

# PAKISTAN

Ambitious republic is building on its enviable strategic location and excellent natural and human resources

## Asian gateway eyes Japanese investment

*Greater political, social and fiscal stability has sparked a great deal of interest in a powerful economy tipped to be one of the world's largest over the next three decades*

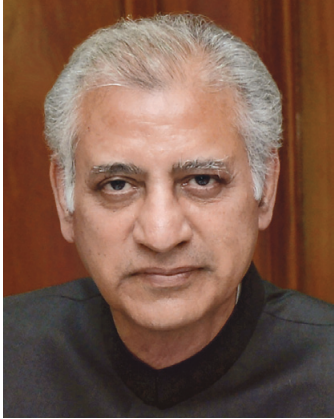
Through excellent cooperation and a united front in challenging conditions, Pakistan has greatly improved the difficult security situation that had threatened to overshadow many of its impressive socioeconomic development achievements.

A concerted effort by the government and military — particular by the joint offensive Zarb-e-Azb — with the help of the population has successfully eliminated terrorism in many areas.

This breakthrough has enabled the regional economic powerhouse of 200 million people — of whom half speak English and two thirds are aged under 30 — to reap the benefit of greater social stability.

It has also created a wave of foreign direct investment (FDI) as it reinforces its reputation as the ideal gateway to a region of 3 billion people.

This solid progress has been repeated in the political spectrum, where the democratically elected administration of pro-business Prime Minister Muhammad Nawaz Sharif has



Ashraf Mahmood Wathra  
Chairman and Governor  
State Bank of Pakistan

avoided protectionist tax policies favored by former governments.

Meanwhile, outdated perceptions of Pakistan have been replaced by those of a modern society where free enterprise thrives, and an independent media holds officials and organizations to account.

Forecast by leading international consultants to triple its economy by 2050 and become the world's 16th-latest economy by 2030, Pakistan enjoyed solid single-digit percentage growth in 2016.

In addition, FDI during the first five months of the current fiscal year totaled \$460 million, of which almost a third was allocated to the energy sector to help solve persistent power shortages that have acted as a brake on the pace of development.

Ashraf Mahmood Wathra, chairman and governor of the State Bank of Pakistan, stated: "We are currently at around 4.7 percent GDP annual growth, but to achieve what you could call an 'Asian Tiger' status, we need at least 7 percent growth.

"This is achievable if we carry on reforming our markets at the same pace."

The financial expert continued: "Our policies are very user friendly for foreign investors as there is no bar on having 100 percent shareholding; there is no requirement to have a local partner. There is no restriction on remittances on the taking back of profits."

Ahsan Iqbal, minister of planning, development and reform, acknowledges plenty of work remains in areas like power generation and general civil infrastructure development, but is eager to highlight the investment openings created by such projects and the progress.

"In 2013, our manifesto revolved around solving four key issues in Pakistan; we called them the four E's:

Extremism, Energy, Economy and Education," he said.

"These areas have been the focus of our government. Since we came into power, energy shortages have been reduced by 50 percent.

"We have been able to provide industry with uninterrupted power and have undertaken the

This drive is part of the government's economic and structural reforms agenda that, along with deregulation and good governance, seeks to enhance the growth and productivity by harnessing the private sector as its engine of growth.

Mohammad Zubair, former minister of state and chairman

and this has been a priority for Pakistan.

"Japan has been at the forefront of investment in Pakistan over the last 60 years. They stood by us when the economy was performing poorly and kept faith in the potential of this country, Pakistan will not forget this."

This positive message to Japanese investors comes as the two countries celebrate the 65th anniversary of diplomatic relations that started in 1952 and have flourished to pave the way for mutually beneficial trade and investment policies.

The Japanese Ambassador to Pakistan, Takashi Kurai, took up his position in April 2016 and is very enthusiastic about his new home in the capital Islamabad, describing Pakistan as a country of "rich culture, long history and well-preserved traditions."

"Pakistan plays an important role not only in the region, but also in the international community as a whole," he explained. "Tremendous efforts are being made to improve the security situation in Pakistan, which is first and foremost for the sake of our dear Pakistani people.

"Nonetheless, it also helps to create a more favorable business environment, particularly for the people of Japan who consider further engagement into the Pakistani economic sphere."

The banking and financial ser-

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Ashraf Mahmood Wathra, Chairman and Governor, State Bank of Pakistan

largest energy investments in Pakistan's history.

"The world is now looking at Pakistan as a major investment location; with a population of 200 million and a middle class of 89 million, the opportunities here are enormous."

By embracing privatization for key state-owned entities across several sectors, Pakistan is overhauling some of its outdated companies to ensure they are more efficient, streamlined and focused on maximizing returns for foreign investors.

Privatization is a core component of Vision 2025, the country's long-term development blueprint, which aims to create a globally competitive and prosperous country providing a high quality of life for all its citizens.

of the Privatization Commission, said: "Pakistan has a huge focus on privatizing public entities.

"We recognize not only the financial benefits, but also the quality of the services that comes with this.

"Pakistan's energy sector is experiencing huge growth and by March 2018 we will be completely energy self-sufficient.

