinations are to be made within time frames which are acceptable and of a quality and on issues of complexity which face the Commission.
4. Since its promulgation only one case has been processed under the Ordinance which relates to import of tin plate from South Africa. It took 18 months for the Commission to recognize the injury and impose a regulatory duty whereas the Ordinance itself stipulates a period of 180 days for a decision. The Ordinance allows the Commission a minimum period of 60 days before it initiates any proceedings on a complaint. This period allows product imported at dumping prices to be cleared through customs and sold in the marketplace causing injury to and closure of domestic manufacturing even prior to the initiatives of any proceedings by the Commission.
5. The complainant under the Law is required to be the Industry affected and not an individual manufacturer or Company. It is not always possible to bring all industrial units to a common platform as internal competitive pressures and locational differences may result in differing levels of injury to different manufacturers. The law does not specify what constitutes "an industry", is it a trade body, is it a group of manufacturers or does it have to be all manufacturers in that industry the recognition of a valid complainant is the prerogative of the Commission.
6. Antidumping legislation in competitive economies is used proactively by the Government to prevent injury to domestic industry which with the decline in tariffs in Pakistan is new, severe and instantaneous. The European Union moves within days of any perceived threat to European industry to impose countervailing and antidumping duties. The Tariff Commission and the Government of Pakistan are reluctant to challenge major trading partners like Japan and China under this legislation due to larger political and economic issues. This reluctance

however has left the Industry vulnerable and weak. Manufacturers in the Far East including China, dump products into Pakistan at marginal prices whilst protecting their domestic markets with tariffs. Tariff regimes in competitive economies like India and China are now more conservative than Pakistan providing manufacturers in those Countries a competitive advantage for sale of product at prices marginal to external markets. This competitive disadvantage to Pakistani manufacturers is further compounded by the high cost of "doing business in Pakistan" and the very sharp reduction in tariff brought about in a timeframe insufficient for the domestic industry to re-engineer itself for the enhanced international and regional competition consequent to lowering of tariffs.

7. The Antidumping Law as it currently stands only recognizes dumping as a phenomena when a manufacturer exports at prices lower than those prevailing in its domestic market. This measure "ignores cost of production". For periods of time domestic over-capacities have resulted in prevailing prices being below cost of production. The export of product below cost of production to relieve domestic overcapacity should also be recognized as dumping.

Continuity and consistency in policies:

The time horizon for investment viability of industrial profits in particular capital intensive chemical plants is normally a minimum of ten years. Frequent policy changes eg. tariff reduction, utility cost increase tax rates charges have rendered significant assets at a substantial loss to the economy. A policy framework should be in place to guide investment to particular economy sectors which then guarantees consistency / continuity of operating environment for that sector.

Further projects have been set up based on specific time bound concessions/incentives e.g. a tax holiday for setting up power generation units. Once these incentives are acted upon then the government should not renege on such commitments.

5. MULTIPLICITY OF TAXES

The government has recognized this and has worked to eliminate multiplicity as much as possible. However, there continues to be an overlap in some areas e.g. between sales tax and excise duty. Both taxes are related to consumption and it is therefore suggested that excise duty should be done away with since the ambit of sales tax has been continuously broadening.

Enforce Laws and Stem Revenue Leakages:

Ineffective enforcement of fiscal laws gives organizations which do not pay duties or taxes correctly an unfair advantage. Whilst better enforcement will result in a more level playing field, a balance must be maintained, as enforcement should not be used as an excuse for undue

bureaucratic interference with business. Practically, it is seen that enforcement/interference occurs more in the organized sector and the unorganized sector/local companies are not touched. The government must also recognize that a number of companies also incur additional costs to maintain high environmental standards or comply with the laws in other areas which costs are not borne by companies in the unorganized sector. However these companies are not penalized for their breach of laws.

6. SHIPPING ISSUES

Abolish Karachi Dock Labour Board as it has gross over employment. It employs 4,800 people against a KPT requirement of 1,200 only. Excessive employment costs results in a KDLB levy on trade which makes ship handling costs more expensive in the region. The Karachi Dock Labour Act of 1973 regulates employment and restricts private employment in port area and permits only KDLB employees, and authorizes the cost of KDLB employees to be charged as a levy which is passed on to the trade, which presently is excessive at Rs. 1,000 per TEU. Afghan transit trade to be permitted from Port Qasim.

