

Swiss-Asian Chamber of Commerce



Brunei · Cambodia · Indonesia · Korea

Laos · Malaysia · Myanmar · Pakistan

Philippines · Singapore · Thailand · Vietnam

Pakistan: Land of Opportunities

No More Terra Incognita



Contents

Pakistan's Economy Stabilizes, Outlook bright for 2008

Ayesha Riyaz, Ambassador Embassy of Pakistan, Berne, Switzerland

Growing Swiss-Pak Trade Strengthens Economic Ties

Martin Bienz, Consul General, Consulate General of Switzerland Karachi, Pakistan

Pakistan: Terra Incognita

Thomas Wernly, Ambassador (ret.), Co-Chairman Pakistan Committee of SACC, Evilard, Switzerland

ABB Attains New Heights of Operational Growth in 2007

Focus on ABB in Pakistan

Farhat Ali, President & CEO, ABB, Lahore, Pakistan

Cambodia Committed to Reform, Expects 7 pc Growth in 2008

Samdech HUN SEN, Prime Minister of the Royal Government of Cambodia, Phnom Penh, Cambodia

Resilient Indonesia on Path of Economic Recovery

Dr. Andin Hadiyanto, Director - Business Climate Research & Development Center, Trade Research and Development Agency, Ministry of Trade, Jakarta, Indonesia

The New President's 747 Pledge for Achieving Korea's Second Economic Miracle

Dr. Tong Soo Chung, Head of Invest Korea, Seoul, Korea

Korea's Daedeok Innopolis, a Nursery for New Business

Oh Suk Kwon, Team Leader of Investment Public Relations Team, Invest Korea, Seoul, Korea

Lao PDR: A Small Country Holding Huge Untapped Investment Potential

Barbara Möckli-Schneider, Secretary General, Member of the Executive Board, Chairman Laos, Cambodia and Myanmar Committee, SACC, Zurich, Switzerland

Global Growth Prospects to Drive Malaysian Economy to New Peak

Patrick H. Kriesemer, Member of the Executive Board and Chairman Malaysia and Brunei Committee, SACC, Kriesemer & Partner, Zurich, Switzerland

Philippines On the Path to Permanent Economic Growth & Stability

Hon. Gloria Mapagal Arroyo, President of the Philippines, Manila, Philippines

Integration Advantage

Kosit Panpiemras, Thailand's Deputy Prime Minister, Bangkok, Thailand

Thailand in 2008: Celebrating the Year of Preferred FDI Destination

Duangjai Asawachintachit, Acting Director & Tanita Sirisup, Senior Investment Promotion Officer, Investment Marketing Bureau, Thailand Board of Investment, Bangkok

Vietnam's Economy Surges Forward, 20 pc ROI Seen in '08

Nguyen Ngoc Son, Ambassador, Socialist Republic of Vietnam, Berne, Switzerland

Useful Information

Fairs & Exhibitions

Membership and SACC Journal Subscription

Impressum

Publisher: Swiss-Asian Chamber of Commerce

Editor: Barbara Möckli-Schneider, Secretary General

Copyright: SACC

Advertising

Conditions available at the Swiss-Asian Chamber of Commerce, Post Box No. 1073, CH-8032 Zurich/Switzerland, Phone: +41 41 620 88 02. Fax: +41 41 620 88 03 e-mail: sacc@sacc.ch website: www.sacc.ch

Layout and Printing

New Media Communication Pvt. Ltd. New Media House, 1 Akbar Villa, Near Temptation Restaurant, Marol Maroshi Road, Andheri (E), Mumbai - 400 059, India. e-mail: enquiry@newmediacomm.biz www.newmediacomm.com

Circulation: 4000 copies

SACC-Journal Subscription for two years CHF 20

Cover Picture: Karachi, Pakistan

Dear Reader,

Let me kick off my brief address with a Disclaimer as well as an Encouragement. In fact, it ties well into the presentation of my Co- Chair, A. Ambassador Thomas Wernly, who labels the country as Terra Incognita.