"Pakistan has already undergone a lot of privatization, but there are many more areas we want to privatize and the major restructuring process is happening right now.

"Regional trade has been a critical focus of our government. We have recognized the importance of trading with our neighbors, but for regional trade you must have regional peace

vices industry comprises nearly 40 banks and various local and international fiscal institutions that provide a range of services such as insurance products and investment portfolios.

According to State Bank Gov. Wathra, annual asset growth percentages are now in the double digits.

With a primary focus on retail banking and trade finance, Habib Metropolitan Bank (HMB) was established 25 years ago and has extended its footprint so that is now boasts modern branches in all major cities nationwide.

HMB's Islamic Banking division caters to customers seeking Sharia-compliant products. The

really dynamic marketplace. South Asia is going to be the epicenter of a lot of economic activity in the next 10 to 20 years.

"We are in a very prominent geostrategic location sitting at the mouth of the Persian Gulf.

"There are lots of good things happening in Pakistan that go unrecognized by the international media.

"We have had a political democracy and a smooth transition from one serving government to another that has never happened in our 69 year history.

"That is reflective of a growing amount of political consciousness among people that the power of their vote is more discerning to them and they will

***"Pakistan is a very promising market and Japanese investors should hurry, before it becomes an emerged market."***

Sirajuddin Aziz, President and CEO, Habib Metropolitan Bank

principal shareholder of the bank is the Switzerland-based Habib Bank AG Zurich.

"There is a lot of money to be made in Pakistan, not just on the equity markets, but via production facilities as the cost of production is much lower than the surrounding areas," highlighted HMB President and CEO, Sirajuddin Aziz.

"We are competing within a

be able to sift through the politicians and get the right people up there."

The senior executive has a very upbeat view about what his country has to offer that he wishes to share with investors from Japan and other nations.

"Pakistan is a very promising market and Japanese investors should hurry here now before it becomes an emerged market."

## Investment in education means first-class future

*By investing heavily in areas like education, Pakistan is building a very bright future and optimizing its human resources development*

Over the past few years, the government of Pakistan has invested billions of dollars in new infrastructure projects to improve the quality of life for millions of people by giving them access to better highways, homes, schools, universities, hospitals and telecoms services.

"We want Pakistan to be fully integrated into the region, hence why we have prioritized our road, train and port infrastructure so we can connect this market of 3 billion people together," revealed Minister of Planning,

Development and Reform Ahsan Iqbal.

"We developed Vision 2025 with a focus on seven pillars: human resources, sustainable growth, governance reform, integrating food water and energy security, developing our productive sectors, developing our small and medium-sized enterprises and the role of our private sector, and infrastructure and regional connectivity."

The minister continued: "Pakistan is becoming a hotspot for IT start-ups and we see

Pakistan as a major player in the IT arena.

"Two years ago, we launched both 3G and 4G licenses that have brought along many new opportunities. It is time for international investors to come before long queues form.

"In the last three years, we have more than doubled the allocation of funds for higher education and technical education."

At the forefront of this public and private sector program to maximize the country's abundant human resources through



Hasan Sohaib Murad  
Rector, UMT Lahore

outstanding education in many diverse fields of learning is the University of Management and Technology (UMT), Lahore.

As a private university located in Johar Town, Lahore, the university is government chartered and is recognized by the respected Higher Education Commission (HEC) of Pakistan.

The university is a project of ILM Trust. Founded in 1990 as the Institute of Leadership and Management (ILM), the university is now an independent institution of higher learning offering a broad range of bachelor, master and doctoral degree programs in more than 150 disciplines.

The HEC awarded a coveted W4 rating to the award-winning university in early 2012.

"The future of Pakistan depends on the strategic devel-

opment of our human resources, we need to add more technically skilled labor to facilitate this inward investment," says UMT Rector, Hasan Sohaib Murad.

"The textile industry is the backbone of Pakistan's economy and we are already midway into finishing our special textile building. We have made one of the largest investments in the textile workforce for the next two years, more so than even the government.

"UMT is providing resources for the middle class and not the elite; our quality however is no less. Within the Punjab region we always rank either first or second in terms of quality. We

have offered many scholarships and grants to students over the past 10 years.

"We have many initiatives where we approach students in underprovided areas and provide them with the grants they need to study."

Turning to how Japan can take advantage of its strong relationship and best utilize its vast pool of young talent, the university chief is very clear.

"The Japanese need to set up training facilities in our academy here, so when our students graduate they are more familiar with

Japanese technology and would most certainly favor it more," he stated.

"One of the important things that would be ideal for the development of UMT would be the partnership with a Japanese university so we could have many beneficial exchanges.

"My message to Japanese business is do not look at those occasional snaps of [bad] news that come out of Pakistan, it taints our beautiful country. Please come and visit Pakistan to meet the people and discover the many opportunities here."

