

Government of Pakistan
Ministry of Investment
BOARD OF INVESTMENT
- Media Section -

PRESS RELEASE

SUBJECT: MARKUP RATES TO BE REDUCED SOON MINISTER OF STATE

(Islamabad, 6th December, 2008): The Minister of State and Chairman Board of Investment (BoI) Saleem H Mandviwalla has said that Mark-up rates will start coming down in first quarter of next calendar year and decision has been made to abolish 35 per cent L/C Margin on auto sector.

The Chairman BoI was talking to Chinese investors here at Lahore Chamber of Commerce and Industry on Friday. LCCI President Mian Muzaffar Ali, Senior Vice President Tahir Javed Malik and Vice President Irfan Iqbal Sheikh also spoke on the occasion. Around 38 Chinese companies including 20 from Islamabad, 17 from Lahore and one from Northern Areas actively participated in the meeting and presented their point of views on investment scenario in Pakistan.

The Minister said that the notification regarding L/C margin for the auto sector would be issued in a few days. The Minister, who spent well over two hours at the LCCI, said that the interaction with Chinese investors would not only further strengthen the socio-economic relations between the two brotherly countries but would be helpful to the government in evolving its future strategy vis a vis foreign investment. He said that Agriculture and Industry are the priority areas for the government for foreign investment. The Minister said that a number of Chinese companies were already operative in Pakistan in power sector while many were vying to put their money in this particular area to help Pakistan get out of energy crisis.

He assured the Chinese Investors that all their security concerns would be addressed in away they wanted to. He, however, made it clear that decision-making, viability and return is important in investment not law and order. He said that Pakistan, for being a land of opportunities, had a huge potential for Chinese businessmen to put their money here. He said initiation of Joint Ventures is another area to reap rich dividends. The Minister said that the present meeting is a sequel to President Asif ali Zardari's visit to China and the MoUs signed during his visit would prove helpful in further cementing the trade relations between Pakistan and China. Speaking on the occasion, the LCCI President Mian Muzaffar Ali said that globalization has provided Chinese investors a golden opportunity to relocate their large scale industry to Pakistan to reap the benefits of its most conducive business policies as compared to other regional countries. He said Pakistan is strategically located providing shortest route to China for Middle East, Africa and Europe.

He said the trade between Pakistan and China through proper channel has increased from US\$ 1,489 million in 2004-05 to US\$ 2,956 million in 2006-07 showing an increase of around 100% over a period of three years. The volume of trade between the two countries is expected to increase to US\$ 15 billion over the next 5 years as a

result of FTA between the two countries. Mian Muzaffar Ali said that the balance of trade between the two countries is heavily in favour of China, which requires to be turned into a win – win situation for both the countries. Major imports of Pakistan from China include iron, steel products, tyres, tubes, chemical, medical, pharma products, fertilizers, yarn and thread of synthetic fiber, railway vehicles. spare parts hand tools and hardware products etc. The LCCI Senior Vice President Tahir Javed Malik said that specific areas for investment/joint ventures could be coal mining, power generation, machinery, chemicals, building materials especially cement production, textiles, synthetic fabrics, electronics, leather, paper and paper products and foodstuffs.

The possibilities of joint ventures for *Halal* meat production and export to Muslim countries would be one of the most promising propositions for the Chinese investors. Tahir Malik said that the government has prepared a special incentive package for the Chinese companies under Special Economic Zone, which offers exemption of custom duties (on import of machinery/equipment) income tax and sales tax to attract foreign investment from China.

The LCCI Vice President Irfan Iqbal Sheikh stressed the need for exchange of sector-specific delegations between Pakistan and China so that the businessmen from both the sides could be able to have first hand knowledge about the available opportunities.