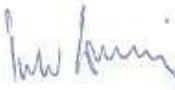
There are far more eminent writers on Pakistan than me. Until rather recently, my personal affinity didn't get me beyond the stop-overs during my childhood trips in the 50's, commuting from native Philippines to Switzerland and back. Since then, as to most of us, Pakistan got lost somewhere between Oil supplying Middle East and the Tiger Economies of East Asia. And even when attention turned to the Sub-Continent, India caught the limelight due to a perceived economic rivalry with Mainland China. Political uncertainties in neighbouring Iran and Afghanistan didn't help either. However, Pakistan is Asia, very much a place for Entrepreneurs.

So when my company Parazelsus negotiated with Novartis in late 2006 to acquire their national Distribution set-up, it was indeed Terra Incognita. A year later: profitable annual sales of US\$ 80 million, nine branches, 550 staff and great prospects. Given the political upheavals during this past period, what went well? Admittedly, we inherited a professional organisation, but outsourced services, such as I.T., banking, legal and audit turned out to be equally professional. Governmental services too were most efficient, with all necessary registrations completed within weeks. And the post-Bhutto assassination riots? No depots or offices looted, just one (out of 52) pannel van beaten up, but staff and stock untouched. Disruption of business due to riots and elections? Sure, we lost sales due to closing down over those days, but subsequently recovered all of it.

Growth in 2007 was clearly double-digit, and this in line with many other industries. For Parazelsus, not entering Pakistan would have been a lost opportunity.

It remains for me to wish you an enlightening lecture of the other articles in this issue of the SACC Journal.

Sincerely,



Peter Zuellig

Co-Chairman Pakistan Committee, Swiss-Asian Chamber of Commerce, Zurich
e-mail: sacc@sacc.ch



Pakistan's Economy Stabilizes, Outlook bright for 2008

Pakistan has one of the fastest growing economies in Asia, with an average GDP growth rate of around 7.0 percent for the past five years. Pakistan's economy has shown resilience in the face of various exogenous shocks: high oil prices, the 2005 earthquake, the twin perils of religious extremism and terrorism and their terrible consequences, including the assassination of former Prime Minister Benazir Bhutto. While the peaceful parliamentary elections of 18 February 2008 saw a change of government, all political leaders are committed to pro-growth and pro-business policies. The economic outlook looks positive in the medium term and Pakistan is expected to sustain its high-growth momentum.

Macroeconomic reforms, initiated in 2000, set in motion restructuring, privatization, deregulation and liberalization. Pakistan has steadily improved its fiscal balance by not only reducing the budget deficit but also by prudently trimming public debt. Existing

current accounts and trade deficits pose a major challenge in the short to medium term. The shortfall is met by Foreign Direct Investment (FDI), capital flows, privatization proceeds, and workers' remittances from abroad. In 2007, remittances alone were worth US\$5.5 billion. A continued accumulation of foreign exchange reserves reached over US\$15 billion in 2007, up from a mere US\$400 million in 1998 providing the much needed stability to the exchange rate.

One of the key results of Pakistan's structural reforms is an investor-friendly environment. According to a study entitled "Doing business 2008" published by the World Bank and IFC, conducting business has become easier in Pakistan. Pakistan is ranked 76 while China ranked 83 and India 120 in the global rankings of 178 economies. In addition, Pakistan ranked 19 in terms of protection of foreign investments.

Pakistan permits 100 percent foreign share



By **Ayesha Riyaz**, Ambassador
Embassy of Pakistan, Bern, Switzerland
E-mail: parepberne@bluewin.ch



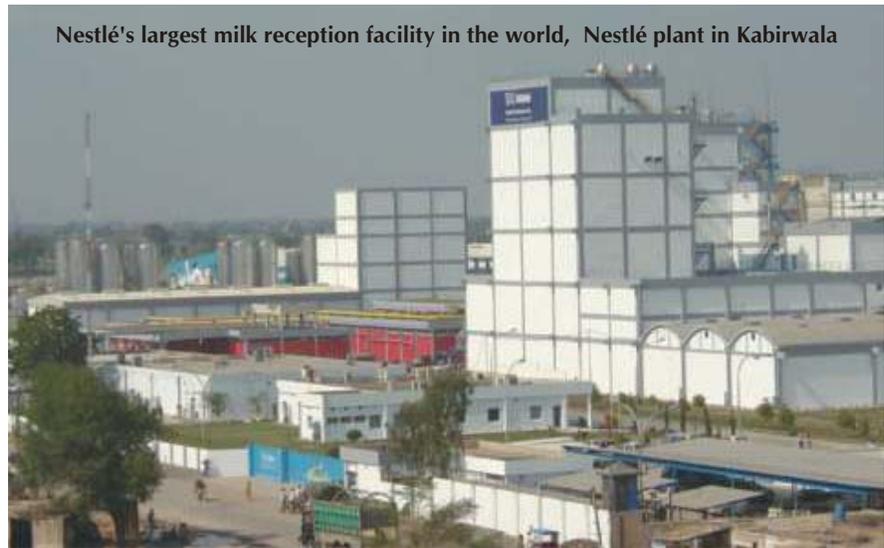
Inauguration ceremony of Nestlé's state-of-the-art milk processing plant in Kabirwala