This report was produced by Global Insight and can also be read online at: [www.japantimes.co.jp/international-reports](http://www.japantimes.co.jp/international-reports)



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# House of Habib



ALI S. HABIB

“Our proximity to big markets is a big leverage as we are the gateway to the whole of Western China, Central Asia and the Middle East.”

essential contributor to the country’s economy. Ali S. Habib, explaining the dynamics of the group’s business says: “The group is in several fields of businesses such as banking, insurance, automotive and parts manufacturing, chemicals, industrial & consumer goods manufacturing, retail and farming. It also participates in a joint venture with the Government of Sindh in a company called SECMC, involved in exploiting coal reserves in Pakistan that are one of the world’s largest coal deposits.”

As part of its Corporate Social Responsibility, the group is engaged in not-for-profit educational initiatives and is operating the Habib Public School and Habib Girls School with about 5,000 girls and boys. It has recently set up an engineering and liberal arts university, Habib University, with the support of Texas A&M and Carnegie Mellon University.

With such a diverse business spread in the country, many of them in collaboration with foreign companies, Ali S. Habib feels very positively about the potential of foreign investment in all business sectors in Pakistan. He says: “Our proximity to big markets is a big leverage as we are the gateway to the whole of Western China, Central Asia and the Middle East. Foreign investors can use the convenience of our open economy, skilled human resource base, low-cost environment and our I.T. proficiency to produce for exports and local consumption.”

Foreign firms have tremendous potential in Pakistan to work in conjunction with local companies. Pakistan has

had its rough times but now there exists a vibrant democracy and a system that is working. Ali S. Habib adds: “There is an imbalance in trade, with imports being twice as high as exports. CPEC is a major breakthrough that will boost construction, infrastructure, energy production and job creation.”

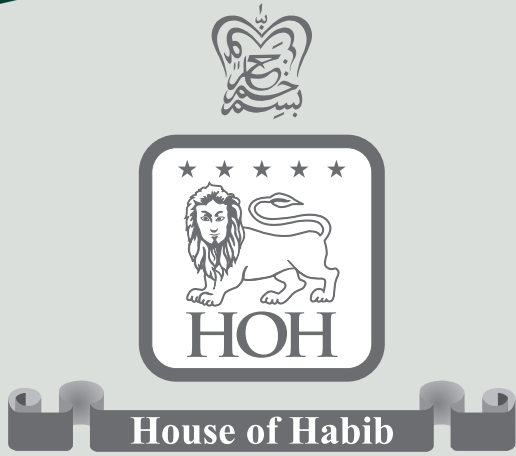
Keeping Japan in perspective, Ali S. Habib says: “For Japan, the biggest opportunity is in the automobile value chain where the House of Habib seeks to work in conjunction with other local firms along with Japanese companies to make a difference.” He also adds: “Pakistan is a huge opportunity for companies that have unique technologies and a strong knowledge base but suffer from a high cost environment in their home country. Pakistan clearly offers a window of opportunity. Japanese companies like Toyota and the auto parts companies like Denso, have found that making cars and auto parts does not necessarily need to be done in Japan where the cost might be too high. Currently, Thailand is a major manufacturing base for Toyota. Pakistan, with its low-cost, skilled and efficient labour, also aspires to become a major base in the category.”

Working in conjunction with Toyota, Ali S. Habib candidly acknowledges that “Pakistan is privileged to have the world’s top car maker in the market, which has shared its famed Toyota systems with us. Toyota has transferred considerable knowledge, systems, processes and most importantly, trust. Due to this strong partnership, unique skill-sets have been developed and transferred to other businesses in the group as well.” The concept of Kaizen is one of them which has been adopted with its unique way of thinking and is spreading to the

entire group of companies. The two pillars of Kaizen are continuous improvement and respect for people, which are the key values of the group.

Explaining the value that the House of Habib attaches to collaborations with Japan he says: “A core area of focus is the automotive industry, in addition to a joint venture with Toyota, there is also a joint venture company for making car parts with Toyota Boshoku, one of the original Toyota companies. We have a range of technical assistance agreements for auto parts manufacturing with a number of leading Japanese companies such as Denso, Kayaba, Aisin Seiki, Toyoda Gosei, Furukawa, Koito to name a few which supply to Honda, Suzuki, Hino and other automakers, besides Toyota, in Pakistan. The setting up of Indus Motor with Toyota has led to the creation of a dependable quality supplier base for the automotive industry.”

“Pakistan is now considered amongst emerging economies and its readiness to do business is at par with India. 100 percent foreign-owned companies can be set up in Pakistan without a local partner. Overall, Pakistan with about 200 million people and the 18th largest middle class, is an attractive option to invest in and can serve as a convenient production base, for automobiles and other industries,” he concludes.



Ceramics



Retail



Finance



Automotive



Education



Automotive



Packaging

House of Habib’s (HoH) legacy is over a hundred years old. From establishing Pakistan’s banking system, to revolutionizing automotive manufacturing in Pakistan, HoH has evolved into one of the most diversified Business Groups in Pakistan. Through collaboration with leading Japanese companies such as Toyota Motor Corporation, Toyota Boshoku, Ogihara and Shirokie, HoH has led the industrial development of Pakistan by manufacturing world class automobiles and automotive parts in Pakistan.

Our vision of a better future is engrained in teamwork and respect for people, two values we strongly uphold as we usher into a promising tomorrow.

A VIBRANT PAST  
A PROMISING FUTURE