7. IT ISSUES

Foreign companies operating in the I. T. area in Pakistan are being restricted to participate in GOP tendering requirements, due to misinterpretation of CE's directive.

8. INSURANCE ISSUES

New Insurance Ordinance promulgated in August 2000 with Insurance Rules being finalized in December 2002 to help regulate them. The purpose of the New Ordinance was to improve capital adequacy, solvency margins and generally enhance transparency of the insurance companies operating in the country.

September 11th events have accelerated the hardening of insurance and reinsurance markets worldwide and caused a major reduction and in some cases complete disappearance of international insurance and reinsurance capacity. The impact on users are being experienced in the form of higher prices, limited scope of coverage and greater self-insured retentions. We believe that this to some extent is due to the lack of success in the last fifty years to develop an indigenous insurance industry due to state intervention in the form of National Insurance Corporation. and Pakistan Reinsurance Company.

Affordable investment capital from both domestic and foreign sources for new high profile strategic projects and privatisation of certain government owned enterprises may be in jeopardy unless insurers are willing and capable of offering comprehensive (political, sabotage and terrorism) and reasonably priced insurance

9. OIL INDUSTRY ISSUES

INDUSTRY STANDARDS

The petroleum industry in Pakistan is functioning under outdated rules, such as the 1934 Petroleum Act & 1937/1971 Petroleum Rules etc. These rules are currently being updated by the industry to bring them into the purview of the OGRA Ordinance, but this will require Government support.

The governance of standards in the petroleum sector is presently under various Government agencies whose performance leaves much to be desired. This has serious implications as the industry deregulates and new entrants are allowed. An industry role needs to be introduced in this area, possibly via the Petroleum Institute of Pakistan (PIP), a non-profit industry body, to bring professionalism and transparency to the governance and compliance of standards.

INDEPENDENT POWER PRODUCERS (IPPs)

PSO has a monopoly on fuels & lubes supplies to IPPs under a sovereign guarantee by the Government. Although the Fuel Oil sector has been deregulated, the IPPs have not benefited from deregulation in this sector due to a lack of competition. As an example it is noted that WAPDA has obtained savings of over Rs 300 mn since it introduced the tendering process in its Fuel Oil purchases last year. This translates into tariff savings of Rs 0.06-0.08/kWh.

It is therefore recommended that the sovereign guarantee on the IPPs business be extended to other private-sector oil companies to create a level playing field with a privatised PSO, and to pass the benefits of competition to the consumer.

LAHORE AIRPORT

PSO has been given long-term exclusive fuelling rights by CAA at the new Lahore airport in return for their investment in the fuelling hydrant there. The standard international practice is to allow several oil companies to operate at an airport to provide competition and give benefit to airlines, which in turn encourages air traffic and generates revenue for the country.

Due to the PSO monopoly at Lahore airport, IATA has placed a lower value on the airport that will discourage airlines from fuelling there, and will damage the casual and technical landings business at the airport. It is therefore requested that the Government allow other oil companies to have an equitable access to the Lahore airport to provide healthy competition and enable the airport to become an attractive fuelling location for airlines, which will result in increased revenue generation for the country.

STRATEGIC STORAGE

It is important to distinguish between commercial and strategic storage in Pakistan. While the requirement for strategic storage for petroleum products is undeniable, this needs to be addressed by the Government through specific proposals in line with international models. Such proposals should include recommendations for financing the strategic storage and stocks on a sustainable basis.

It is also recommended that the ongoing World Bank funded study by Mott MacDonald be undertaken with full industry participation to be able to reach workable proposals.

SURPLUS ROAD FLEET DUE TO WOPP

After commissioning of the new white-oil pipeline (WOPP) in 2004 for carrying diesel from Port Qasim to Mehmoodkot, the requirement of the road tank-lorry fleet which is currently transporting diesel upcountry will reduce drastically. It is estimated that about 7,500 tank-lorries will be needed as compared with the current fleet size of 15,000 tank-lorries.