holding in almost every sector. The country has been able to lower taxes for both foreign and domestic investors. Pakistan provides a level playing field to foreign investors. In fact, foreign investors receive preferential treatment in land allocation. In Fiscal Year 2007 (ending June 2007), Pakistan attracted Foreign Direct Investment of US\$5.12 billion, a 46 percent increase from the previous fiscal year. Pakistan's Board of Investment (BOI) facilitates foreign companies and investors by providing information on various incentives, including special economic zones, a 5-year tax exemption and duty-free import of machinery, etc.

Pakistan's banking sector is one of the major beneficiaries of reforms with over 80 percent of banking assets in private hands and almost 47 percent with foreign shareholding. In March 2007, Credit Suisse announced its intention to launch operations in Pakistan with an office in Karachi. According to Dr. Shamshad Akhtar, Pakistan's first woman Governor of the State Bank of Pakistan, private sector credit has expanded by more than 30 percent in fiscal 2007. Other high growth sectors include telecommunications, information technology, oil and gas exploration and production, as well as real estate.

One of the more recent success stories is that of Nestlé, which has been operating in Pakistan since 1988. Nestlé's state-of-the-art milk processing plant in Kabirwala, Pakistan was inaugurated in March 2007. The Kabirwala plant is Nestlé's largest milk reception facility in the world a with processing capacity of 2 million litres of milk per day.

Since 1991, Pakistan has pursued a privatization policy and completed or approved the sale of 166 public sector units. Today, the Privatization Commission provides a number of opportunities in oil & gas, power, engineering, financial institutions, minerals, and tourism sectors. Pakistan Petroleum and Pakistan State Oil, top the list for sale in 2008. Pakistan has been able to tap into international capital markets.



Nestlé's largest milk reception facility in the world, Nestlé plant in Kabirwala

Last year Pakistan's 10-year eurobond was heavily oversubscribed and new eurobond offerings are expected to be floated around April-June 2008. Pakistan is also pursuing the issuance of Global Depositary Receipts (GDRs) of various entities including the National Bank of Pakistan, Habib Bank Limited, Kot Adu Power Company and Pakistan Petroleum Limited.

For the past few years, the Karachi Stock Exchange is one of Asia's best performers. As on 31 December 2007, there are 654 companies listed with a market capitalization of over US\$ 70 billion. After the February elections, the KSE 100 index broke the 15,000 barrier for the first time. This is a stark comparison to five years ago, when the KSE 100 was hovering around the 4500 mark. In Fiscal 2007, foreign portfolio investment hit a record US\$3.2 billion as compared to the previous year's US\$964 million.

High economic growth has resulted in higher energy consumption. The present demand for energy far exceeds supply and, over the next two decades, it is expected to increase by another 350 percent. In order to meet this challenge, the government is moving from a predominantly state-controlled environment to a private sector role in the development and management of the industry. There are immense opportunities for Swiss investors in all

energy-related sectors. Switzerland exploits between 80 and 90 percent of its hydroelectric potential whereas in Pakistan it is less than 15 percent. Since Switzerland is a major foreign investor in Pakistan and has a proven track record of excellence in exploiting hydroelectric potential, it would be mutually beneficial if the Swiss private sector could explore setting up hydroelectric generation units in Pakistan.

Bilateral trade is very limited. There is room for expansion: according to 2007 Swiss Customs data, Swiss exports to Pakistan were valued at CHF 330 million (or just over 1 percent of Pakistan's imports) while imports from Pakistan amounted to CHF 72 million approximately. Pakistan is keen to sign a Free Trade Agreement with Switzerland within the context of the European Free Trade Association (EFTA) and talks to this end commenced in October 2007. I have no doubt that the establishment of the Pakistan Chapter in the Swiss-Asian Chamber of Commerce (SACC) is a milestone which will catalyze our economic bilateral relations. +

Growing Swiss-Pak Trade Strengthens Economic Ties

Milestones at a glance

Switzerland recognized Pakistan right at its independence in 1947 and opened its first diplomatic mission in Karachi in 1949 which was the capital city at the time. In 1968, the Embassy relocated to Islamabad and at the same time the Consulate General of Switzerland was established in Karachi which became -with its current population of 17 million - one of the largest cities in the world and remains the economic and financial hub as well as the leading seaport of the country.

In 1966, the two countries signed an Agreement on technical and scientific cooperation which paved the way for a continuous and very successful cooperation in many fields. Pakistan became a priority country in the framework of Switzerland's global development cooperation and in 1977 the Swiss Agency for Development and Cooperation (SDC) opened its office in Islamabad. The main objective of this partnership has always been poverty

alleviation and today's priorities consist of the broad domains "income generation" and "improving governance". SDC along with Swiss NGOs also provided immediate assistance in the aftermath of the 2005 earthquake and contributed significantly to the international rehabilitation and reconstruction efforts.

During the Indo-Pakistani War of 1971 Switzerland represented Pakistani interests in India and vice versa. In the 1970s and 1980s, Switzerland concluded several debt-rescheduling agreements with Pakistan. A number of economic treaties were concluded in order to facilitate business activities between the two countries. Most important are the Convention for the Avoidance of Double Taxation and the Convention on the Promotion and mutual Protection of Investments.

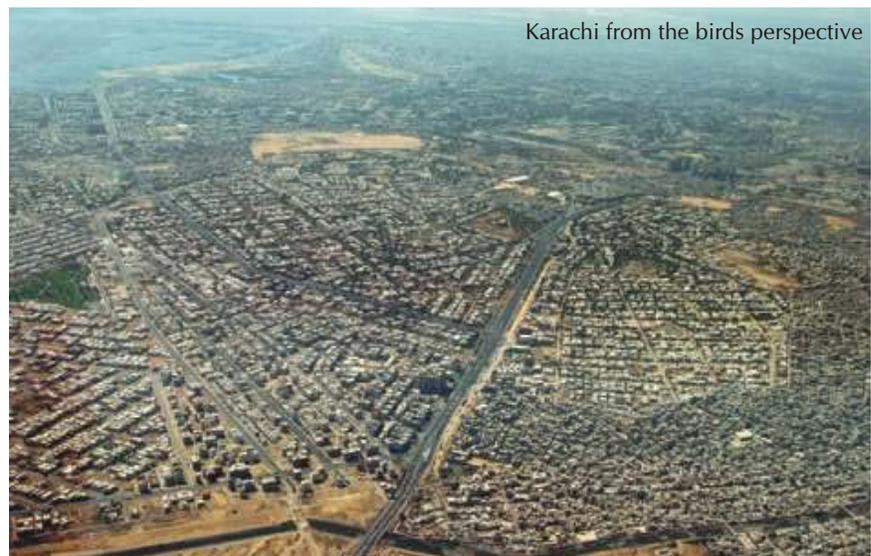
Economic relations

In the past few years, Pakistan's economy showed a remarkable performance and



By **Martin Bienz**, Consul General
Consulate General of Switzerland
Karachi, Pakistan

E-mail: martin.bienz@eda.admin.ch



Karachi from the birds perspective

Pakistan at a Glance

Official name

Federal Capital

National language

Land area (000 square kilometers)

Population

Density

Largest cities and their population (approx.)

GDP growth rate

Unemployment rate

Inflation

Exports

Imports

Islamic Republic of Pakistan

Islamabad

Urdu (English is used in official correspondence)

796.1

158.70 Mio

197 per sq. Km.