Rehabilitation of the surplus road tank-lorry fleet, as well as removal of old and unsafe vehicles, is seen as a major law-and-order/social issue due to the influence of the transport unions. In our view financial support from the Government and international donor agencies will be crucial to undertake the rehabilitation of the surplus road fleet.

SMUGGLING

Wholesale smuggling of petrol and diesel from Iran and Afghanistan has increased dramatically over the past 12 months. In addition to causing an annual loss of Rs. 5 billion to the Government exchequer, this is having a severe impact on the business of oil companies and their dealers in NWFP & Baluchistan, and reducing their ability to invest in safety and quality standards for the benefit of the consumer.

Government is requested to take strict action to curb this smuggling and protect the legitimate tax-generating activities of the petroleum industry.

**SPEECH BY MR. KAMRAN MIRZA, PRESIDENT, OICC&I
ON OCCASION OF THE VISIT OF MR. HUMAYUN AKHTAR KHAN, FEDERAL
MINISTER FOR COMMERCE - 27TH DECEMBER 2002**

BISMILLAH IR REHMAN NIR RAHEEM,

**HONOURABLE MINISTER OF COMMERCE, MR. HUMAYUN AKHTAR KHAN &
MEMBERS ASSALAM-O-ALAIKUM,**

OUR DISTINGUISHED VISITOR TODAY, BELONGS TO A VERY WELL KNOWN FAMILY OF PUNJAB AND IS THE SON OF THE LATE GENERAL AKHTAR ABDUL REHMAN KHAN. HE IS A MEMBER OF THE NATIONAL ASSEMBLY FROM LAHORE AND HAS THE DISTINCTION, OF BEING A MEMBER OF THE LAST FOUR NATIONAL ASSEMBLIES AS WELL. HE WAS PAKISTAN'S INVESTMENT MINISTER FROM JULY 1997 TO OCTOBER 1999. HE HOLDS A MASTERS DEGREE FROM THE UNIVERSITY OF MANITOBA IN CANADA AND HIS FIRST DEGREE IS FROM THE UNIVERSITY OF PUNJAB. HE IS A FELLOW OF THE SOCIETY OF ACTUARIES CHICAGO, USA AND A FELLOW OF THE CANADIAN INSTITUTE OF ACTUARIES. LAST BUT NOT THE LEAST, HE IS A SUCCESSFUL BUSINESSMAN IN HIS OWN RIGHT.

THE COUNTRY IS INDEED MOST FORTUNATE, THAT MAN OF HIS EXPERIENCE AND CALIBRE, IS RESPONSIBLE FOR SUCH A CRITICAL MINISTRY AT THIS POINT IN TIME.

IT GIVES ME GREAT PLEASURE TO WELCOME YOU, HONOURABLE MINISTER , TO THE OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY. THE CHAMBER LOOK TOWARDS YOU, NOT ONLY AS A FEDERAL MINISTER FOR COMMERCE, BUT ALSO AS ITS ENLIGHTENED AND FORCEFUL SPOKESMAN, IN THE HIGHEST FORUMS OF THE GOVERNMENT. I AM CONFIDENT, THAT WE CAN COUNT ON YOUR SUPPORT.

HONOURABLE MINISTER, THIS IS NOT YOUR FIRST VISIT TO THE CHAMBER, HOWEVER, A BRIEF INTRODUCTION WOULD PERHAPS BE IN ORDER.

- IT IS THE OLDEST CHAMBER IN PAKISTAN, FOUNDED IN 1860 BY BRITISH BUSINESSMEN.
- THE CURRENT MEMBERSHIP IS 183, OF WHICH

102	ARE INDUSTRIAL UNDERTAKING
33	TRADING
34	BANKING & FINANCIAL SERVICES
	&
14	INSURANCE, SHIPPING & AIRLINES

SEVERAL MEMBERS ARE LISTED IN THE FORTUNE 500 COMPANIES. COUNTRYWISE, THE REPRESENTATION IS AS FOLLOWS:

50 BRITISH	15 JAPANESE
48 CONTINENTAL EUROPEAN	11 MIDDLE EAST
47 AMERICAN	12 OTHERS

THE SALES OF MEMBER COMPANIES, CONSTITUTE 9% OF THE TOTAL GDP OF THE COUNTRY AND NEARLY 15% OF THE GDP OF THE MANUFACTURING SECTOR. THEY CONTRIBUTE NEARLY ONE FIFTH OF THE TOTAL TAX REVENUE OF THE GOVERNMENT OF PAKISTAN, AND EMPLOY AROUND 50,000 PEOPLE.

THE CHAMBER'S PRIMARY FUNCTION IS TO PROTECT AND PROMOTE THE COMMERCIAL, INDUSTRIAL AND FINANCIAL INTEREST OF EXISTING, AS WELL AS,

POTENTIAL FOREIGN INVESTORS IN PAKISTAN. IT WOULD NOT BE OUT OF PLACE TO MENTION HERE, THAT, OUR MEMBERS TAKE PRIDE IN BEING GOOD CORPORATE CITIZENS AND ARE CONFIDENT, THAT THEIR BUSINESS OBJECTIVES, ARE IN LINE WITH THE ECONOMIC ASPIRATIONS OF THE PEOPLE OF PAKISTAN.

HONOURABLE MINISTER, WHILE DISCUSSING THE CURRENT ECONOMIC ENVIRONMENT AND PLANNING FOR THE FUTURE, WE WISH TO ACKNOWLEDGE THE ECONOMIC ACHIEVEMENTS OF THE PREVIOUS GOVERNMENT, DURING THE LAST THREE YEARS. TO NAME A FEW - REDUCTION IN INTEREST RATE, LOWERING OF INFLATION, STRENGTHENING OF THE RUPEE, BUILD UP OF A SIGNIFICANT FOREIGN EXCHANGE RESERVE, RISE IN THE STOCK MARKET, LOWERING OF THE NATIONAL DEBT, IMPROVEMENT IN CORPORATE GOVERNANCE AND THE UNPRECEDENT ACCESSES ALLOWED TO THE MEMBERS OF THE BUSINESS COMMUNITY TO THE POLICY MAKERS AT THE HIGHEST LEVEL. BUT MORE NEEDS TO BE DONE, IF THE NEW GOVERNMENT'S COMMENDABLE GOAL OF ACCELERATED ECONOMIC GROWTH RATE IS TO BE ACHIEVED.

TODAY'S MEETING IS SO STRUCTURED, THAT THE ISSUES THAT CONCERN US, WILL BE INDIVIDUALLY TAKEN UP BY MEMBERS PRESENT THIS AFTERNOON. THE ISSUES SPAN YOUR RESPONSIBILITIES AS MINISTER OF COMMERCE AND AS A KEY MEMBER OF THE ECC. HOWEVER, BEFORE TAKING THESE UP, THERE ARE SOME BROAD AND GENERAL COMMENTS THAT I WOULD LIKE TO MAKE. I WOULD MENTION THAT THE SAME COMMENTS WERE ALSO MADE TO THE PREVIOUS GOVERNMENT.

HONOURABLE MINISTER, YOU WILL BE LEADING A DELEGATION TO THE U.S. TO RESUME UNFINISHED NEGOTIATIONS AND THESE INCLUDE MARKET ACCESS TO PAKISTAN. MARKET ACCESS ALONE HOWEVER, IS NOT ENOUGH. FIRMS NEED TO BE COMPETITIVE TO WIN IN THE EXPORT GAME. A KEY TO COMPETITIVENESS IS PARTNERSHIP BETWEEN BUSINESS AND GOVERNMENT THAT IS, THE COLLECTIVE EXPERIENCE OF THE PRIVATE SECTOR BACKED BY PRO ACTIVE SUPPORT OF THE GOVERNMENT POLICY MAKERS, AT THE HIGHEST LEVEL.

PAKISTAN MUST ALLOW TRADE AND ECONOMIC GOALS TO SHAPE ITS FUTURE POLITICAL AGENDA AND FURTHER IMPROVE INVESTORS CONFIDENCE. THIS WILL BE POSSIBLE, IF GOOD GOVERNANCE IS RELENTLESSLY PURSUED. THE ESSENTIALS OF GOOD GOVERNANCE KNOWN TO ALL OF US ARE CREDIBILITY, INTEGRITY, PREDICTABILITY, SPEEDY DISPENSATION OF JUSTICE AND EFFECTIVE AS WELL AS RAPID IMPLEMENTATION OF POLICIES.