Karachi (17 Mio)

Lahore (10 Mio)

Rawalpindi (3 Mio)

Faisalabad (2.5 Mio)

Hyderabad (1.5 Mio)

Peshawar (1.3 Mio)

Quetta (0.8 Mio)

7 %

6.2 %

7.8

16976 (Mio USD) FY 2007

30540 (Mio USD) FY 2007

one of the highest GDP growth rates in the region (5.7 percent in average over the past seven years). In 2007, the index of the Karachi Stock Exchange rose by the impressive rate of 40 percent. Major challenges are the inflation and the current account and fiscal deficits. The State Bank of Pakistan maintains an optimistic economic outlook by projecting a GDP growth of 6.5 percent for the current fiscal year.

In line with these positive trends, economic ties between Switzerland and Pakistan have evolved substantially. For several years, Switzerland has been and continues to be one of Pakistan's top 10 partners in terms of direct foreign investment (FDI). A number of multinational companies from Switzerland are operating very successfully in Pakistan and count a total workforce of nearly 7,000 employees. ABB, Clariant, Gate Gourmet, Nestlé, Novartis, Polygal, Roche, SGS, SICPA, Syngenta and others have achieved

leading market positions in their respective fields. Nestlé for example became the largest food and beverages company in Pakistan and inaugurated



Karachi City

plant in the province of Punjab reaching 150.000 farmers spread over 100.000 sq km. Novartis and Roche are the 4th and 9th most important manufacturers of pharmaceuticals in Pakistan. Besides, many SMEs from Switzerland are present in the Pakistani market through local agents or own subsidiaries.

The trade volume has exceeded the mark of 400 million Swiss Francs in 2007 and there seems to be more potential. Switzerland's exports amounted to 330

million Swiss Francs and included machinery, pharmaceuticals, chemicals and watches. Swiss textile machines for example enjoy an excellent reputation in Pakistan's textile industry, which is the country's key industrial sector, and have a significant market share. Pakistan is exporting mainly textiles, garments and agricultural products to Switzerland.

In 2007, a high-level business delegation from Switzerland led by the State Secretariat for Economic Affairs (Seco) visited Karachi and Islamabad for the first time in several years to assess the economic situation and to explore further opportunities for trade and investment. The findings of the mission were encouraging in the light of the existing business and market potential driven by the consumer demand of a growing middle class and massive infrastructure

hand.

There are about 200 strategic alliances between Swiss and Pakistani companies. In order to provide a business and networking platform for all stakeholders, the Swiss multinational companies have taken the initiative to form the Swiss Business Council in Karachi which will become operational in the weeks to come. This new private sector body is designed to further stimulate the economic relations between the two countries. +

Karachi container port



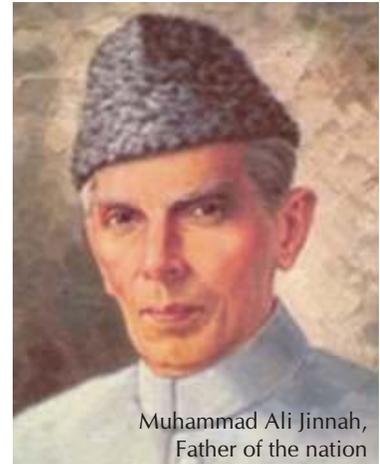
Pakistan: Terra Incognita

These days mass media are paying quite a lot of attention to Pakistan. Journalistic interest in this context is, however, focused upon terror acts and political instability in the country. Everywhere in the world press reports tend to concentrate on negative aspects of occurrences, but with regard to Pakistan this tendency seems even more accentuated.

I had the honour to represent Switzerland as an Ambassador to the Islamic Republic of Pakistan from 1993 until 1996. I must admit that my own knowledge of the country was rather limited when I took up my new post in Islamabad coming from Lagos/Nigeria. Obviously I had become a victim of the incomplete press coverage of Pakistan myself.