THESE MUST REMAIN ON THE REFORM AGENDA OF THE PRESENT GOVERNMENT. TO ACCELERATE THE INFLOW OF DIRECT FOREIGN INVESTMENT, THERE IS NEED TO IMPROVE THE INVESTMENT ENVIRONMENT FURTHER. SOME OF THE AREAS THAT NEED TO BE ADDRESSED IN THIS CONNECTION ARE:

- CONTINUITY AND IMPLEMENTATION OF THE GOVERNMENT'S POLICIES AS WELL AS HONOURING OF COMMITMENTS.
- REMOVAL OF BIAS AGAINST MULTINATIONALS AND CREATION OF A LEVEL PLAYING FIELD.
- RATIONALIZATION OF TARIFFS SO THAT MANUFACTURING IN PAKISTAN, DOES NOT ATTRACT LEVIES, IN EXCESS OF THOSE LEVIED ON THE IMPORT OF THE SAME PRODUCT.
- RATIONALIZATION OF OVERPROTECTIVE LABOUR LAWS, THAT INHIBIT PRODUCTIVITY AND DISCOURAGES EMPLOYMENT.

- A LEAN AND CLEAN GOVERNMENT ON THE LINES THAT 'LESS GOVERNMENT IS GOOD GOVERNMENT'.
- SIGNIFICANT IMPROVEMENT IN LAW & ORDER. DUE TO SECURITY CONCERNS, THE U.S. AND MANY EUROPEAN COUNTRIES HAVE ADVISED AGAINST TRAVEL TO PAKISTAN.
- GREATER INVESTMENT IN THE SOCIAL SECTOR ESPECIALLY EDUCATION AND HEALTH.
- SIGNIFICANT IMPROVEMENT IN CURRENT INFRASTRUCTURE WHOSE POOR QUALITY GREATLY ADDS TO COSTS AND HANDICAPS EXPORTS.
- BARRIERS TO SUCCESS OF EXISTING COMPANIES.

ONE OF THE BETTER WAYS TO ATTRACT FOREIGN INVESTMENT, IS TO DEMONSTRATE SUCCESS OF EXISTING COMPANIES. THIS HAS BEEN MISSING IN SOME AREAS, WHERE UNREASONABLE PRICE CONTROLS HAVE BEEN IN VOGUE LIKE THE PHARMACEUTICAL INDUSTRY AND THE OIL & GAS- SECTOR. BOTH OF THESE NEED TO BE DEREGULATED AND INITIAL STEPS TAKEN BY THE PREVIOUS GOVERNMENT IN THIS DIRECTION IN THE ENERGY SECTOR, ARE APPRECIATED.

- AN EQUITABLE TAX SYSTEM IN WHICH ALL SECTORS OF ECONOMY INCLUDING AGRICULTURE, SHARE THE BURDEN OF TAXES. SALARIED EMPLOYEES, ORGANIZED BUSINESS AND INDUSTRY, MUST NOT BE OVER BURDENED WITH TAXES. PRESUMPTIVE TAXES MUST NOT BE OVERUSED AND TIMELY REFUNDS PAID WHEN DUE.

THERE IS NEED TO CONTAIN DISCRETIONARY POWERS 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 MINISTRY OF LAW. THIS WOULD MAKE THE APPEAL PROCEDURE MORE EQUITABLE. ALL THIS POINTS TOWARDS SPEEDING UP REFORMS IN THE CBR.

THERE IS NEED FOR DE-REGULATION AND FOR RAPID PRIVATIZATION OF UNDERDEPLOYED ASSETS
THE MARKET FORCES MUST BE ALLOWED TO DETERMINE THE LEVEL OF INVESTMENT REQUIRED AND PRICES. THE GOVERNMENT MUST NOT CONTINUE TO BE A PLAYER (COMPETITOR) AND REGULATOR AT THE SAME TIME.

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 - 1% FEE CHARGED FOR R&D TO ALL PHARMACEUTICAL COMPANIES, WORKERS PARTICIPATION AND WELFARE FUNDS.

I HAVE ONLY BRIEFLY TOUCHED UPON THE ISSUES AND AS MENTIONED EARLIER, THE MEMBERS PRESENT TODAY WILL ELABORATE ON THESE.

I CONCLUDE, HOWEVER, BY GIVING YOUR GOVERNMENT, A CATEGORIC ASSURANCE OF SUPPORT BY OUR CHAMBER AND LOOK FORWARD TO A WORKING RELATIONSHIP, THAT WILL BENEFIT ALL THE STAKE HOLDERS IN PAKISTAN.

THANK YOU.

31st December, 2002.

**Mr. Humayun Akhtar Khan,
Federal Minister for Commerce,
Pak Secretariat,
Government of Pakistan,
ISLAMABAD.**

Dear Sir,

I write to thank you on behalf of the Chamber for being gracious to visit the Chamber on 27th December, 2002.

At this meeting, Mr. Hasan Ali Khan , Chairman of the Chamber's Standing Sub Committee on Intellectual Property Rights raised several issues relating to violation of IPR Laws. I attach for your information and perusal a copy of the remarks made on this occasion.

Kind regards.

Yours truly,

**ZAHID ZAHEER
SECRETARY-GENERAL**

Attachment:

MEMORANDUM

December 27, 2002

Intellectual Property Rights Issues for Discussion with the Minister of Commerce Government of Pakistan

At the outset, we would like to express our concern regarding successive governments' apparent indifference to IPR issues. Unless IPR laws relating to Trade Marks, Patents, Copyrights etc. are made effective, and stern punishments awarded for violation, the country will suffer in the following manner:

1. It needs to be clear that the principal assets that an organization develops over time are its brands and the reputation and goodwill they carry. These brands, into which organizations invest heavily, are damaged by IPR violations.
2. Organizations will therefore, become reluctant to invest in Pakistan's economy if the present indifference to IPR laws continues and their intellectual property lacks protection. Multinationals, particularly, will not wish to invest and foreign investment will not come to the country.
3. The consumer is not being protected against spurious, sub-standard and possibly hazardous counterfeit products.
4. The quality image of the real brand is diminished or destroyed in the consumers' mind and consumers will lose confidence in brands and products.
5. The Government would continue to sustain substantial loss of revenue as these infringers and counterfeiters evade duties, taxes and government levies.
6. When Pakistan fully enters WTO arrangements, global companies will represent to the forum of WTO that Pakistan has failed to enact and enforce laws that already exist in South and South East Asian countries, with consequent damage to the country's reputation and image.

We believe the following actions need to be taken immediately to bring us at par with surrounding countries.

1. The offences of counterfeiting and infringement enumerated in the Penal Code and trade marks ordinance should be made "cognizable" and "non-bailable". In order that these laws act as a real deterrent they should provide for minimum imprisonment as well as minimum fines rather than maximum fines.

2. The offence of selling counterfeit products should also be made cognizable and non-bailable, as the seller is likely to be in collusion with the manufacturer,
3. The overlapping provisions of the Penal Code and Trade Mark Ordinance need to be reconciled and consistency in the two laws ensured for better enforcement.
4. The provincial governments should be empowered to make rules whereby the certificate of an independent laboratory certifying the goods to be counterfeit should be sufficient to sustain a conviction.
5. The Government of Pakistan should be requested to provide separate Benches in provincial High Courts to consider IPR violations.
6. New ordinances already under consideration by the Government need to be made effective and expedited.
7. Patents: In January 2001, a new patent ordinance was promulgated by the government which recognizes TRIPS. But in spite of lapse of almost 2 years, the rules under the new legislation have not been made. Instead—after DOHA declaration, there has been a rolling back of some of the provisions of the patent legislation, under the amendments passed in September 2002, which will make the law non-compliant with TRIPS.

Example: Ministry of Health has registered many generic copies of the patent products of multinational pharma companies, Therefore, in practical terms not much has changed after the new patent ordinance.

We seek your help and active support to ensure that appropriate laws are made in order to enforce the new patent legislation in letter & spirit.