To most people Pakistan is a kind of "terra incognita" indeed. Let me mention therefore just a few basic facts concerning Pakistan:

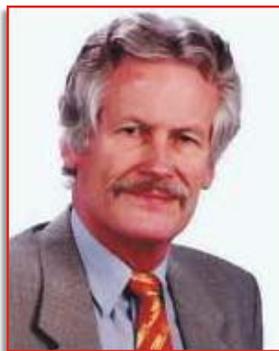
- Pakistan is the six most populous country in the world (164 million people) following China, India, the United States,



Muhammad Ali Jinnah,
Father of the nation

Indonesia and Brazil

- Pakistan has the second largest Muslim Population in the world (160 million people)
- Pakistan is holding rank 35 in the list of countries by land mass (796'095 sq km, excluding Pakistani-administered Kashmir's 83'716 sq km)
- Climate is extremely varying from region



By **Thomas Wernly**,
Ambassador (ret.), Evillard, Switzerland.
Co-Chairman Pakistan Committee, SACC

E-mail: wernlythr@postmail.ch



Farewell visit by Swiss Ambassador Thomas Wernly at the residence of Benazir Bhutto, April 1996

K2, 8611m,
world's second highest mountain



to region: mostly hot, dry desert; temperate in northwest and arctic in north

- Major languages are English, Urdu, Punjabi, Sindhi, Pashto, Balochi
- life expectancy is 65 (men) and 66 (women)
- Age structure: 0-14 years = 36,9%, 15-64 years = 58,8%, 65 years and over = 4,3%
- Population growth rate: 1,828% (2007 estimation)
- Literacy: 49,9% (male 63%, female 36%), 2005 estimation
- GDP per capita (2007): 2,600 US \$ (2007 estimation)
- GDP real growth rate: 6.3% (2007 estimation)
- Labour force: 49,18 million (2007 estimation)

Marina Club in Karachi



- Labour force by occupation: 42% agriculture, 38% services, 20% industry (1994 estimation)

The Muslim-majority state of Pakistan occupies an area which was home to some of the earliest human settlements and where two of the world's major religions, Hinduism and Buddhism, were practiced. The modern state was born out of the partition of the Indian sub-continent in 1947 and has faced both domestic political upheavals and regional confrontations. War with India over the disputed northern territory of Kashmir came shortly after independence. The two countries fought again in 1965. In 1971 the country broke up into two parts when the mainly Bengali speaking East seceded with the support of India and constituted the People's Republic of Bangladesh. Since the Nuclear Non-Proliferation Treaty (NPT) entered into force in 1971, three states that were not parties to the Treaty have conducted nuclear tests. Pakistan was among them, with India and North Korea.

When I served in the "land of the pure" my host country was in a fairly stable condition. Since its independence Pakistan had, however, experienced many critical situations, but always managed to overcome. At present, the country is afflicted by terrorism and challenged by a domestic political crisis. Despite all these turbulences Pakistan's economy has been growing at an average rate of almost 7.0 percent per annum for the past five years. Pakistan has also succeeded in building foreign exchange reserves from an insignificant \$400 million in 1998 to more than \$15 billion today, providing much-needed stability to its exchange rate. Economic restructuring, privatization, deregulation and liberalization were the hallmarks of economic development in recent years. The biggest challenge Pakistan is facing today are job creation, poverty alleviation, improving social indicators and, most importantly, strengthening the country's physical infrastructure.

I am confident that Pakistan has a fair

Badshahi Masjid in Lahore



chance to master all the internal and external challenges which it is facing. With a rapidly growing population of about 160 million, Pakistan is a major country, recognized by the international community, and is one of the most important factors in the Islamic world. The nation's biggest strength is its human capital. 100 million people are below the age of 25. They are a challenge as well as a great opportunity. Muhammad Ali Jinnah, Father of the Nation" (1876-1948), was certainly right when he stated in 1947 that „there is no power on earth that can undo Pakistan“.

Based on its geographical location, Pakistan has close political and economic relations with the Middle East, Central and South Asia. It is the main gateway to Central Asia and supplier to the Emirates. Economic links with South Asia have been less effective in the past due to the strained relations with India on the Kashmir issue. However, the realization of a South Asian Free Trade Area (SAFTA), comprising Pakistan, India, Nepal, Sri Lanka, Bangladesh, Bhutan and the Maldives, is on its way. Chances for a substantial growth of intra-regional trade are high.

Pakistan is certainly an emerging market which offers interesting business opportunities for the Swiss economy. With its large population Pakistan has the potential to grow its labour intensive exports and could capitalize on the process of low-cost production that China and India have so successfully exploited. I am convinced that Switzerland's business community has some good reasons to carefully explore the "terra incognita" of Pakistan!

+